

# ANNUAL REPORT 2024

QUEZON CAPITAL RURAL BANK, INC.

# TABLE OF CONTENTS

9	OUR MISSION AND VISSION
10	OUR CORE VALUES
11	COMPANY PROFILE
12	EVENT HIGHLIGHTS
14	FINANCIAL SUMMARY
16	FINANCIAL HIGHLIGHTS
17	CORPORATE SOCIAL RESPONSIBILITIES
18	RISK APPETITE STATEMENT
21	RISK MANAGEMENT STRUCTURE
24	CORPORATE GOVERNANCE
32	BOARD OF DIRECTORS
38	BOARD LEVEL COMMITTEES
41	KEY OFFICERS

# TABLE OF CONTENTS

48

PROGRAMS AND POLICIES

62

CORPORATE INFORMATION

65

PRODUCTS AND SERVICES

66

BANK DIRECTORY

68

AUDITED FINANCIAL STATEMENTS

148

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

149

SUSTAINABILITY REPORT



# Letter from the Chairman

**Dear Esteemed Stockholders,**

As we gather for the Annual Stockholders Meeting of Quezon Capital Rural Bank, Inc. in 2025, I want to take this opportunity to express my deepest gratitude for your continued trust and support. Our bank's strength and progress are the direct result of the confidence you have placed in us, and it is through your partnership that we continue to thrive and grow, even in the face of challenges.

2024 has been a year of significant change and opportunity for Quezon Capital Rural Bank, Inc. Despite global and local economic uncertainties, we have remained steadfast in our commitment to our core values—providing reliable, customer-focused financial services to the communities we serve. With your support, we have been able to implement key initiatives aimed at improving our digital infrastructure, enhancing customer experiences, and driving financial inclusion, particularly for rural sectors.

We are proud to report growth in our financial performance, and we remain optimistic about the future. This year, we have made considerable strides in expanding our loan portfolio to support small and medium enterprises, as well as farmers and entrepreneurs in rural areas. This is in line with our long-term strategy of fostering economic development and creating sustainable opportunities for the communities that rely on us.

Looking ahead, we recognize the need to adapt to an ever-evolving banking landscape, where technology and customer expectations continue to shape the future of financial services. We continue to pursue the development of QCRB's mobile app. We remain committed to innovation and excellence as we work towards enhancing our operational efficiency and delivering value to all our stakeholders.

As always, our focus remains on maintaining a solid financial foundation while upholding our responsibilities to you, our stockholders. Our aim is to not only meet but exceed your expectations as we continue to build a resilient and prosperous bank.

In addition, as part of our Corporate Social Responsibility, QCRB continues to contribute to QCRS College academic scholarship and educational grant program. With the opening of a new course in Bachelor of Science in Accountancy the school population have doubled and more students were able to benefit from the scholarship programs.

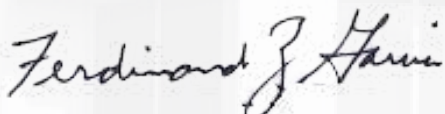




I would like to extend my sincerest thanks to my fellow board members, our dedicated management team, and every member of the QCRB family for their hard work and unwavering commitment to excellence. Together, we will continue to lead Quezon Capital Rural Bank, Inc. into an even brighter future.

Thank you for your continued trust, and I look forward to another year of growth, collaboration, and success.

Sincerely,

A handwritten signature in dark ink, reading "Ferdinand Z. Garcia". The signature is fluid and cursive, with the first name "Ferdinand" being more prominent.

**FERDINAND Z. GARCIA**

**Chairman of the Board**

Quezon Capital Rural Bank, Inc.



# 2024 Annual President's Report

**"Together, we will face the challenges ahead with determination and optimism, holding true to our promise – *We care you grow.*"**

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## **Dear Fellow Stockholders,**

With great pride and gratitude, I present to you this year's annual report, marking the 51st Annual Stockholders' Meeting of our esteemed organization. More than just a review of our achievements, this milestone represents the legacy of over five decades of hard work, collaboration, and untiring commitment to excellence.

This past year, we made significant progress and achieved growth despite the challenges of a dynamic and competitive landscape. As we celebrate these achievements, we are reminded of the invaluable contributions of our board of directors, employees, and clients. It is through their trust and dedication that we continue to thrive and reach new heights.

## **Financial Highlights**

In the fiscal year 2024, QCRB demonstrated its resilience and progress, as reflected in the following key financial indicators:

### **Loans and Other Receivables**

Our Loan Portfolio witnessed a notable increase this year, rising by 5.49% to a total of 2.590 billion, up from last year's 2.455 billion. We also achieved an impressive 107.18% of our loan release target, amounting to P964.6 million. On top of that, our past due ratio improved from 8.18% in 2023 to 6.27% in 2024, lower than the industry average for rural banks, highlighting our commitment to responsible lending and effective risk management.

### **Deposit Liabilities**

The Deposit Liabilities experienced a solid growth, climbing to 3.733 billion from 3.582 billion. This achievement was largely fueled by the limited offering of our Gold Time Deposit, launched as part of the celebration for QCRB's 50th anniversary.

Our regular savings deposits also increased, which is a clear testament to the trust of our valued depositors and the bank's continued delivery of competitive and excellent personal service.

### **Net Income**

This year, the bank recorded a decline in net income, from P48.418 million to P25.895 million, despite an increase in interest income from loans and other receivables. The decrease was primarily attributed to the bank's decision to book additional loan loss provisioning of P20.8 million to bolster its financial buffer against risk in loan exposure and prepare the Bank for future growth. This step underscores our adherence to regulatory requirements and adopting a proactive approach to risk management, further strengthening the bank's resilience and ensuring its long-term stability.

### **Assets and Net Worth**

Our Total Assets grew by 168.9 million, largely driven by the growth of our Loan Portfolio and investments in financial assets. Additionally, our Stockholders' Equity reflected a modest increase, reaching 496.7 million – an improvement of 1.84% compared to the previous year.

### **National Industry Ranking**

Beyond QCRB's financial performance, it is important to present our position in the national industry rankings. While there have been some shifts this year, these changes are a reflection of the increasingly competitive and fast-evolving market landscape, which also presents new opportunities for growth and innovation. Specifically, our Stockholders' Equity ranking adjusted from 18th to 20th and Total Assets from 14th to 16th. On a lighter note, Total Loans and Receivables and Total Deposit Liabilities ranking remained at 13th and 12th places, respectively. These rankings are based on the BSP Statistics of Financial Statements for Rural and Cooperative Banks nationwide.

Nevertheless, these movements do not overshadow the substantial progress we have made across these areas. They only highlight our resilience and ability to thrive even in a challenging environment. As other institutions experience accelerated growth, we remain focused on refining our strategies, driving innovation, and building on our strengths to further solidify our position. Our dedication to creating value for our stakeholders and fostering sustainable growth remains at the forefront as we adapt and thrive in this dynamic landscape.

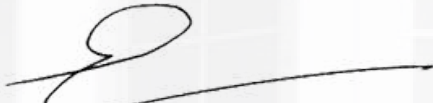
### **Looking Ahead**

As we look ahead, QCRB remains committed to building on the strong foundation we have established over the years. We are excited to pursue new opportunities for growth and innovation, including the development of our mobile banking services,



We are excited to pursue new opportunities for growth and innovation, including the development of our mobile banking services, expanding our financial offerings to meet the evolving needs of our customers, and investing in sustainable initiatives that contribute to long-term success. None of this would be possible without the support of our stockholders, the strategic insights of our directors, and the dedication of our senior management and employees, who work tirelessly to bring our vision to life. Together, we will face the challenges ahead with determination and optimism, holding true to our promise – We care you grow.

Warm regards,

A handwritten signature in black ink, appearing to read 'Atty. Edward Leandro Z. Garcia, Jr.', with a large, stylized loop at the end.

**ATTY. EDWARD LEANDRO Z. GARCIA, JR.**

President & Chief Executive Officer

# QUEZON CAPITAL RURAL BANK, INC.

## 2024 ANNUAL REPORT

### OUR MISSION

We are a homegrown bank, an institution, and a leader in financial intermediation with a rural network entirely committed to:

- Satisfying the needs of every client by offering relevant financial products and quality services that create value and enhance community progress;
- Building and preserving a family culture that is responsive to the individual needs of our people, providing an environment for growth;
- Upholding a tradition of profitable and successful operation through responsible banking that encourages and rewards the continued support of our investors.

### OUR VISION

We envision QCRB as the most trusted banking institution of its class. This is with respect to:

- **CUSTOMER SERVICE**

We are the bank of choice.

We have a complete range of innovative and quality financial products suited for every community we serve.

- **SOCIAL RESPONSIBILITY**

We are a partner of the working Filipino and a catalyst in building a strong middle-class in the countryside by contributing to an effective educational system.

- **PEOPLE MANAGEMENT**

We have over 350 engaged, inspired and principle-driven workforce, united as one family and with zeal for service excellence.

- **FISCAL PERFORMANCE**

We are a class of our own. One of the biggest and the fastest growing province based financial intermediaries.

A preferred rural investment opportunity.

## OUR CORE VALUES

**INTEGRITY** – We adhere to the highest ethical standards and strive to always be fair and straightforward to our stakeholders.

**A LEARNING INSTITUTION** – We foster a lifelong learning and improvement at all levels to enable us to continuously raise the bar.

**MAKING A DIFFERENCE** – We are committed to giving back to the community we serve through relevant financial products and services, and educational programs.

**QUALITY** – We are committed to providing superior products and excellent services.

**COMPETENCE** – We pursue excellence in everything that we do.

**RESPECT AND TRUST** – We believe in mutual respect, dignity and truthfulness.

**BUILT LASTING RELATIONSHIP** – We endeavor to cultivate long-term relationships with our clients through the culture of positive family values.

## TAGLINE

***We Care You Grow***







## **Empowering clients with tailored financial solutions and exceptional services that drive community growth.**

### **Company Profile:**

Quezon Capital Rural Bank (QCRB) evolved out of a predicament. Rural Banking, then void in the provincial capital of Quezon, Lucena City, had to be filled to provide reliable financial services to the community's small farmers, fishermen, traders and other enterprising individuals. And so, immediately after the 1972 Constitutional Convention, two of the Delegates of the province – CPA/Lawyer Leandro P. Garcia and Banker Gil G. Puyat, Jr., President and Chairman respectively, spearheaded the Bank's incorporation. Atty. Medardo B. Medenilla who facilitated the organizational process, became its Corporate Secretary.

Mrs. Iluminada C. Alcala (wife of then Quezon Governor Anacleto C. Alcala) as Vice President; businessman Remigio C. Bautista as Treasurer; Dr. Sonia I. Garcia (wife of then Judge Efren P. Garcia) and Dr. Emeterio Calayan, Jr., as Board Members, completed QCRB's Charter Board.

On January 29, 1974, QCRB opened its doors to business, with noted commercial lawyer Atty. Jose S. Laureles as its first General Manager. The Bank was then housed in a rented edifice in the heart of the city's commercial district, at the corner of Merchan and Juarez Streets, Lucena City. On June 15, 1980, QCRB moved to its present site on its own building at the corner of Perez and C.M. Recto Streets, which is strategically located within the enclave of the Head of the Provincial Government of Quezon.

The Bank is managed by the present Board headed by Ferdinand Z. Garcia as Chairman, Atty. Edward Leandro Z. Garcia, Jr., as President and CEO, Maria Cristina E. Caraos as Treasurer, Medardo C. Laureles as Executive Vice-President and COO, Director Alexander M. Calma, Director Marissa Antonette G. Relos, Director Richard Leandro Z. Garcia, and the two (2) other Independent Directors namely: Hector Reuben D. Feliciano and Evelyn B. Saculles.

In the new millennium, QCRB upholds its tradition of conservatism with progressiveness because there lies its strength.

Management has focused its efforts in the continuous improvement of its people. Professionalization of every individual in the organization is top priority, aiming towards customer satisfaction. Moreover, more stringent policy changes are adopted. Loans and investments are carefully scrutinized. Compliance with Bangko Sentral regulations on financial ratios and reserve requirements are strictly followed.

Today, QCRB has grown into one of the biggest and most stable rural banks in Southern Luzon. With the strategic spread of our 35 branches. QCRB is able to bring service with a mission to all of Quezon Province, the neighboring provinces of Laguna, Batangas and Rizal in the fulfillment of its commitment to countryside financial empowerment.

# Event Highlights

## Celebrating 50 Years of Excellence

In 2024, Quezon Capital Rural Bank (QCRB) proudly marked a significant milestone—our 50th anniversary. This golden celebration not only honored our legacy of financial service excellence but also reaffirmed our commitment to innovation, customer-centric banking, and community development.

### A Golden Year of Achievements

QCRB's 50th-anniversary celebration was filled with memorable events and remarkable recognitions. Among the highlights of this momentous year were the prestigious awards we received, recognizing our contributions to the financial industry and the community:

#### BSP Advocacies 2024 Gold Partner Bank

– A distinguished recognition from the Bangko Sentral ng Pilipinas (BSP) for our steadfast commitment to financial inclusion and banking advocacy.

**Top Taxpayer Awards** – On February 27, 2024, QCRB's responsible corporate citizenship was further acknowledged through tax compliance awards, highlighting our role in economic development:

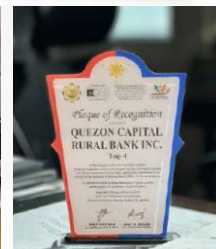
**Top 4 Taxpayer in the Non-Individual Category**, significantly contributing to the increase in tax collection of Revenue District Office No. 60, North Quezon.

**Top 2 Taxpayer in the City of Lucena**, solidifying our impact on local economic growth.

### Piso Caravan

We are deeply honored that QUEZON CAPITAL RURAL BANK, INC. is one of the nine (9) proud recipients of this prestigious recognition.

This achievement is a testament to the dedication and commitment of our Management team, particularly the efforts of the Treasury Department,



led by Director and Treasurer Pinky Caraos, VP Eden Zuñiga, AVP Red Delos Santos, and SBM Jayger Azores, whose initiatives paved the way for productive discussions that resulted in the successful PISO Caravan of the BSP in partnership with QCRB.

### A Night to Remember: QCRB 50th Anniversary Gala

As part of our golden anniversary, QCRB hosted a Grand Gala Night, bringing together valued clients, potential partners, and key stakeholders.

The event was an elegant evening filled with gratitude, celebration, and a shared vision for the future. Attendees were treated to inspiring speeches, engaging performances, and meaningful conversations that highlighted QCRB's journey over the past five decades.





It was a night of networking, appreciation, and strengthening relationships, further solidifying QCRB's reputation as a trusted financial institution committed to growth and excellence.

### Fostering Team Spirit: QCRB Sportsfest

In celebration of our 50th anniversary, QCRB also hosted a Sportsfest, uniting employees across all branches in a series of friendly yet competitive games. The event aimed to promote camaraderie, teamwork, and a healthy work-life balance, reinforcing the bank's core values of unity and collaboration. Employees showcased their athleticism and sportsmanship in various activities, making the Sportsfest not only a fun-filled experience but also a testament to QCRB's commitment to fostering a strong and engaged workforce.



### Connecting Talent and Opportunity: QCRB at the 2024 Niyogyugan Job and Business Fair

Quezon Capital Rural Bank, Inc. proudly took part in the 2024 Niyogyugan Job and Business Fair at the Quezon Convention Center, joining over 40 employers in connecting with hundreds of eager job seekers. The event served as a valuable platform for us to showcase exciting career opportunities and share the unique culture and growth potential that QCRB offers.

It was inspiring to meet so many talented individuals ready to embark on their next professional journey. We look forward to welcoming new team members who share our passion for service, innovation, and excellence.



### Looking Ahead

As we celebrate our golden anniversary, QCRB remains committed to its mission of delivering accessible and innovative financial solutions. Our 50-year journey has been defined by resilience, adaptability, and an unwavering dedication to serving our customers and communities. Looking ahead, we will continue to pioneer new banking initiatives and strengthen our role as a trusted financial partner for generations to come. Here's to 50 years of excellence—and beyond!

We sincerely thank PESO Quezon Province, the Department of Labor and Employment Regional Office IV-A, and other government partners for organizing this successful event. Their commitment to bridging talent and opportunity continues to make a positive impact on our communities.

QCRB remains dedicated to empowering individuals and contributing to the growth of Quezon Province through meaningful employment opportunities.



## FINANCIAL SUMMARY

Minimum Required Data	Consolidated	
	2024	2023
<b>Profitability</b>		
Total Net Interest Income	263,423,673	240,659,907
Total Non-Interest Income	80,566,490	98,062,603
Total Non-Interest Expenses	290,288,537	270,141,152
Pre-Provision Profit	53,701,626	68,581,358
Allowance for Credit Losses	70,787,274	26,738,751
Net Income	25,895,346	48,418,525
<b>Selected Balance Sheet Data</b>		
Liquid Assets	776,826,357	837,775,234
Gross Loans	2,635,088,954	2,469,523,335
Total Assets	4,369,420,414	4,200,439,297
Deposit	3,733,023,534	3,582,701,476
Total Equity	496,702,604	487,729,658
<b>Selection of Ratios</b>		
Return on Equity	5.26%	10.72%
Return on Assets	0.60%	1.21%
Capital Adequacy Ratio	14.84%	14.75%

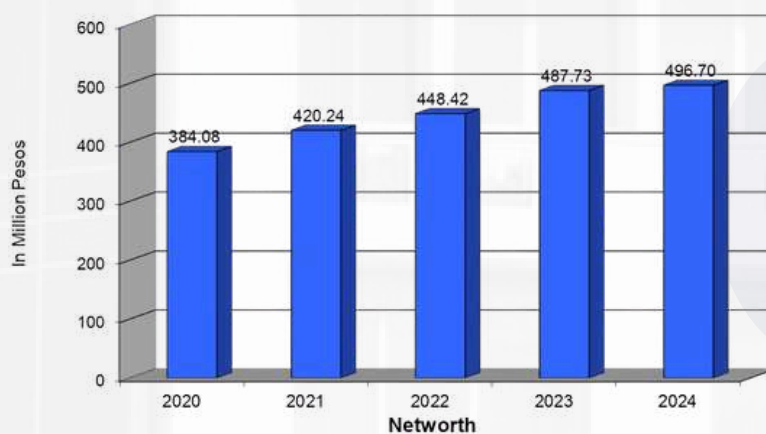
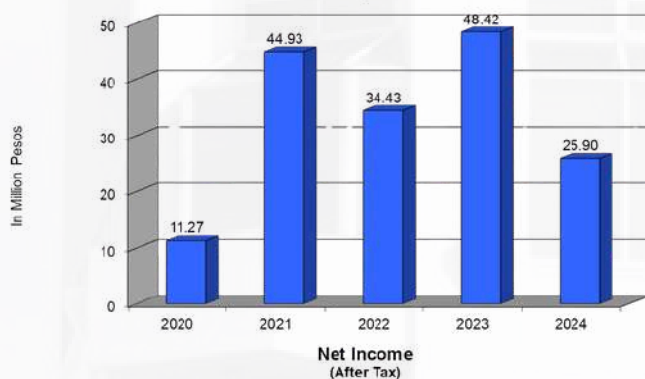
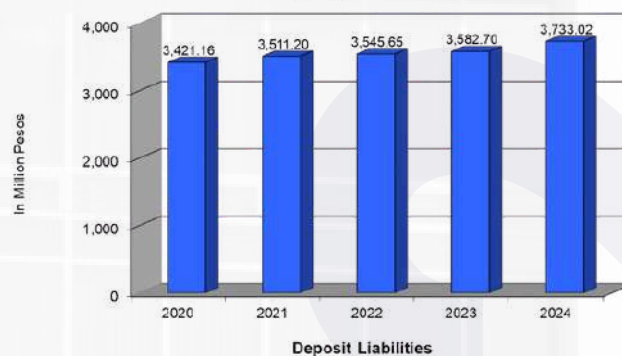
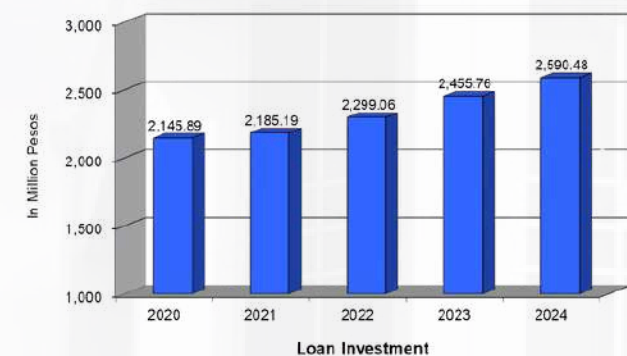
<b>Others</b>		
Cash Dividend Declared	-	14,524,440
Headcount	431	418
Officers	280	143
Staff	151	275

## FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As reported to the stockholders during the annual stockholders meeting, which was held on April 12, 2025, the financial results are as follows:

	2023	2024	Variance	Percentage (%)
Loans Investment (in billions)	2,455.76	2,590.49	134.73	5.49%
Deposit Liabilities	3,582.70	3,733.02	150.32	4.20%
Total Resources	4,200.44	4,369.42	168.98	4.02%
Net Income (in millions)	48.42	25.90	-22.52	-46.51%
Networth	487.73	496.70	8.97	1.84%

## FINANCIAL HIGHLIGHTS





## CORPORATE SOCIAL RESPONSIBILITIES

The bank and the Quezon Center for Research and Studies Inc. (QCRS) has been partners in bridging the gap in providing quality education to qualified students. Since the inception of QCRS in 2004 the bank has provided steady support in the form of scholarship and other forms of sponsorship. For 20 years, the bank has continuously sponsored a total of seven hundred ninety-five (795) deserving students. For the school year 2023-2024 the bank gave out one hundred fifty (150) scholarship programs. This is a continuing endeavor by the bank to make a difference in educating our young generation.

Similarly, a new milestone for the school has been etched when it introduced courses in Catholic Theology in August 2019. It is a 2-year course for four (4) semesters every Saturday designed for religious sisters and brothers, lay ministers, lectors, religious teachers, ordinary laymen and others who are interested in a deeper study of the Holy Bible and the Christian faith. The course outline is composed of the following: Pastoral Introduction to the Old Testament I: The Torah, Liturgy and Sacraments, Pastoral Introduction to the New Testament Part I: Synoptic Gospels and John, Church, Kingdom of God and Mission, Pastoral Introduction to the Old Testament Part II: Prophets and Writings, Christian Spirituality, Christology and Mariology, Pastoral Introduction to the New Testament Part II: Acts and New Testament Letters, Moral Theology and Catholic Social Teachings and finally Practicum. At the end of the course, students will be awarded with Certificate in Theological Studies duly recognized by St. Alphonsus Graduate School of Theology, Lucena City, which is recognized by the Holy Catholic Church in Rome. As of 2024, a total of forty-one (41) individuals have successfully completed the Catholic Theology Course. Out of the thirty-three (33) participants currently enrolled in the Catholic Theology Course, seven (7) of them are scheduled to graduate in 2025.

### **Risk Management System**

The business of banking is naturally exposed to risk. As such, we at Quezon Capital Rural Bank (QCRB) regard risk management as a business imperative. Continuously, we have strengthened our focus on identifying and managing risks on all fronts, recognizing that whatever threatens the survival of our business also threatens the success of our customers, as well as our longstanding relationship.

QCRB's risk management adopts and promotes the basic tenet that risks are owned by the respective businesses and process owners. Everyone in the organization is therefore expected to proactively manage the risks inherent in their respective areas.

The Bank's risk management system aims to embed a risk management culture that seeks to constantly identify, measure, control, monitor and evaluate risks within the Bank. It is largely a system of checks and balances revolving around process, policy management, compliance, and active risk oversight.

### **Risk Influence**

In 2015 to 2016, the Bank intensified its efforts to manage the growing risks in its market environment. The Bangko Sentral ng Pilipinas (BSP) moved towards a more prescriptive position, imposing greater discipline on the major credit, operational, and liquidity risks banks are inherently exposed to. Following this directive, QCRB conducted a comprehensive analysis of all the different gaps present in addressing credit, liquidity, capital, operations, and reputational risks, among others.

Believing that managing risk is the shared responsibility of everyone, QCRB continued to instill a proactive mindset in every task we perform that can possibly expose the Bank to risk and potential losses.

The Management took serious efforts to increase risk consciousness across the entire organization so assigned personnel can catch potential risk, especially during routine processes. Through continuous training and various modes of learning, QCRB continues to equip everyone with the skills to prevent risk from occurring at the onset of each transaction. The Bank harnesses every unit's capability to manage their own risk-taking.

# Risk Appetite Statement

The Risk Appetite Statement (RAS) outlines QCRB's approach to managing risk and achieving its strategic objectives while maintaining compliance with regulatory requirements. QCRB is committed to providing relevant financial products and quality services that create value and enhance community progress, while upholding a tradition of profitable and successful operation through responsible banking that encourages and rewards the continued support of its investors.

## Risk Management Framework

QCRB has established a risk management framework that consists of synchronized and adhesive policies and procedures covering different areas of risk management. The organization clearly portrays the roles and responsibilities of those involved in managing risk and ensures proper monitoring. The bank conducts continuous reviews of policies and procedures to ensure that they remain effective and relevant.

## Risk Management Components

The following components are integral to QCRB's risk management framework:

- **Board and Senior Management:** The Board of Directors and Senior Management are responsible for ensuring that the bank's risk management framework is effective in managing risk and achieving strategic objectives.
- **Audit and Risk Oversight Committee:** The Audit and Risk Oversight Committee (AROC) is responsible for overseeing the bank's risk management activities and providing recommendations to the Board of Directors.
- **Risk Management Department:** The Risk Management Department's responsibility is to primarily assist the BOD through the AROC in carrying out its risk management functions, which include the development and review of policies and limits, as well as the measurement, monitoring, and reporting of the bank's risk taking. RMD activities such as risk limit utilization and performance are also included.

### Risks Faced by the Bank

QCRB acknowledges the following risks faced by QCRB and other banks and has established risk management measures to mitigate them effectively:

- **Operational Risk:** Risk associated with the bank's operational processes, systems, and human error.
- **Credit Risk:** Risk associated with borrowers defaulting on their loans.
- **Liquidity Risk:** Risk associated with the bank's ability to meet its financial obligations.
- **Market Risk:** Risk associated with changes in market conditions that may affect the bank's financial position.
- **Reputational Risk:** Is a significant risk of serious negative public opinion, which could result in a critical loss of funding or customers. It could include actions that have a long-term negative impact on the bank's operations.

### Risk Tolerance and Limits

QCRB's risk tolerance and limits are set within the minimum ratios and limitations required by the Bangko Sentral ng Pilipinas (BSP). The bank aims to maintain a capital adequacy ratio (CAR) of at least 2% above the minimum required CAR of 10%, a minimum liquidity ratio (MLR) of at least 5% above the required MLR of 20%, a single borrower's limit (SBL) of at least 10% below the SBL of 25% of the bank's net worth, and aggregate DOSRI loans and other credit accommodations limit of 10% below the statutory limit of 15% of total loan portfolio. QCRB also complies with the required reserves, FCDU cover requirement, and allowance for credit losses in compliance with PFRS 9.

QCRB's Risk Appetite Statement outlines the bank's commitment to taking risks in line with its mission and vision, while maintaining a sound risk management framework and compliance with regulatory requirements. The bank's risk management framework aims to minimize risks and protect its stakeholders' interests.



## Risk Management Structure

The Bank is faced with multiple risks inherent to the business largely in the form of credit, market, liquidity, and operational risks. To protect the opportunities for growth and value creation, the Bank's risk management is structured to continuously and effectively address these risks. The Bank's risk management process ensures having a strong internal control environment that utilizes policies, processes, systems, appropriate controls, and risk mitigation strategies.

1. Our **Board of Directors** upholds primary responsibility for effective risk and internal control management. The BOD takes the lead in establishing a strong risk management culture across the organization. The active participation of the BOD is reflected in various working committees it has established to extend its oversight into the Bank's operations.
2. The **Business Units** headed by their respective Department Heads act as the first line of defense, ensuring that risk guidelines and policies prevail and remain attuned to the Bank's needs and regulatory obligations.
3. The BOD carries out its risk management function through its **Audit and Risk Oversight Committee** (AROC). The AROC serves as the overseer for managing the Bank's credit, market, liquidity, operational, and other bank-wide risks in a coordinated manner within the organization. Specifically, it reviews, approves, and ensures the effective implementation of the Bank's risk management framework.
4. The AROC's execution and operational arm is primarily the **Risk Management Department** (RMD), headed by the Chief Risk Officer (CRO). RMD's activities mainly assist the BOD through the AROC in fulfilling its risk management responsibilities which include development and review of policies and limits as well as the assessment, measurement, monitoring and reporting of the Bank's risk-taking and risk management activities including risk limit utilization and performance. Moreover, the Compliance Department also assists the AROC in matters related to compliance and Anti-Money Laundering (AML) issues among others.
5. The **Internal Audit Department** (IAD) serves as the third line of defense, providing independent assurance on the continued relevance and sufficiency of the Bank's overall risk management. IAD is also responsible for ensuring the Bank's compliance with the internal risk management policies through periodic reviews. It identifies internal control deficiencies and assists in reviewing the risk management systems, functions, and activities.
6. The **Senior Management** is responsible for implementing the Board-approved risk strategies throughout the Bank. It sees to it that all personnel are informed of their responsibilities with respect to risk management. The Senior Management is also accountable in developing specific policies, processes, and procedures for managing risks in all of its business activities.

## AML Governance and Culture

Quezon Capital Rural Bank Inc. adopted a Revised Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) Prevention Program (ML/TF/PFPP) that is specifically designed to ensure proper record-keeping, reporting covered/suspicious transactions and to prevent the bank from being used in money-laundering. As required by the BSP, this was duly amended and approved by the board per Board Resolution No. 2024-56 dated 20 April 2024.

The MTPP adheres to the BSP, AMLC, and other government regulatory bodies. The Program was approved by the Board and serves as guidelines on the basic principles on anti-money laundering, know your client (KYC) policy, training and education of the people involved and other pertinent information vital on the bank's operation. Further, an independent audit program with written scope of audit was formulated to ensure the completeness and accuracy of the information and identification documents obtained from clients, the covered and suspicious transaction reports submitted to the AMLC, and the records retained in compliance with the rules as well as adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing.

The ML/TF/PFPP will ensure that the bank is not involved directly or indirectly in any form of illegal transactions. The Program will also serve as the written policy with procedure, processes, and methods in avoiding money laundering activities.

The Anti-Money Laundering Committee (AML Committee) is a Board approved committee composed of the Executive Vice-President/COO as the Chairman, and the Treasurer and the Chief Compliance Officer as the members.

The duties and responsibilities of the AML Committee shall include the following:

- To evaluate the potentially suspicious accounts and transactions reported by branches.
- To evaluate the possible suspicious accounts reported by the Compliance Office as a result of the testing and reviews conducted.
- To determine and decide if the transaction falls within the purview of a suspicious transaction or not and to report the same to the AMLC as it deems necessary.
- To conduct investigation as it deemed necessary or delegate the investigative duties to other departments the conduct of investigation to establish the legitimacy of the transaction, require documents in support thereof and order the continuous monitoring of the account under investigation.
- To evaluate and resolve the request of branches on the delisting of clients from the Internal High-Risk Database.

The committee shall meet at least once a month to perform its duties and responsibilities. During their meeting, a committee member shall act as the Secretary and shall take the minutes of their meeting. The committee shall draw up a written report on their decisions made and shall be reported to the board of directors.

### **Corporate Governance**

The QCRB Board is composed of nine (9) directors with a combination of executive and non-executive directors which includes independent directors. Members of the Board are elected during the annual stockholders meeting, and each will hold office for one (1) year, subject to the approved qualification and disqualification criteria established under the Corporate Governance Committee, BSP's fit and proper rule and other existing laws and regulations.

The board of directors is primarily responsible for defining the BSFI's vision and mission. The board of directors has the fiduciary responsibility to the BSFI and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

The Board shall fulfill certain functions, including the following:

1. The board of directors shall define the BSFI's corporate culture and values.
2. The board of directors shall be responsible for approving BSFI's objectives and strategies and in overseeing management's implementation thereof.
3. The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel.
4. The board of directors shall be responsible for approving and overseeing implementation of the BSFI's corporate governance framework.
5. The board of directors shall be responsible for approving BSFI's risk governance framework and overseeing management's implementation thereof.



The Board of Directors of Quezon Capital Rural Bank Inc. are staunch supporters of a systemic and efficient banking operations guided by established sound management principles. As a policy making body, it embodies strong adherence to the standards set by regulators, laws and other governing bodies to guarantee that the internal policies and structures designed for the protection and for the best interest of the clients are conservative but dynamic, timely and relevant, and purposely driven beneficial to the community we serve. These objectives are achieved through the committees focused on specialized areas of banking operation created deliberately to serve as an extension of the Board. These are the following:

#### **i. BOARD CREDIT COMMITTEE**

(Charter was amended and approved under Board Resolution Number 2019-63 dated April 27, 2019)

The Board Credit Committee (BCC) is a board-level credit committee created by virtue of QCRB's Amended By-Laws of January 22, 2000, and as further amended on April 27, 2019. As such, its primary purpose is to provide assistance to the Board in fulfilling its responsibilities by overseeing bank policies, and management activities relating to lending practices and exercise of credit authorities, and the identification, assessment, measurement, monitoring and management of the Bank's credit risk.

#### **Duties and Responsibilities**

In line with Article V Section 2 of the QCRB Amended By-Laws, the BCC shall have the following duties and responsibilities:

- Make recommendations to the Board on the establishment and changes to the Bank's credit risk appetite;
- Review and recommend changes to the Bank's overall credit risk strategy and credit risk policy;
- Monitor the outcomes from credit risk reviews and stress testing, and make the appropriate recommendation to the Board;
- Review the Bank's lending standard, policy, process and procedure, and oversee compliance thereto, considering acceptable deviations, and recommending changes as it may deem appropriate to ensure sound and effective credit underwriting;
- Review the quality and performance of the Bank's credit portfolio;

- Review and assess the Bank's Credit Risk Managements System and loan loss methodology and make recommendation on the proper booking of ACL and ECL;
- Evaluate, scrutinize and recommend the approval of application for loans and/or other appropriate actions to be taken by management, or confirm loans approved by the Management Credit Committee or officers within their credit approval authority;
- Oversee the activities and decisions of the Management Credit Committee and officers in exercising their credit approval authority;
- Review and recommend changes to the Management Credit Committee Charter;
- Monitor the bank's other credit accommodation, advances and receivables and make proper policy recommendations to the Board;
- Report regularly to the Board of Directors;
- Carry out such other duties that may be delegated to it by the Board from time to time.

#### Composition, Meetings, and Quorum

The Board of Directors shall elect from their members a Chairman and two (2) Directors who shall act as and compose the BCC. The Board of Directors may also elect one additional director to serve as an alternate on the BCC in the absence or inability of any director-member thereof. Any member of the BCC may be removed at any time by a majority vote of the entire membership of the Board of Directors. (Article V Section 1. QCRB Amended By-Laws)

The conduct of meetings shall be governed by the following rules:

- The presence of all the members of the BCC including the Chairman shall be necessary to constitute a quorum to do business;
- The Chairman of the MCC or his representative shall at all times be present in matters requiring the recommendation of the BCC of loan proposals for submission to the Board for its approval, and/or confirmation of loans so approved by the designated credit approving authority;
- The BCC Chairman may in his absence designate an Acting Chairman for a particular meeting, while the alternate member assumes the vacancy created;
- The BCC shall meet regularly every Wednesday of the week at 4:00 in the afternoon at the Corporate Tower Building in Lucena City;

- When the scheduled meetings fall on a legal holiday, it shall be held on the following working day;
- The unanimous consent of the members of the BCC shall be required to postpone a meeting, provided that it is reasonable and for good reason, provided further that in no case shall the BCC meeting before the scheduled Board Meeting be postponed.
- The BCC may assign a regular recording secretary under the supervision of the Corporate Secretary, and/or invite other resource persons from other committees and departments to the meeting as it may deem necessary.

**Board Credit Committee Members:**

Chairman	:	Alexander M. Calma
Members	:	Ferdinand Z. Garcia Maria Cristina E. Caraos
Alternate	:	Marissa Antonette G. Relos

**ii. MANAGEMENT CREDIT COMMITTEE**

(Charter was Approved as per Board Resolution No. 2019-64 dated April 27, 2019)

The Management Credit Committee (MCC) is a management-level credit committee created by the QCRB Board of Directors by virtue of Board Resolution No. 64 dated April 27, 2019. As such, its primary purpose is to evaluate and approve loans that by its nature are of higher risk due to the amount involved, or that the loan proposal is unusual or complex. In such cases, the approval process takes away the sole decision-making authority from an individual officer and gives it to a management committee for better control.

**Duties and Responsibilities**

- To evaluate and approve loan applications or proposals within its credit approval authority;
- To evaluate unusual or complex loan proposals and determine if such is within the Bank's credit risk appetite or policy;
- Monitors the performance and quality of the Bank's credit portfolio;
- Performs such other duties that may be delegated to it by the Board.



Composition, Meetings, and Quorum

The MCC shall be composed of the EVP as Chairman, with the FVP and VP for Loans as members, while their respective Department Managers shall serve as alternate in their absence. The President as CEO shall serve as ex officio Chairman of the Committee who may attend the meeting at his sound discretion. The conduct of the meeting shall be governed by the following rules:

- All the members of the MCC including the Chairman shall constitute a quorum to do business;
- Approvals or resolutions by the MCC shall be thru consensus process and may adopt a decision rule as may be sound and appropriate in each case;
- In the absence of the Chairman, the acting EVP shall assume Chairmanship of the MCC following the line of succession;
- The MCC shall agree on the date, time and place of its regular meeting, provided that, the Chairman may call for a special meeting as may be necessary with due notice to the members.

Management Credit Committee Members:

Chairman	:	Medardo C. Laureles
Members	:	Noel S. Balaguer
		Marlon A. Sanchez

**iii. AUDIT AND RISK OVERSIGHT COMMITTEE**

(Charter was approved as per Board Resolution No. 2021-135 dated September 25, 2021)

In order to streamline and facilitate a holistic oversight of the functionalities and objectives of the Audit Committee and the Risk Oversight Committee, the two (2) committees were merged into one committee named as the Audit and Risk Oversight Committee as approved by the board in September 2021.

The Audit and Risk Oversight Committee shall have explicit authority to investigate any matter within its term of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meeting and adequate resources to enable it to effectively discharge its function.

The committee, through the Internal Audit and Risk Management Department, and Compliance Office may seek any information it requires from any employee of the bank, without the need for prior approval of the management. Likewise, the committee shall have the authority to oversee the development and implementation of the bank's risk management program.

It shall oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. It shall have access to independent experts to assist them in discharging its responsibilities.

**Audit and Risk Oversight Committee Members:**

Chairman	:	Evelyn B. Saculles (Independent Director)
Members	:	Atty. Hector Reuben D. Feliciano (Independent Director) Alexander M. Calma

**iv. RELATED PARTY TRANSACTIONS COMMITTEE**

(Charter was amended and approved under Board Resolution No. 2018-111 dated July 21, 2018)

The Related Party Transactions (RPT) Committee was created in accordance with the principles of safe and sound banking practice as per QCRB Board Resolution No. 2014-70 dated June 21, 2014, as amended. The objective of the creation of the Committee is to ensure that all transactions to all related parties are done at arm's length, favorable to the interest of the bank and do not give unwarranted benefits to such related parties.

The RPT Committee shall be composed of at least three (3) members of the Board of Directors, and at least two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising the majority of the members.

The RPT Committee in fulfilling its duties and responsibilities shall be given the authority to review and evaluate all existing related party transactions and empowered to administer the RPT policy adopted by the bank.

Part of the main functions of the committee include the evaluation on an ongoing basis the existing relationship between and among business and counterparties, evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms, ensure that appropriate disclosure is made, and/or information is provided regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest, report to the board on a regular basis, the status and aggregate exposures of each related party as well as the total amount of exposures to all related parties, ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process and oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.

**Related Party Transactions Committee Members:**

Chairman	:	Atty. Hector Reuben D. Feliciano (Independent Director)
Members	:	Evelyn B. Saculles (Independent Director) Alexander M. Calma

**v. CORPORATE GOVERNANCE COMMITTEE**

(Charter was amended and approved under Board Resolution No. 2019-26 dated February 16, 2019)

The Corporate Governance Committee is hereby created as mandated under Section 133 of the Manual of Regulations for Banks with the objective of assisting the Board of Directors in fulfilling its corporate governance responsibilities.

The committee shall be composed of at least three (3) members of the Board of Directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson. The Chairman and members of the Corporate Governance Committee are to be appointed by the newly elected members of the Board immediately after the results of the annual election of directors is known.

The Committee with its objective to help the Board of Directors in accomplishing its corporate governance responsibilities shall oversee the nomination process for members of the board of directors and for positions appointed by the board of directors, oversee the continuing education program for the board of directors, oversee the performance evaluation process and oversee the design and operation of the remuneration and other incentives policy of the bank.

**Corporate Governance Committee:**

Chairman : Atty. Hector Reuben D. Feliciano (Independent Director)  
Members : Marissa Antonette G. Relos  
Evelyn B. Saculles (Independent Director)

**Chairman of the Board of Directors**

The Chairperson of the board of directors shall provide leadership. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust and confidence with members of the board of directors. He shall: (1) ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns; (2) ensure a sound decision-making process; (3) encourage and promote critical discussion; (4) ensure that dissenting views can be expressed and discussed within the decision-making process; (5) ensure that members of the board of directors receive accurate, timely, and relevant information; (6) ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and (7) ensure conduct of performance evaluation of the board of directors at least once a year.

**Board of Directors**

The corporate powers of an institution shall be exercised, its business conducted, and all its resources controlled through its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders. The directors shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of the institution.



The board of directors is primarily responsible for defining the bank's vision and mission. The board of directors has the fiduciary responsibility to the bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

### Board Composition

Name of Directors	Type of Directorship	The Principal Stockholder Represented if Nominee	The Number of Years Served as Director	The Number of Direct and Indirect Shares Held	Percentage of Shares Held to Total Outstanding Shares of the Bank
Ferdinand Z. Garcia	Non-Executive	N/A	18	81,719	9.98%
Edward Leandro Z. Garcia, Jr.	Executive	N/A	28	81,719	9.98%
Maria Cristina E. Caraos	Executive	N/A	8	2	0.00%
Medardo C. Laureles	Executive	N/A	10	35,312	4.31%
Alexander M. Calma	Non-Executive	N/A	9	13,893	1.70%
Richard Leandro Z. Garcia	Executive	N/A	13	81,719	9.98%
Marissa Antonette G. Relos	Non-Executive	N/A	19	81,719	9.98%
Hector Reuben D. Feliciano	Independent Director	N/A	3	1	0.00%
Evelyn B. Saculles	Independent Director	N/A	2	48	0.01%

# Board of Directors

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**MEDARDO C. LAURELES**  
*EVP and COO*

**ATTY. JOSE AUGUSTO J. SALVACION, CPA**  
*Corporate Secretary*

**ALEXANDER M. CALMA**  
*Director*

**RICHARD LEANDRO Z. GARCIA**  
*Director and VP, BDD*

**ATTY. HECTOR REUBEN D. FELICIANO**  
*Independent Director*



**FERDINAND Z. GARCIA**  
*Chairman of the Board*

**MARISSA ANTONETTE G. RELOS**  
*Director*

**ATTY. EDWARD LEANDRO Z. GARCIA, JR.**  
*President and CEO*

**MARIA CRISTINA E. CARAOS**  
*Treasurer*

**EVELYN B. SACULLES**  
*Director*

# Board of Directors

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## **FERDINAND Z. GARCIA**

*Filipino, 57 Years Old*

Director (from 2006 to Present)  
Chairman of the Board (from 2014 to Present)

**YEARS OF SERVICE:** 31 Years

**EDUCATIONAL ATTAINMENT:**

BS in Commerce, Major in Accounting (San Beda College - 1991)

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director/President – Queblar Realty Corporation  
Trustee/President – QCRS College, Inc.  
Director/Treasurer – Tellermate System, Inc.  
Director/Corporate Secretary/Treasurer – Quezon Eco-Park Developers, Inc.  
Director/Corporate Secretary – Eterna Development & Management Corporation  
Director/Corporate Secretary – Garcia-Zoleta Family Heritage, Inc.  
Director/Corporate Secretary – Quezon Capital Holdings, Inc.  
Director – All Quezon Club, Inc

## **ATTY. EDWARD LEANDRO Z. GARCIA, JR.**

*Filipino, 55 Years Old*

Director, President, and CEO (from 2006 to Present)

**YEARS OF SERVICE:** 28 Years

**EDUCATIONAL ATTAINMENT:**

AB in Philosophy & Letters (San Beda College - 1990)  
Bachelor of Laws (Arellano Law Foundation - 1994)

- Passed the 1995 Bar Examination
- ASEAN Business Law Program
  - University of the Philippines - 1997)

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director – Queblar Realty Corporation  
Director – Eterna Development & Management Corporation  
Director – Garcia-Zoleta Family Heritage, Inc.  
Director – Quezon Eco-Park Developers, Inc.  
Director – Quezon Capital Holdings, Inc.  
Director – Tellermate System, Inc.  
Trustee – Faithful of the Divine Light, Inc.  
Trustee – QCRS College, Inc.  
Partner – Garcia and Garcia Law Office



# Board of Directors

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## **MARIA CRISTINA E. CARAOS**

*Filipino-American, 55 Years Old*

Director/Treasurer

- From 2016 to Present

**YEARS OF SERVICE:** 24 Years

**EDUCATIONAL ATTAINMENT:**

AB in Mass Communication

- Saint Paul College - 1993

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director – Confederation of Southern Tagalog Rural Bankers

Director – All Quezon Club, Inc.

## **MEDARDO C. LAURELES**

*Filipino, 61 Years Old*

Director, Executive Vice-President, and COO

- From 2014 to Present

**YEARS OF SERVICE:** 28 Years

**EDUCATIONAL ATTAINMENT:**

BS in Commerce, Major in Management

- San Beda College - 1986

Bachelor of Laws

- Enverga University Foundation - 2004

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director – All Quezon Club, Inc.





# Board of Directors

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## **ALEXANDER M. CALMA**

*Filipino, 70 Years Old*

Director (from 2019 to Present)  
Corporate Secretary (from 2015 to 2019)

**YEARS OF SERVICE:** 47 Years

**EDUCATIONAL ATTAINMENT:**

BS in Commerce

- Luzonian University - 1975

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director/President – Tellermate System, Inc.

Trustee/Corporate Secretary – Faithful of the Divine Light, Inc.

Trustee/Treasurer – QCRS College, Inc.

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## **RICHARD LEANDRO Z. GARCIA**

*Filipino, 45 Years Old*

Director (from 2009 to Present)  
Vice-President - Sales & Marketing Department (from 2016 to 2022)  
Acting Chief Business Development Officer (from 2023 to Present)

**YEARS OF SERVICE:** 13 Years

**EDUCATIONAL ATTAINMENT:**

BS in Business Administration, Major in Human Resource Management

- De La Salle University, College of St. Benilde - 2001

Master of Business Administration

- Manuel S. Enverga University Foundation - 2016

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director – Eterna Development & Management Corp

Director – Tellermate System, Inc.

Director – Queblar Realty Corporation

Director – Quezon Capital Holdings, Inc.

Director – Garcia-Zoleta Family Heritage, Inc.

Director – Quezon Eco-Park Developers, Inc.

Trustee – QCRS College, Inc.



# Board of Directors

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## **MARISSA ANTONETTE G. RELOS**

*Filipino, 50 Years Old*

Director (from 2005 to Present )

**YEARS OF SERVICE:** 19 Years

**EDUCATIONAL ATTAINMENT:**

BS in Microbiology (University of Sto. Tomas - 1996)  
Doctor of Medicine (De La Salle University - 2000)

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director/President – Quezon Capital Holdings, Inc.  
Director/Treasurer – Queblar Realty Corporation  
Director/Treasurer – Garcia-Zoleta Family Heritage, Inc.  
Director/Treasurer – Eterna Development & Management Corporation  
Director – All Quezon Club, Inc.  
Director – Quezon Eco-Park Developers, Inc.

## **ATTY. HECTOR REUBEN D. FELICIANO**

*Filipino, 55 Years Old*

Independent Director (from 2011 to 2014 & from 2021 to Present)

**YEARS OF SERVICE:** 6 YEARS

**EDUCATIONAL ATTAINMENT:**

AB in Philosophy and Letters  
• San Beda College – 1990  
Bachelor of Laws  
• San Beda College of Law – 1994

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Founding Partner – Hector D. Feliciano Law Office  
Associate – Juan T. David Law Office



# Board of Directors

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## **EVELYN B. SACULLES**

*Filipino, 71 Years Old*

Independent Director

- From 2022 to Present

**YEAR OF SERVICE:** 2 YEARS

**EDUCATIONAL ATTAINMENT:**

BS in Business Administration, Major in Accounting

- Sacred Heart College - 1975

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

None.

## **ATTY. JOSE AUGUSTO J. SALVACION, CPA**

*Filipino, 60 Years Old*

Corporate Secretary (from 2022 to Present)

**YEARS OF SERVICE:** 2 Years

**EDUCATIONAL ATTAINMENT:**

BS in Commerce, Major in Accounting

- De La Salle University - 1984

JURIS DOCTOR

- San Beda College of Law - 1992

PASSED THE 1992 BAR EXAMINATION

CERTIFIED PUBLIC ACCOUNTANT – 1984

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Sole Proprietor – J.A.J. Salvacion Law & Notarial Offices

Trustee/Corporate Secretary – QCRS College, Inc.



# Board Level Committees

**Audit and Risk Oversight Committee:**

Chairman : Evelyn Saculles  
Members : Atty. Hector Reuben D. Feliciano (Independent Director)  
Alexander M. Calma

**Corporate Governance Committee:**

Chairman : Atty. Hector Reuben D. Feliciano (Independent Director)  
Members : Marissa Antonette G. Relos  
Evelyn B. Saculles (Independent Director)

**Board Credit Committee:**

Chairman : Alexander M. Calma  
Members : Ferdinand Z. Garcia  
Maria Cristina E. Caraos  
Alternate : Marissa Antonette G. Relos

**Related Party Transactions Committee:**

Chairman : Atty. Hector Reuben D. Feliciano (Independent Director)  
Members : Alexander M. Calma  
Evelyn B. Saculles (Independent Director)



**Directors' Attendance at Board and Committee Meetings for 2024**

<b>Board of Directors Meeting (15 Meetings)</b>	<b>No. of Meetings Attended</b>	<b>Percentage</b>
Ferdinand Z. Garcia	15	100.00%
Edward Leandro Z. Garcia, Jr.	15	100.00%
Maria Cristina E. Caraos	15	100.00%
Medardo C. Laureles	15	100.00%
Alexander M. Calma	15	100.00%
Richard Leandro Z. Garcia	15	100.00%
Marissa Antonette G. Relos	14	93.33%
Hector Reuben D. Feliciano	15	100.00%
Evelyn B. Saculles	15	100.00%

<b>Audit and Risk Oversight Committee (14 Meetings)</b>	<b>No. of Meetings Attended</b>	<b>Percentage</b>
Evelyn B. Saculles	14	100.00%
Hector Reuben D. Feliciano	14	100.00%
Alexander M. Calma	14	100.00%

<b>Corporate Governance Committee (7 Meetings)</b>	<b>No. of Meetings Attended</b>	<b>Percentage</b>
Hector Reuben D. Feliciano	7	100.00%
Evelyn B. Saculles	7	100.00%
Marisssa Antonette G. Relos	6	85.71%

<b>Related Party Transactions Committee (9 Meetings)</b>	<b>No. of Meetings Attended</b>	<b>Percentage</b>
Hector Reuben D. Feliciano	9	100.00%
Evelyn B. Saculles	9	100.00%
Alexander M. Calma	9	100.00%

<b>Credit Committee (19 Meetings)</b>	<b>No. of Meetings Attended</b>	<b>Percentage</b>
Alexander M. Calma	19	100.00%
Ferdinand Z. Garcia	15	78.95%
Maria Cristina E. Caraos	19	100.00%
Marissa Antonette G. Relos (alternate of FZ Garcia)	4	21.05%

# Key Officers

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## **ATTY. EDWARD LEANDRO Z. GARCIA, JR.**

*Filipino, 55 Years Old*

Director, President, and CEO (from 2006 to Present)

**YEARS OF SERVICE:** 28 Years

### **EDUCATIONAL ATTAINMENT:**

AB in Philosophy & Letters (San Beda College - 1990)

Bachelor of Laws (Arellano Law Foundation - 1994)

- Passed the 1995 Bar Examination
- ASEAN Business Law Program  
(University of the Philippines - 1997)

### **DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director – Queblar Realty Corporation

Director – Eterna Development & Management Corporation

Director – Garcia-Zoleta Family Heritage, Inc.

Director – Quezon Eco-Park Developers, Inc.

Director – Quezon Capital Holdings, Inc.

Director – Tellermate System, Inc.

Trustee – Faithful of the Divine Light, Inc.

Trustee – QCRS College, Inc.

Partner – Garcia and Garcia Law Office

## **MEDARDO C. LAURELES**

*Filipino, 61 Years Old*

Director, Executive Vice-President, And COO

- From 2014 to Present

**YEARS OF SERVICE:** 28 Years

### **EDUCATIONAL ATTAINMENT:**

BS in Commerce, Major in Management

- San Beda College - 1986

Bachelor of Laws

- Enverga University Foundation - 2004

### **DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director – All Quezon Club, Inc.



# Key Officers

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## **MARIA CRISTINA E. CARAOS**

*Filipino-American, 55 Years Old*

Director / Treasurer

- From 2016 to Present

**YEARS OF SERVICE:** 24 Years

**EDUCATIONAL ATTAINMENT:**

AB in Mass Communication

- Saint Paul College - 1993

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director – Confederation of Southern Tagalog Rural Bankers

Director – All Quezon Club, Inc.

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## **RICHARD LEANDRO Z. GARCIA**

*Filipino, 45 Years Old*

Director

- From 2009 to Present

Vice President - Sale and Marketing Department

- From 2016 to 2022

Acting Chief Business Development Officer

- From 2023 to Present

**YEARS OF SERVICE:** 13 Years

**EDUCATIONAL ATTAINMENT:**

BS in Business Management, Major in Human Resources

- De La Salle University, College of St. Benilde - 2001

Master of Business Administration (MBA)

- Manuel S. Enverga University Foundation -2016

**DIRECTORSHIP/OFFICERSHIP (OTHER COMPANIES):**

Director – Eterna Development & Management Corp

Director – Tellermate System, Inc.

Director – Queblar Realty Corporation

Director – Quezon Capital Holdings, Inc.

Director – Garcia-Zoleta Family Heritage, Inc.

Director – Quezon Eco-Park Developers, Inc.

Trustee – QCRS College, Inc.





# Key Officers

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## **NOEL S. BALAGUER, CPA**

*Filipino, 45 Years Old*

First Vice-President and Head of Branch Banking Department

- From 2018 to Present

Vice-President, Accounting Department

- From 2014 to 2017

Chief Compliance Officer

- From 2012 to 2014

**YEARS OF SERVICE:** 23 Years

### **EDUCATIONAL ATTAINMENT:**

BS in Accountancy

- Polytechnic University of the Philippines - Sto. Tomas Extension - 2000

Master in Management Technology

- De La Salle Lipa Graduate School - 2016

Certified Compliance Officer - 2009

## **EDEN O. ZUÑIGA**

*Filipino, 60 Years Old*

Vice-President and Head of Treasury Department

- From 2014 to Present

Treasury Department Manager

- From 2010 to 2015

**YEARS OF SERVICE:** 28 Years

### **EDUCATIONAL ATTAINMENT:**

BS in Civil Engineering

- Manuel S. Enverga University Foundation – 1987



# Key Officers

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## **MARVIN M. AGNO, CPA**

*Filipino, 36 Years Old*

Vice-President and Head of Accounting Department

- From 2018 to Present

Chief Compliance Officer

- From 2017 to 2018

Acting Chief Compliance Officer

- From 2014 to 2016

Division Manager, Financial Accounting

- From 2012 to 2013

**YEARS OF SERVICE:** 13 Years

### **EDUCATIONAL ATTAINMENT:**

BS in Accountancy

- Southern Luzon State University - 2009

Certified Public Accountant - 2009

## **MARLON A. SANCHEZ**

*Filipino- 49 Years Old*

Vice-President and Head of Loans Department

- From 2014 to Present

Assistant Vice-President - Loan Department

- From 2012 to 2014)

Loans Department Manager

- From 2008 to 2012

**YEARS OF SERVICE:** 27 Years

### **EDUCATIONAL ATTAINMENT:**

BS in Business Administration, Major in Banking & Finance

- Manuel S. Enverga University Foundation – 1995



# Key Officers

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## **MA. ANALUMEN C. ALCALA**

*Filipino, 60 Years Old*

Vice-President / Chief Risk Officer and Head of Risk Management Department

- From 2015 to Present

Vice-President of Marketing Department

- From 2012 to 2015

Vice-President of Loans Department

- From 2006 to 2012

CHIEF, DLD

- From 1994 TO 2006

**YEARS OF SERVICE:** 32 Years

### **EDUCATIONAL ATTAINMENT:**

BA in Philosophy

- University of Sto. Tomas - 1984

## **RHODORA D. RAVANZO, CPA**

*Filipino, 49 Years Old*

Vice-President / Chief Compliance Officer and Head of Compliance Department

- From 2018 to Present

Internal Auditor

- From 2014 to 2017

**YEARS OF SERVICE:** 10 Years

### **EDUCATIONAL ATTAINMENT:**

BS in Accountancy

- Sacred Heart College – 1995

Certified Public Accountant – 1997



# Key Officers

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## **JOSE BERNARDO M. SECO**

*Filipino, 41 Years Old*

Acting Chief Technology Officer

- From 2023 to Present

Manager - IT Department

- From 2016 to 2022

Manager - Service and Operations Division

- From 2014 to 2016

Manager - E-Banking Division

- From 2013 to 2014

IT Network Administrator

- From 2011 to 2013

**YEARS OF SERVICE:** 13 Years

**EDUCATIONAL ATTAINMENT:**

BS in Computer Engineering

- Manuel S. Enverga University Foundation – 2005

## **JULEE ANN A. PASUMBAL**

*Filipino, 39 Years Old*

Acting Internal Auditor (from 2022 to Present)

IT Auditor (from 2015 to 2022)

Junior Auditor (from 2011 to 2015)

Audit Assistant (from 2009 to 2011)

**YEARS OF SERVICE:** 15 Years

**EDUCATIONAL ATTAINMENT:**

BS in Accountancy (San Pablo Colleges – 2007)





# Key Officers

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## **MADELEINE RYCHELLE L. ORGAS**

Assistant Vice-President of Human Resource

- From 2024 to Present
- Human Resource Manager
- From 2016 to 2024

**YEARS OF SERVICE:** 8 Years

### **EDUCATIONAL ATTAINMENT:**

BA in Psychology

- Enverga University Foundation – 1998
- Master of Arts in Education, Major in Guidance and Counseling - Units Earned
- Enverga University Foundation – 1999

### **Performance Appraisal System (PAS)**

The Bank strives to provide an environment where all employees understand the impact their contributions have on the achievement of the organization's goals and are provided the opportunity for ongoing professional development and career growth.

The bank also adopted a self-assessment evaluation for board of directors and committees and a performance evaluation for the senior officers. The results of self-assessment and evaluation are reported to the Board thru the Corporate Governance Committee.

### **Orientation and Education Program**

#### **a. Onboarding of Employees**

All new employees shall undergo a one-week orientation which includes bank history, Board of Directors profile, Senior Officers, Departments and Branches, Handbook, Code of Discipline, Occupational Safety and Health, AMLA and Compliance, Information Security Program, IT Awareness Program, Master Security Plan and over-all bank's operations. Thereafter trainees are turned over to their respective departments for three-week theories and hands-on training focused on their position and functions. After the training program, all new hires have to pass a written examination and a paneled revalida before a temporary appointment.

#### **b. Continuing Education Program (CEP)**

In line with Quezon Capital Rural Bank's commitment to continuously develop a strong culture of learning, in which everyone is able to reach their full potential, increase job satisfaction, and achieve career development, the bank has partnered with Quezon Center for Research and Studies, Inc. (QCRS) to provide a relevant and long-term education program for QCRB employees.

The Objectives of the program are:

- To encourage a strong culture of learning and continuous development;
- To upgrade the competencies of middle management level in the organization and have a long-term training and development plan that will continue to build the competencies of QCRB employees towards greater expertise;

- To prepare employees for high-level management positions and ensure the availability of experienced and capable employees to assume higher and critical key positions in the organization;
- To help facilitate change by broadening the outlook of individuals or by providing what is necessary to enable them to manage change.

The bank started the CEP in October 2021 with 20 participants who are expected to finish the program within four (4) years. Most of the participants in the program are employees who are identified successors of each key position in the departments and branches.

### **c. Continuing Education Program for the Board of Directors**

The Corporate Governance Committee is tasked to oversee the continuing education of the board of directors. For this purpose, the orientation program for first time directors shall be for at least eight hours, while the annual continuing training shall be at least for four hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

### **List of Seminars Attended by the Board and Senior Officers**

<b>Directors</b>	<b>Seminars Attended</b>
Edward Leandro Z. Garcia, Jr.	<ul style="list-style-type: none"> <li>• AMLC Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> </ul>
Ferdinand Z. Garcia	<ul style="list-style-type: none"> <li>• AMLC Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> <li>• AMLC Targeted Financial Sanctions Course</li> <li>• 2024 Management Conference</li> </ul>
Maria Cristina E. Caraos	<ul style="list-style-type: none"> <li>• AMLC Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> <li>• AMLC Targeted Financial Sanctions Course</li> </ul>
Medardo C. Laureles	<ul style="list-style-type: none"> <li>• AMLC Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> <li>• AMLC Targeted Financial Sanctions Course</li> <li>• Briefing on Circular No. 1158 on the Guidelines on Recovery Plan of Banks</li> </ul>

Richard Leandro Z. Garcia	<ul style="list-style-type: none"> <li>• AMLC Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> <li>• AMLC Targeted Financial Sanctions Course</li> </ul>
Alexander M. Calma	<ul style="list-style-type: none"> <li>• AMLC Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> <li>• AMLC Targeted Financial Sanctions Course</li> </ul>
Hector Reuben D. Feliciano	<ul style="list-style-type: none"> <li>• AMLC Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> <li>• AMLC Targeted Financial Sanctions Course</li> </ul>
Evelyn B. Saculles	<ul style="list-style-type: none"> <li>• AMLC Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> </ul>

Senior Officers	Seminars Attended
Marvin M. Agno, VP and Head of the Accounting Department	<ul style="list-style-type: none"> <li>• The Taxpayer's Perspective: Ease of Paying Taxes (EOPT) Law</li> <li>• Dos And Don'ts of Budgeting</li> </ul>
Rhodora D. Ravanzo, VP and Chief Compliance Officer	<ul style="list-style-type: none"> <li>• DOSRI and Related Party Transactions (RPT)</li> <li>• Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Fundamentals Course</li> <li>• Targeted Financial Sanctions (TFS) Course</li> <li>• Regional Anti-Money Laundering/Countering Terrorism and Proliferation Financing Training</li> <li>• Compliance Officers and Internal Auditors 2nd Annual Convention</li> </ul>



## Retirement Policy

All employees regardless of their position, designation or status and irrespective of the method by which their wages are paid are entitled to retirement benefits provided under RA 7641 upon compulsory retirement at the age of sixty-five (65) or upon optional retirement at the age of sixty (60) or more but not over 65.

The minimum retirement pay due covered employees shall be equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

### Normal Retirement Age

An employee shall retire on the first day of the month coincident with or following his attainment age of sixty (60), and he shall be entitled to any applicable benefits. An employee may, subject to the approval of the Bank, defer his retirement beyond his normal retirement age.

### Early or Optional Retirement

- After 25 Years of Service

The Bank has the option to retire an employee any time after he has completed at least 25 years of continuous service with the Bank.

- After 30 Years of Service

An employee shall have the option to retire any time after he has completed 30 years of continuous service with the Bank.

## Succession Policy

Succession planning is basically a process of identifying and developing people with the potential to fill key managerial or professional leadership positions in the company. This is to ensure that the management and leadership in an organization will continue.

In QCRB, succession planning is a program which is incorporated in the workforce planning of the management. The goal is to have the right people in the right place at the right time. But succession planning focuses on having the right leadership in place at every level of the bank, as an organization.

The bank ensures that there will always be next in line for each key officer position. Based on hierarchy of positions and titles, the succession plan for each department is as follows:

#### President and Chief Executive Officer

The President/CEO is to be succeeded by the Senior Vice-President. In the absence of the Senior Vice-President, the Board shall designate the Executive-Vice President/COO to be the authorized replacement to perform the functions of the office.

#### Department Heads / Vice President and Assistant Vice President

All selected candidates who are deemed qualified or have high potential to fill in a senior management level position must be reviewed by the Corporate Governance Committee and the President and Chief Executive Officer, and approved by the Board of Directors (BOD).

In identifying the candidates who would qualify to assume critical key positions, the bank shall use the following criteria:

1. The employee's current designation and scope of responsibilities;
2. A minimum of five (5) years tenure in the company for senior management positions and a minimum of three (3) years for managerial or officer level positions, unless the employee has related work experience in the same capacity before his/her employment with the bank;
3. Experience and knowledge of the overall bank operations;
4. The employee's performance throughout his/her tenure in the bank, business strategic vision, leadership, and operational execution; and
5. The employee's career aspirations.

### **Remuneration Policy**

The bank has developed a remuneration structure or plantilla and has adopted the same to cover all Junior officers and staff with permanent employment status. All positions have the corresponding resultant hierarchy and levels and have other multiple levels and steps for possible adjustments in case of promotions, salary increase based on performance, and increases as may be dictated by law.

The structure is periodically reviewed by Human Resource, Accounting and the Branch Banking Department. Any adjustments, calibrations and amendments as may be deemed necessary are carefully studied, reviewed and deliberated upon by management before approval of the Board.

For remunerations of senior management or officers from the rank of President down to the Vice Presidents of different departments has to undergo a process prior to its implementation. Any recommendation to adjust salaries and allowances has to go through the Corporate Governance Committee for purposes of transparency and thereafter to the Board of Directors for approval.

Likewise, the directors of the bank may be allowed benefits and compensation, provided that the total yearly compensation, other than reasonable honoraria for actual attendance at meetings, which shall include fare and other actual expenses incurred in connection thereto shall not exceed five percent (5%) of the net income before income tax of the bank during the preceding year; provided further that any excess thereto may only be granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting, subject to the requirements provided by law and existing rules and regulations. (as per QCRB Amended By-laws September 17, 2016).

### **Related Party Transactions**

The BSP recognizes the transactions between and among related parties that create financial, commercial and economic benefits to individual institutions and to the entire group. Related party transactions are generally allowed, provided that these are done on an arm's length basis. In this regard, the bank is expected to exercise appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to the bank and its depositors, creditors, fiduciary clients, and other stakeholders.

RPT's shall be conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances.

Before entering into a related party transaction, the Related Party Transactions Committee shall review and ensure that transactions to the related party are done at arm's length, favorable to the interest of the bank and do not give unwarranted benefits to such related parties.

All RPTs that are considered material based on the bank's internal policies shall be endorsed by the RPT Committee to the board of directors for approval. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the bank.

All RPTs that fall below the materiality threshold shall be reported to the board of directors for information and transparency. This shall, however, exclude credit accommodations to DOSRI, which are required to have prior board approval regardless of amount.

Specific internal limits for individual and aggregate exposures have been established by the bank. The following summary shows the material related party transactions for the year 2024. Details have been disclosed through the submission of a required periodic report to the BSP.

SUMMARY OF MATERIAL RELATED PARTY TRANSACTIONS FOR THE YEAR 2024		
Related Party	Nature of Transactions	Amount
L A P Garcia & Associates	Legal services	786,142.99
Nine2Six Minimart	Cost of rice allowances of employees, office and general supplies for use of head office and branches	7,307,685.00
<b>TOTAL</b>		8,093,827.99



### **Review Process Adopted by the Board**

The board of directors shall be responsible for ensuring that senior management establishes and maintains an adequate, effective and efficient internal control and risk management frameworks commensurate with the size, risk profile and complexity of operations of the bank. The board of directors shall also ensure that the internal audit and risk management functions have an appropriate stature and authority within the bank and is provided with adequate resources to enable them to effectively carry out their assignments with objectivity.

Meanwhile, the Audit and Risk Oversight Committee (AROC) shall have the authority to oversee the development and implementation of the bank's risk management program. It shall oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. It shall have access to independent experts to assist them in discharging its responsibilities.

The Board of Directors shall deliberate/act on the report submitted by the Audit and Risk Oversight Committee and will take appropriate actions based on the committee's findings and recommendation and/or as it may deem necessary.

To ensure the effectiveness and adequacy of the internal control system of the bank, the board of directors has adopted the creation of the following functions:

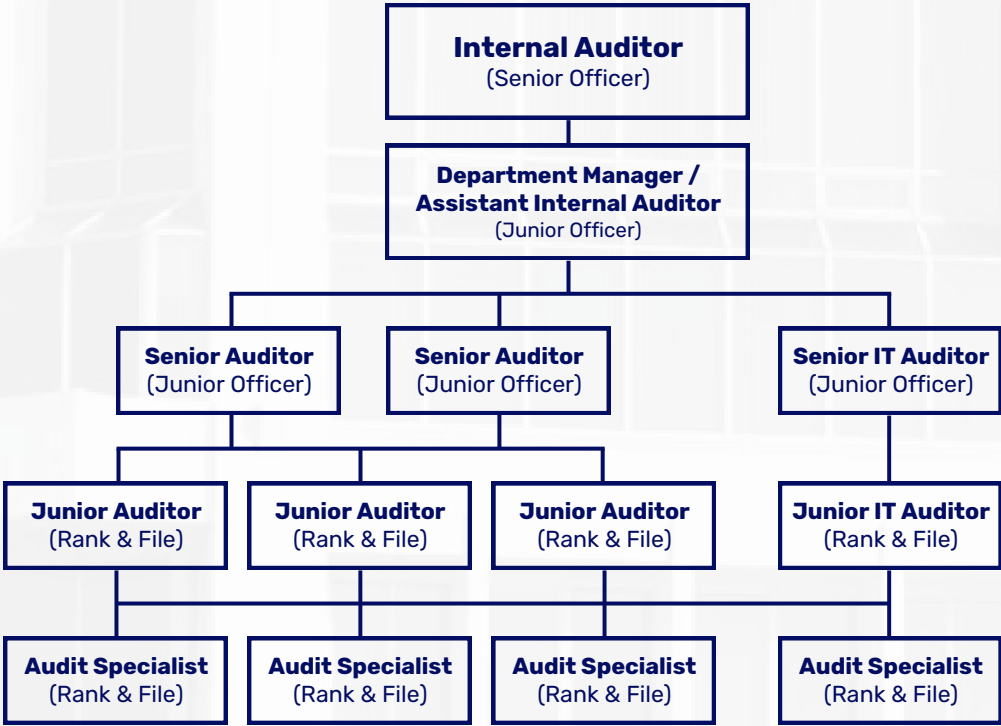
#### **1. Internal Audit Function**

Internal audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes of an organization, which helps management and the board of directors in protecting the bank and its reputation.

The internal audit function shall both assess and complement operational management, risk management, compliance and other control functions. In this respect, internal audit shall be conducted in frequencies commensurate with the assessed levels of risk in specific banking areas.

The internal audit function has authority to initiate direct communication with any bank personnel; to examine any activity or entity; and to access any records, files, data and physical properties of the bank, in performing its duties and responsibilities.

The internal audit function must be independent of the activities audited and from day-to-day internal control processes. It must be free to report audit results, findings, opinions, appraisals, and other information through a clear reporting line to the board of directors of the audit committee.



## 2. Compliance Function

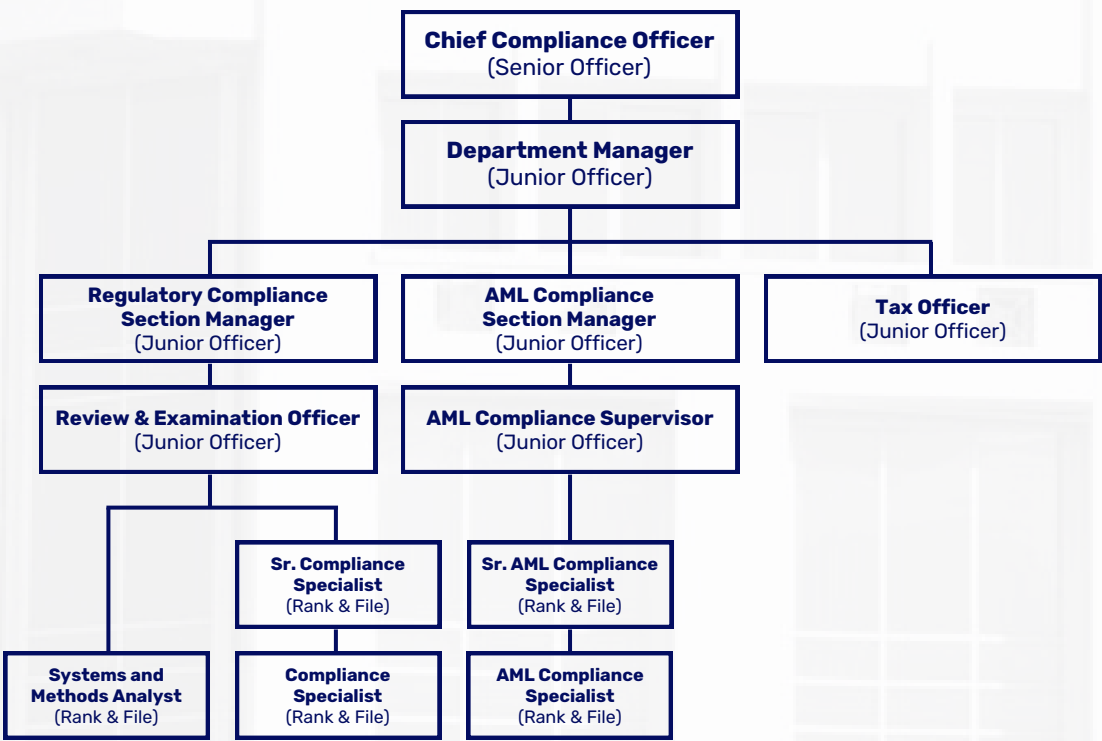
The Compliance Department was created by the Board through its Resolution No. 2005-79 dated December 18, 2005, along with the appointment of the first Compliance Officer. This unit is headed by the Chief Compliance Officer and shall work under the supervision of the Audit and Risk Oversight Committee.

The Compliance Department shall serve as the functional unit of the bank which will primarily administer the Compliance Program. Similar to the Internal Audit Department, it shall have a function independent from other departments and business operations of the bank.

It is granted the privilege to communicate with any personnel and obtain access to all operational areas as well as any records, files and documents necessary to carry out its responsibilities.

The compliance function shall facilitate effective management of compliance risk by:

- Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area on a monthly basis or as often as needed;
- Apprising bank personnel on compliance issues, and acting as contact point within the bank for compliance queries from bank personnel, as needed;
- Establishing written guidance to staff on the appropriate implementation of laws, rules and standard through policies and procedures and other documents such as compliance manuals, internal code of conduct and practice guidelines, as needed;
- Assessing the appropriateness of the bank’s compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments, as often as necessary;
- Monitoring and testing compliance by performing sufficient and representative compliance testing as often as necessary; and
- Maintaining constructive working relationships with the BSP and other regulators.



### **3. Information Security Officer**

The Information Security Officer (ISO) oversees and coordinates security efforts across the bank including departments such as information technology, human resources, risk management, compliance, legal, accounting, loans, treasury and other groups, and identifies and establishes security initiatives and standards throughout the organization. He is accountable for ensuring that appropriate controls are in place for the security of information assets across the bank.

### **Consumer Protection Policy**

Quezon Capital Rural Bank, Inc. (QCRB) acknowledges the indispensable role of financial consumers in bringing about a strong and stable financial system, their right to be protected in all stages of their transactions with the bank, and be given an avenue to air out their grievances in the products and services of the bank. Towards this end, QCRB hereby adopts the following minimum guidelines institutionalizing consumer assistance mechanism of the bank.

The Consumer Protection Program approved as per Board Resolution No. 2023-175 dated November 18, 2023, defines the roles and responsibilities of the Board of Directors and Senior Management. The board shall be primarily responsible for approving and overseeing the implementation of the bank's Consumer Protection Risk Management System (CPRMS). The Senior Management shall be responsible for ensuring that the practices of the bank are aligned with the approved financial consumer protection policies and risk management system and consistently displayed throughout the bank's place of business particularly across all business units that deal directly with Financial Consumers.

The bank has designated the Branch Banking Department as the Consumer Assistance Group (CAG) headed by the Branch Banking Department Head. The department has defined roles and responsibilities in handling consumer concerns. Similarly, at least one (1) Consumer Assistance Officer per branch, extension office or banking office must be designated to handle consumer concerns. In this regard, the bank has designated the Branch Cashier as the Consumer Assistance Officer.



All Consumer Assistance Officers must be equipped with knowledge on the structure and implementation of the QCRB's Consumer Assistance mechanism. As a minimum, they shall be provided with periodic training in any of the following: 1. Solid interpersonal skills/customer service; 2. Basic and advanced listening skills; 3. Written and verbal communication skills; 4. Handling financial consumer feedback; 5. Dealing with difficult people; 6. Problem solving and conflict resolution; and 7. Bank's corporate structure and products and services

The bank shall not disclose to third party information acquired from the consumer in all stages of the complaint, except as may be required by the conduct of the bank's investigation.

The bank shall ensure that complaints are investigated by a Consumer Assistance Officer who is neither directly nor indirectly involved in the matter which is the subject of the complaint. If the subject of the complaint is the Consumer Assistance Officer, consumers may lodge their concerns through a filled-out Complaint/Request Acknowledgement Form, telephone/mobile phone, QCRB Consumer Assistance email, and QCRB Official Facebook Page.

The bank shall submit a consolidated Complaints Report to the Supervisory Data Center (SDC) of the Supervision and Examination Sector on a quarterly basis. Such a report shall be submitted in the format required by BSP. Submission of the report to the SDC shall not be later than one (1) month after the end of every quarter.

Pursuant to the QCRB's Consumer Protection Risk Management System, the bank put in place appropriate management controls and take reasonable steps to ensure that in handling complaints/requests, it:

- I. Identifies and remedies any recurring or systemic problems; and
- II. Identifies weaknesses in the bank's internal control procedure or process. This is done by:
  - Analyzing complaints/requests data;
  - Analyzing causes for complaints/requests;
  - Considering whether such identified weaknesses may also affect other processes or products, including those not directly complained of/requested; and
  - Correcting, whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

### **Dividend Policy Statement**

Quezon Capital Rural Bank, Inc. ("QCRB") intends to pay dividends to its shareholders and will use the guidelines herein to determine and pay such dividend as is approved.

The policy shall accordingly be employed in determining any claim by any shareholder, individual or institution regarding the dividend payable by the QCRB, subject to any provisions in its Articles of Incorporation, existing laws, rules and regulations.

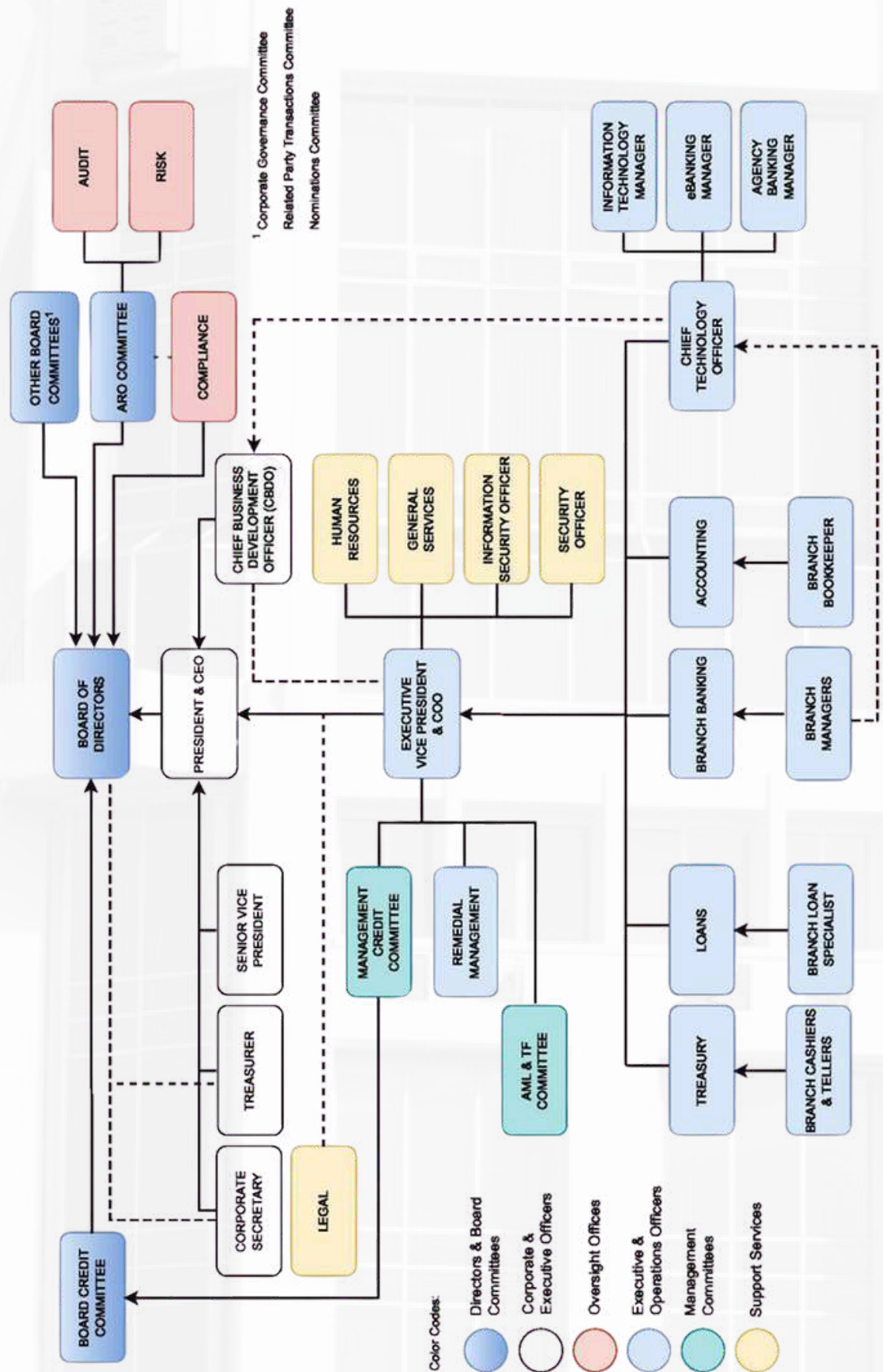
### **Declaration and Payment of Dividends**

1. The dividend policy of QCRB is to distribute to its shareholders surplus funds from its unrestricted retained earnings, as may be determined by the Board of Directors at its sole discretion and sound business judgment. Such discretionary power shall be exercised with adherence to Article 19 of the Civil Code and after due consideration of the following:
  - The recognition of profit and availability of cash for distribution;
  - Any banking or other funding requirements by which QCRB is bound from time to time;
  - The operating and investment needs of QCRB;
  - The anticipated future growth and earnings of QCRB;
  - Provisions of QCRB's Articles of Incorporation;
  - Emerging trends in dividend payouts in the industry; and
  - Any relevant applicable laws, rules, regulations, and circulars of the BSP and other regulators.
2. The Board of Directors shall exercise the power to declare dividends through a board resolution specifying the classification of shares, percentage of dividend to be paid, cutoff date, and such other information as may be necessary.
3. QCRB shall endeavor to maintain a dividend payout at least annually, subject to the above considerations.
4. QCRB will not declare any dividends where the law prevents such payment and if there are reasonable grounds for believing that QCRB is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due.
5. The decision to declare and pay stock dividends shall be approved by the shareholders in the Annual Stockholders Meeting ("ASM"), upon the recommendation of the Board of Directors in accordance with existing laws, rules and regulations. It shall be a separate agenda item at the ASM.

6. List of persons entitled to receive dividends at the closure date shall be prepared by the Accounting Department according to the Corporate Secretary's instructions and prevailing board resolution to the effect. The time, place and procedure for payment of dividends shall be communicated to the concerned shareholders within reasonable time in advance of the payment date.
7. All payments of cash dividends shall be made in full by crediting in the deposit account designated by the stockholder of record who is entitled to receive said dividends, such amount as the Board may declare less applicable deductions, if any. For this purpose, the Treasury Department shall make the necessary arrangements with the stockholders concerned to open and/or designate an existing deposit account where the cash dividend will be credited, otherwise, such cash dividend may be considered unclaimed.
8. Any unclaimed cash dividends may be converted and paid as stock dividends as may be determined by the Board of Directors and approved by the stockholders in the Stockholders Meeting.
9. No interest shall accrue on unclaimed Dividends held by QCRB.

The bank did not declare any dividends during the year 2024.

Organizational Structure





# Key Officers

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<b>Atty. Edward Leandro Z. Garcia, Jr.</b>	President and CEO
<b>Medardo C. Laureles</b>	Executive Vice-President and COO
<b>Noel S. Balaguer, CPA</b>	First Vice-President and Head of Branch Banking Department
<b>Richard Leandro Z. Garcia</b>	Acting Chief Business Development Officer
<b>Eden O. Zuñiga</b>	Vice-President - Treasury Department
<b>Marvin M. Agno, CPA</b>	Vice- President - Accounting Department
<b>Marlon A. Sanchez</b>	Vice-President - Loans & Discount Department
<b>Ma. Analumen C. Alcala</b>	Vice-President and Chief Risk Officer
<b>Rhodora D. Ravanzo, CPA</b>	Vice-President and Chief Compliance Officer
<b>Jose Bernardo M. Seco</b>	Acting Chief Technology Officer
<b>Julee A. Pasambal</b>	Acting Internal Auditor
<b>Madeleine Rychelle L. Orgas</b>	AVP and Head - Human Resource Department

# Major Stockholders

No.	Name of Stockholder	Nationality	% of Stockholdings	Voting Status
1	Quezon Capital Holdings, Inc.	Filipino	10.45%	Voting
2	Edward Leandro Z. Garcia, Jr.	Filipino	9.98%	Voting
3	Ferdinand Z. Garcia	Filipino	9.98%	Voting
4	Marissa Antonnette G. Relos	Filipino	9.98%	Voting
5	Richard Leandro Z. Garcia	Filipino	9.98%	Voting
6	Marianela G. Villamayor	American	9.98%	Voting
7	Leandro P. Garcia	Filipino	8.58%	Voting
8	Queblar Realty Corporation	Filipino	4.41%	Voting
9	Medardo C. Laureles	Filipino	4.41%	Voting
10	Iluminada C. Alcala	Filipino	2.53%	Voting
11	Adelaida M. Caraos	Filipino	2.27%	Voting
12	Jose S. Laureles	Filipino	2.11%	Voting
13	Alexander M. Calma	Filipino	1.70%	Voting
14	Steven Elias A. Jamilla	Filipino	1.64%	Voting
15	Bernardo B. Jamilla	Filipino	1.58%	Voting
16	Eterna Development & Management Corp. -PFC	Filipino	1.38%	Voting
17	Medardo B. Medenilla	Filipino	1.37%	Voting
18	Sonia I. Garcia	American	1.14%	Voting
19	Quezon Capital Warehouse Corp.	Filipino	1.06%	Voting
20	Glesilda C. Laureles	Filipino	0.65%	Voting

# Products and Services

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## **DEPOSIT PRODUCTS**

Regular Savings Deposit  
Dollar Savings Account  
Certificate of Time Deposit (Peso)  
Certificate of Time Deposit (USD)  
Regular Checking Account (Demand)  
Regular Checking Account with Automatic Transfer Agreement  
Capital Savings Plus II  
ATM Peso Savings  
Regular Dollar Deposit  
Prime Savings Deposit  
Prime Savings Deposit II  
ATM Basic Deposit

## **LOANS AND OTHER DISCOUNTS**

Agricultural Loan  
Commercial Loan  
Industrial Loan  
Equity Credit Line (ECL)  
Revolving Credit Line  
Discounted Credit Line  
Loan Combo Maximizer  
Development Incentive Loan  
Flexi Home Loan  
Flexi Commercial Real Estate Loan  
Insta Cash  
Angat Negosyo Loan  
Puhunan sa Negosyo Loan  
Other Loans and Discounts (OLD)

## **REMITTANCE SERVICE PARTNERS**

Petnet - Western Union  
BDO Remit  
BDO MoneyGram  
i2i - Instapay

## **FOREIGN EXCHANGE**

Buying  
Selling

# Bank Directory

**Head Office:** Perez cor. CM Recto Streets, Lucena City

**Tel. No.:** (042) 710-2045

**Website:** [www.qcrblive.com](http://www.qcrblive.com)

## **Quezon Province**

### **Lucena Main Branch**

Perez cor. CM Recto St., Brgy. 9,  
Lucena City  
(042) 710-7559

### **Lucena Corp. Tower Branch**

Rizal cor. Granja Sts., Brgy. 5, Lucena City  
(042) 373-7355 / 09328609734

### **Lucena Quezon Avenue Branch**

Quezon Ave. cor. Ravanzo St., Brgy. 1,  
Lucena City  
(042) 710-3918 / 09328609731

### **Lucena Dupay Branch**

Maharlika Highway, Brgy. Ibabang Dupay,  
Lucena City  
(042) 788-8437

### **Lucena Isabang Branch**

Maharlika Highway, Brgy. Isabang,  
Lucena City  
(042) 710-0537 / 09327884229

### **Sariaya Branch**

Gen. Luna cor. Rodriguez Sts., Brgy. 4  
(Pob.), Sariaya  
(042) 525-8911 / 09328609732

### **Pagbilao Branch**

Rizal St., Brgy. Parang, Pagbilao  
(042) 797-5653 / 09328609733

### **Candelaria Branch**

Rizal St., Brgy. Poblacion, Candelaria  
(042) 585-4557 / (042) 373-1723 /  
09328609730

### **Tiaong Branch**

Don V. Robles St., Brgy. 1 (Pob.), Tiaong  
(042) 545-8283 / (042) 717-0838 /  
09328609736

### **Lucban Branch**

Concepcion cor. Mabini St., Brgy. 7,  
Lucban  
(042) 540-3997 / 09328609737

### **Tayabas Branch**

Quezon Ave. cor. Gen Luna St., Brgy.  
Angeles, Zone IV, Tayabas City  
(042) 793-3532 / (042) 793-2157 /  
09386186601

### **Atimonan Branch**

Osmeña cor. Rizal Sts., Brgy. Poblacion,  
Zone II, Atimonan  
(042) 785-6139 / (042) 316-5099 /  
09328609735

### **Gumaca Branch**

Bonifacio cor. Del Pilar St., Bagong Buhay,  
Gumaca  
(042) 317-4168 / (042) 717-2719 /  
09328609739

### **Lopez Branch**

Real cor. San Isidro Sts., Brgy. Rizal (Pob.),  
Lopez  
(042) 717-3295 / 09328609738

### **Mauban Branch**

Quezon St., Brgy. Lual (Pob.), Mauban  
(042) 784-1316 / (042) 784-0476 /  
09632582073

### **Infanta Branch**

Gomez cor. Burgos Sts., Brgy. 39 (Pob.),  
Infanta  
(042) 535-2530 / (042) 784-4486 /  
09517327406

### **Real Branch**

M.L. Quezon Avenue cor. Gov. Robles St.,  
Brgy. 1 (Pob.), Real  
(042) 536-6007 / (042) 331-1148

### **Mulanay Branch**

San Carlos cor. Rizal St., Brgy. 4 (Pob.),  
Mulanay  
(042) 716-1570 / (042) 911-7757

### **Catanauan Branch**

A. Bonifacio St., Brgy. 6, Catanauan  
(042) 716-1565



# Bank Directory

**Head Office:** Perez cor. CM Recto Streets, Lucena City

**Tel. No.:** (042) 710-2045

**Website:** [www.qcrblive.com](http://www.qcrblive.com)

**Padre Burgos Branch**

Nat'l Road, Brgy. Burgos (Pob.),  
Padre Burgos  
(042) 716-0254 / 09282879606

**Tagkawayan Branch**

Lagdameo cor. Eleazar St., Brgy.  
Poblacion, Tagkawayan  
(042) 716-1569

**San Francisco Branch**

Don Queblar St., Brgy. Poblacion,  
San Francisco  
(042) 716-0247

**San Narciso Branch**

Nieva cor. Sugbong Cogon St., Brgy.  
Pagkakaisa (Pob.), San Narciso  
(042) 716-0482 / 09483980991

**Guinayangan Branch**

Tupas Matta Molines St., Brgy.  
Manggagawa, Guinayangan  
(042) 303-4617 / (042) 716-1573

**Calauag Branch**

Rizal cor. Arguelles St., Brgy. 5, Calauag  
(042) 716-1567 / (042) 717-9641

**Laguna Province**

**Luisiana Branch**

Estrellado St., Brgy. Zone VIII (Pob.),  
Luisiana  
(049) 503-6204 / (049) 716-1572

**Nagcarlan Branch**

Bonifacio cor. Gen. Luna Sts., Brgy. 1 (Pob.),  
Nagcarlan  
(049) 563-2007 / (049) 716-1575

**Calauan Branch**

Geirosa Ave. cor. Soriano St., Brgy.  
Silangan (Pob.), Calauan  
(049) 566-0525 / (049) 716-1615 /  
09331890888

**Alaminos Branch**

Maharlika Highway, Brgy. III (Pob.),  
Alaminos  
(049) 567-2205 / 09233612348

**Siniloan Branch**

Padre Burgos St., Brgy. 1, Mendiola, Siniloan  
(049) 501-5561 / 09328629538

**Batangas Province**

**San Juan Branch**

Along Gen. Luna. St., Brgy. Poblacion,  
San Juan  
(043) 575-5317 / (043) 716-1542

**San Jose Branch**

No. 5 Macalintal Avenue, Brgy. Taysan,  
San Jose  
(043) 321-9562 / (043) 716-2421 /  
09328629540

**Sto. Tomas Branch**

Maharlika Highway, Brgy. 2 (Pob.),  
Santo Tomas  
(043) 784-8492 / 09328629539

**Rosario Branch**

Carandang St., Brgy. C (Pob.), Rosario  
(043) 740-0133 / (043) 740-0133

**Rizal Province**

**Cainta Branch**

Ground Flr. JEK Bldg. Ortigas Ave. Ext., Brgy.  
San Juan, Cainta  
(02) 8584-7923 / 0925511529

**QUEZON CAPITAL RURAL BANK, INC.**  
**LUCENA, QUEZON PROVINCE - PHILIPPINES**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

## CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY .....	3
SUPPLEMENTARY STATEMENT .....	4
INDEPENDENT AUDITORS' REPORT .....	5
STATEMENTS OF FINANCIAL POSITION .....	6
STATEMENTS OF COMPREHENSIVE INCOME .....	7
STATEMENTS OF CHANGES IN EQUITY .....	8
STATEMENTS OF CASH FLOWS .....	9
NOTES TO FINANCIAL STATEMENTS .....	10



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The Management of **QUEZON CAPITAL RURAL BANK, INC.** is responsible for the preparation and fair presentation of financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and such internal control as 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.

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

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

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

  
**FERDINAND Z. GARCIA**  
Chairman of the Board

  
**ATTY. EDWARD LEANDRO Z. GARCIA, JR.**  
President/Chief Executive Officer

  
**MARIA CRISTINA E. CARAOS**  
Treasurer

Signed this 22<sup>nd</sup> day of March, 2025.



## INDEPENDENT AUDITORS' REPORT

7/F Philippine AXA Life Centre  
1286 Sen. Gil Puyat Avenue  
Makati City, Philippines 1200  
Phone: (632) 7116-4366  
Email: [aocheadoffice@alasoplas.com](mailto:aocheadoffice@alasoplas.com)  
Website: [www.alasoplascpas.com](http://www.alasoplascpas.com)

To the Stockholders and the Board of Directors  
**QUEZON CAPITAL RURAL BANK, INC.**  
Perez cor. C.M. Recto St., Lucena City

### Offices:

Makati	Alabang	Ortigas	Paranaque	Cavite
Bulacan	Isabela	Nueva Ecija	Bacolod	Iloilo
Legazpi	La Union	Laguna		

### Opinion

We have audited the financial statements of **QUEZON CAPITAL RURAL BANK, INC.** (the "Bank") which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

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

### Basis for Opinion

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

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

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

In preparing the financial statements, 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.



# Alas Oplas & Co., CPAs

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- 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.



# Alas Oplas & Co., CPAs

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 34 and Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued in Note 33 are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **QUEZON CAPITAL RURAL BANK, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028

BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027

SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period

TIN 002-013-406-000

By:



**RYAN A. SABUG**

Partner

CPA License No. 0111183

BOA Registration No. 0190/P-004, valid from February 19, 2025, to February 18, 2028

BIR A.N. 08-001026-004-2023, issued on February 9, 2023; effective until February 8, 2026

SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period

TIN 232-158-286-000

PTR No. 10466283, issued on January 2, 2025, Makati City

March 22, 2025

Makati City, Philippines

**QUEZON CAPITAL RURAL BANK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2024 AND 2023**  
**In Philippine Peso**

	Notes	2024	2023
<b>ASSETS</b>			
Cash and other cash items	8	212,938,303	238,925,758
Due from Bangko Sentral ng Pilipinas	8	11,679,484	53,772,614
Due from other banks	8	552,208,570	545,076,862
Investment securities at amortized cost	9	638,032,633	553,806,553
Investment in associates	10	3,028,439	3,031,454
Loans and other receivables – net	11	2,590,485,776	2,455,761,618
Bank premises, furniture, fixtures and equipment – net	12	242,191,127	251,443,144
Investment properties – net	13	83,174,788	66,868,999
Intangible assets – net	14	6,440,700	6,940,799
Deferred tax assets	27	20,060,293	12,787,143
Other assets	15	9,180,301	12,024,353
<b>TOTAL ASSETS</b>		<b>4,369,420,414</b>	<b>4,200,439,297</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposit liabilities	16	3,733,023,534	3,582,701,476
Accrued and other liabilities	17	114,474,420	112,391,005
Income tax payable		5,598,552	–
Retirement benefit obligation	18	19,621,304	17,617,158
<b>Total Liabilities</b>		<b>3,872,717,810</b>	<b>3,712,709,639</b>
<b>EQUITY</b>			
Preferred stocks	19	154,571,200	154,571,200
Common stocks	19	71,480,300	71,480,300
Additional paid in capital	19	33,917,198	33,917,198
Stock dividends distributable	19	718,810	719,350
Treasury stock – preferred stock	19	(180,000)	(180,000)
Deposit for future stock subscription	20	7,360,625	7,360,625
Surplus reserve	21	1,271,200	20,628,855
Surplus free	21	229,358,783	201,027,642
Actuarial loss on defined benefit obligation – net of tax	18	(1,795,512)	(1,795,512)
<b>Total Equity</b>		<b>496,702,604</b>	<b>487,729,658</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,369,420,414</b>	<b>4,200,439,297</b>

*See Notes to Financial Statements.*



**QUEZON CAPITAL RURAL BANK, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
**In Philippine Peso**

	Notes	2024	2023
<b>INTEREST INCOME</b>			
Loans and other receivables	11	254,423,888	227,099,561
Investment securities at amortized cost	9	24,758,822	21,872,138
Due from other banks	8	9,782,524	10,143,604
		<b>288,965,234</b>	259,115,303
<b>INTEREST EXPENSE</b>			
Deposit liabilities	16	(25,541,561)	(18,455,396)
<b>NET INTEREST INCOME</b>		<b>263,423,673</b>	240,659,907
<b>OTHER INCOME</b>	23	<b>80,566,490</b>	98,062,603
<b>TOTAL OPERATING INCOME</b>		<b>343,990,163</b>	338,722,510
<b>OPERATING EXPENSES</b>	24	<b>(290,288,537)</b>	(270,141,152)
<b>NET OPERATING INCOME BEFORE PROVISIONS</b>		<b>53,701,626</b>	68,581,358
<b>PROVISION FOR CREDIT AND IMPAIRMENT LOSSES</b>	25	<b>(26,602,194)</b>	(7,214,378)
<b>PROFIT BEFORE TAX</b>		<b>27,099,432</b>	61,366,980
<b>INCOME TAX EXPENSE</b>	27	<b>(1,201,071)</b>	(11,174,843)
<b>PROFIT</b>		<b>25,898,361</b>	50,192,137
<b>SHARE IN PROFIT/(LOSS) OF ASSOCIATE</b>	10	<b>(3,015)</b>	21,900
<b>OTHER COMPREHENSIVE LOSS</b>			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit obligation – net of tax	18	–	(1,795,512)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>25,895,346</b>	48,418,525

*See Notes to Financial Statements*

**QUEZON CAPITAL RURAL BANK, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
**In Philippine Peso**

	Preferred stock (Note 19)	Common stock (Note 19)	Additional paid in capital (Note 19)	Treasury stocks – Preferred (Note 19)	Stock dividends distributable (Note 19)	Deposit for future stock subscription (Note 20)	Surplus reserves (Note 21)	Surplus free (Note 21)	Actuarial loss (Note 18)	Total
Balance at December 31, 2022	148,055,200	59,140,300	33,917,198	(180,000)	289,190	16,026,825	9,372,771	181,490,633	–	448,721,917
Transactions with the owners										
Reclassification	–	–	–	–	–	(12,340,000)	–	–	–	–
Additional deposit for stock subscription	–	12,340,000	–	–	–	3,674,000	–	–	–	3,674,000
Appropriation for GLIF reserves	–	–	–	–	–	–	11,699,706	(11,699,706)	–	–
Reversal of appropriation	–	–	–	–	–	–	(443,622)	443,622	–	–
Cash dividends declared	–	–	–	–	–	–	–	(14,524,440)	–	(14,524,440)
Stock dividends declared	5,916,000	–	–	–	420,160	–	–	(9,336,160)	–	–
Adjustment	–	–	–	–	–	–	–	1,439,656	–	1,439,656
<b>Total transactions with the owners</b>	<b>5,916,000</b>	<b>12,340,000</b>	<b>–</b>	<b>–</b>	<b>420,160</b>	<b>(8,666,000)</b>	<b>11,256,084</b>	<b>(30,677,028)</b>	<b>–</b>	<b>(9,410,784)</b>
Comprehensive income										
Other comprehensive income	–	–	–	–	–	–	–	–	(1,795,512)	(1,795,512)
Profit	–	–	–	–	–	–	–	50,214,037	–	50,214,037
<b>Balance at December 31, 2023</b>	<b>154,571,200</b>	<b>71,480,300</b>	<b>33,917,198</b>	<b>(180,000)</b>	<b>719,350</b>	<b>7,360,825</b>	<b>20,628,855</b>	<b>201,027,642</b>	<b>(1,795,512)</b>	<b>487,729,858</b>
Transactions with the owners										
Reclassification to allowance for credit losses	–	–	–	–	–	–	(19,357,655)	–	–	(19,357,655)
Adjustments	–	–	–	–	(540)	–	–	2,435,795	–	2,435,795
<b>Total transactions with the owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(540)</b>	<b>–</b>	<b>(19,357,655)</b>	<b>2,435,795</b>	<b>–</b>	<b>(16,922,400)</b>
Comprehensive income										
Profit	–	–	–	–	–	–	–	25,895,346	–	25,895,346
<b>Balance at December 31, 2024</b>	<b>154,571,200</b>	<b>71,480,300</b>	<b>33,917,198</b>	<b>(180,000)</b>	<b>718,810</b>	<b>7,360,825</b>	<b>1,271,200</b>	<b>229,366,763</b>	<b>(1,795,512)</b>	<b>496,702,604</b>

See Notes to Financial Statements

**QUEZON CAPITAL RURAL BANK, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
**In Philippine Peso**

	Notes	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit		27,096,417	61,388,880
Adjustments for:			
Interest income	8,9	(34,541,346)	(32,015,742)
Depreciation and amortization	26	29,244,500	26,485,697
Provision for credit losses and impairment losses	25	26,602,194	7,214,378
Gain on sale of investment property	13,23	(16,530,196)	(12,262,527)
Interest expense on lease liability	17	6,860,975	5,421,204
Retirement expense	18	2,004,146	4,695,811
Gain on sale of bank's premises and equipment	12,23	(40,000)	(95,658)
Share in loss/(profit) of associate	10	3,015	(21,900)
Operating cash flows before working capital changes		40,699,705	60,810,143
Decrease (increase) in operating assets:			
Loans and other receivables		(201,363,841)	(174,133,358)
Other assets		25,640	(3,825,119)
Increase in operating liabilities:			
Deposit liabilities		150,322,058	37,051,356
Accrued expenses and other liabilities		2,879,443	7,038,521
Cash used in operations		(7,436,995)	(73,058,457)
Income tax paid		(530,815)	(11,211,505)
Contribution to the retirement fund	18	—	(10,000,000)
Interest received	8,9	34,541,346	32,015,742
Net cash generated from (used in) operating activities		26,573,536	(62,254,220)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from redemption of investment securities at amortized cost	9	966,800,000	697,928,500
Acquisition of investment securities at amortized cost	9	(1,050,220,000)	(725,740,000)
Acquisition of bank premises, furniture fixture and equipment	12	(17,042,698)	(27,447,953)
Proceeds from disposal of bank's premises and equipment	12	347,844	166,350
Proceeds from disposal of investment properties	13	22,328,422	24,998,998
Net cash used in investing activities		(77,786,432)	(30,094,105)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease liability – principal and interest	17	(9,679,914)	(16,857,536)
Proceeds from deposit for future stock subscription	20	—	3,674,000
Dividends paid	22	(56,067)	(13,224,527)
Net cash used in financing activities		(9,735,981)	(26,408,063)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(60,948,877)</b>	<b>(118,756,388)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>			
Cash and other cash items	8	238,925,758	220,973,305
Due from Bangko Sentral ng Pilipinas	8	53,772,614	90,740,823
Due from other banks	8	545,076,862	644,817,494
		837,775,234	956,531,622
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>			
Cash and other cash items	8	212,938,303	238,925,758
Due from Bangko Sentral ng Pilipinas	8	11,679,484	53,772,614
Due from other banks	8	552,208,570	545,076,862
		776,826,357	837,775,234

*See Notes to Financial Statements*

## 1. CORPORATE INFORMATION

**Quezon Capital Rural Bank, Inc.** was registered under Philippine laws on January 3, 1974 with Securities and Exchange Commission (SEC) Registration No. 54111.

The purposes for which the said corporation is incorporated are to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprise; to have and exercise all authority and powers; to do and perform all acts; and to transact all businesses which may legally be had or done by rural banks organized under and in accordance with Republic Act No. 7353 (Rural Banks of 1992) as it exists or may be amended; and to do all other things incidental thereto and necessary and proper in connection with said purposes within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP).

The Bank is authorized by the Bangko Sentral ng Pilipinas (BSP) to operate a foreign currency deposit under Republic Act Nos. 8791 and 7353, and the Manual of Regulations for Banks.

The registered office address and place of business of the Bank is Perez cor. C.M. Recto St., Lucena City. The Bank is domiciled in the Philippines.

It has thirty – five (35) branches located in the provinces of Quezon, Batangas, Laguna, and Rizal.

The Bank branches located as follows:

Branches	Address	Commencement Date
Lucena Main	Perez cor. C.M. Recto Sts., Lucena City	January 29, 1974
Candelaria	Rizal St. Poblacion, Candelaria, Quezon	April 07, 1979
Quezon Avenue	Quezon Ave. cor. Ravanzo St., Lucena City	March 09, 1982
Sariaya	General Luna cor. Rodriguez St., Poblacion 4, Sariaya, Quezon	May 14, 1993
Pagbilao	Rizal St., Brgy. Parang, Pagbilao, Quezon	September 12, 1994
Padre Burgos	Brgy. Burgos, Padre Burgos, Quezon	November 21, 1994
Mauban	2 Quezon St. Brgy. Lual Poblacion, Mauban, Quezon	May 16, 1995
Corporate Tower	Rizal Cor. Granja St. Brgy V Lucena City	January 29, 1995
Atimonan	Rizal cor. Osmeña Sts. Zone II Poblacion, Atimonan, Quezon	October 10, 1995
Tiaong	Don V. Robles St., Poblacion 1, Tiaong, Quezon	June 03, 1996
Lucban	Concepcion cor. Mabini Sts., Brgy. 7, Lucban, Quezon	September 19, 1996
Lopez	Real cor. San Isidro Sts., Rizal (Poblacion), Lopez, Quezon	January 10, 1997
Catanauan	A. Bonifacio St., Brgy. 6, Catanauan, Quezon	January 23, 1997
Tayabas	Quezon Ave. cor. Gen. Luna St., Angeles Zone IV, Tayabas City	March 10, 1997
Infanta	Rizal St. cor. Velasco St. Poblacion 1, Infanta, Quezon	April 11, 1997
Calauag	JP Rizal St. cor. Arguilles St., Brgy. Cuatro, Calauag, Quezon	September 23, 1997
Tagkawayan	Lagdameo St. Brgy. Poblacion Tagkawayan, Quezon	November 26, 1997
Gumaca	Bonifacio cor. del Pilar St. Brgy. Bagong Buhay, Gumaca, Quezon	January 08, 1998
Mulanay	San Carlos cor. J.P. Rizal St. Brgy. 4 Poblacion, Mulanay, Quezon	January 29, 1998
Real	M.L. Quezon Ave. cor. Robles St. Pob. 01, Real, Quezon	June 05, 1998
Luisiana	Estrellado St. Brgy. Zone VIII, Luisiana, Laguna	November 24, 1999
San Francisco	Don V. Queblar St., Brgy. Poblacion, San Francisco, Quezon	March 9, 2000



San Narciso	Sugbong Cogon cor. Nieva St. Brgy. Pagkakaisa, San Narciso, Quezon	October 07, 2003
Guinayangan	Tupas Matta Molines St., Brgy. Manggagawa, Guinayangan, Quezon	December 09, 2003
Calauan	Geirosa Ave. cor. Soriano St., Brgy. Silangan (Poblacion), Calauan Laguna	May 19, 2009
Nagcarlan	A. Bonifacio St. cor. J. Coronado St. Brgy. Poblacion I Nagcarlan, Laguna	July 16, 2009
San Juan	General Luna St. Cor. Castillo St., Poblacion, San Juan, Batangas	January 12, 2010
San Jose	#5 Makalintal Ave. Brgy. Taysan, San Jose Batangas	February 10, 2010
Alaminos	Maharlika Highway, Brgy. III (Pob.) Alaminos, Laguna	February 26, 2010
Cainta	KM19 JEK Building Ortigas Ave. Extension, Brgy. San Juan, Cainta, Rizal	February 07, 2011
Rosario	Carandang St., Poblacion C, Rosario, Batangas	August 16, 2011
Sto. Tomas	Maharlika Highway, Brgy. Poblacion 2, Sto. Tomas, Batangas	October 04, 2011
Siniloan	Fernandez St., Brgy. P Burgos, Siniloan, Laguna	November 11, 2011
Isabang	National road, Brgy. Isabang, Lucena City	October 22, 2018
Ibabang Dupay	Maharlika Highway, Silangan, Ibabang Dupay, Lucena City	February 22, 2022

## 2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

### 2.01 Statement of Compliance

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

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

### 2.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI).

### 2.03 Presentation and Functional Currency

Items included in the financial statements of the Bank are measured using Philippine Peso, the currency of the primary economic environment in which the Bank operates (the “functional currency”). All presented financial information has been rounded to the nearest Peso, except when otherwise specified.

### 2.04 Use of Judgments and Estimates

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

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

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

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

## **2.05 Going Concern Assumption**

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

## **3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS**

### **3.01 New and Amended Standards and Interpretations Effective on January 1, 2024**

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024, unless otherwise stated.

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

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

### **3.02 Standards Issued but Not Yet Effective (Effective Beginning on or After January 1, 2025)**

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

#### **3.02.01 PFRS 17 Insurance Contracts**

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

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

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

PFRS 17 is originally effective for annual periods beginning January 1, 2023. However, the Financial Reporting Standards Council has approved, on December 15, 2021, the amendment of PFRS 17 which defers the date of initial application by two years to annual periods beginning on or after January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

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

3.02.02 Lack of Exchangeability (Amendments to PAS 21)

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

The amendment is effective for reporting periods beginning on or after January 1, 2025. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.02.03 Annual Improvements to PFRS Accounting Standards – Volume 11

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

- PFRS 1 'First-time Adoption of PFRS Financial Reporting Standards' – Hedge accounting by a first-time adopter
- PFRS 7 'Financial Instruments: Disclosures' – Gain or loss on derecognition
- PFRS 7 'Financial Instruments: Disclosures' Implementation Guidance – Disclosure of differences between the fair value and the transaction price and disclosures on credit risk
- PFRS 9 'Financial Instruments' – Transaction price and lessee derecognition of lease liabilities
- PFRS 10 'Consolidated Financial Statements' – Determination of a 'de facto agent'
- PAS 7 'Statement of Cash Flows' – Cost method

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

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

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

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.02.05 PFRS 18 'Presentation and Disclosure in Financial Statements'

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

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

The Bank will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

3.02.06 PFRS 19 'Subsidiaries without Public Accountability: Disclosures'

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

PFRS 19 will become effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The Bank does not expect the standard to have a material impact on its operations or financial statements.

#### **4. MATERIAL ACCOUNTING POLICIES**

Principal accounting and financial reporting policies applied by the Bank in the preparation of its financial statements are enumerated as follows and are consistently applied to all the years presented, unless otherwise stated.

##### **4.01 Financial Instruments**

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

*Date of Recognition*

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

*'Day 1' Difference*

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

*4.01.01 Financial Assets*

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

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



### ***Classification***

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

#### ***Financial Assets at Amortized Cost***

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

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

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

As of December 31, 2024 and 2023, the Bank's cash other cash items, due from BSP, due from other banks, investment securities and loans and receivables are classified under this category as disclosed in Notes 8, 9, and 11.

#### ***a) Cash and cash equivalents***

This includes cash on hand, checks and other cash items and deposits held at call with banks. Cash in banks earn interest as indicated in the instrument. These are unrestricted as to withdrawal and are recorded at face amount.

If a bank holding the funds of the Bank is in bankruptcy or financial difficulty, cash should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

#### ***b) Loans receivable***

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

After initial measurement, 'Loans receivables' are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as 'Interest income' in the statement of comprehensive income. The losses arising from impairment are recognized in 'Provision for credit losses' in the statement of comprehensive income.

#### ***c) Other receivables***

This includes accrued interest receivable from loans, investment securities at amortized cost and account receivables.

#### ***Financial assets at FVOCI***

Financial assets at FVOCI include debt and equity securities.

#### ***Debt Instruments at FVOCI***

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met: (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (2) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

*Equity Instruments at FVOCI*

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

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

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

*Financial Assets at FVPL*

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

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

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

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

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

**Reclassification**

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

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

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

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

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

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

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

### ***Impairment***

The Bank recognizes an allowance for ECL for all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### ***Overview of the ECL principles***

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no SICR of the financial asset since origination. Otherwise, if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolio of financial assets identified upon initial analysis of the Bank's credit exposure is the loan receivables. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

### ***Definition of "default" and "cure"***

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes more than 30 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

*Significant increase in credit risk and Staging criteria*

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Bank assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. Credit weakness may be manifested by unfavourable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the out-standing loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than a specified-days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

*Staging assessment*

For non-credit-impaired financial assets:

Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial assets.

Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. The ECL model requires a lifetime ECL for impaired financial assets.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets (POCI). These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. Their ECL is always measured on a lifetime basis (Stage 3). There are no POCI as of December 31, 2024 and 2023.

*The Bank assesses impairment as follows:*

- individually for loans that exceed specified thresholds. Where there is objective evidence of impairment, individually assessed provisions will be recognized; and
- collectively for loans below the specified thresholds noted above or if there is no objective evidence of impairment. These loans are included in a group of loans with similar risk characteristics and collectively assessed for impairment. If there is objective evidence that the group of loans is collectively impaired, collectively assessed provisions will be recognized.



Individually Assessed Credit Exposure

Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for impairment losses based on the number of days of missed payment as follows:

(a) For unsecured loans and other credit exposures

<b>No. of Days Unpaid/ with Missed Payment</b>	<b>Classification</b>	<b>Stage</b>
31 – 90 days	Substandard (Underperforming)	2
91 – 120 days	Substandard (Non-performing)	3
121 – 180 days	Doubtful	3
181 days and over	Loss	3

(b) For secured loans and other credit exposures

<b>No. of Days Unpaid/ with Missed Payment</b>	<b>Classification</b>	<b>Stage</b>
31 – 90 days	Substandard (Underperforming)	2
91 – 180 days	Substandard (Non-performing)	3
181 – 365 days	Substandard (Non-performing)	3
Over a year – 5 years	Doubtful	3
Over 5 years	Loss	3

Collectively Assessed Credit Exposures

Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for impairment losses based on the number of days of missed payment as follows:

(a) For unsecure loans and other credit exposures

<b>No. of Days Unpaid/ with Missed Payment</b>	<b>Classification</b>	<b>Stage</b>
Not due – 30 days	Performing	1
1 – 30 days	Especially Mentioned	2
31 – 60 days / 1 <sup>st</sup> restructuring	Substandard	2 or 3
61 – 90 days	Doubtful	3
91 days and over / 2 <sup>nd</sup> restructuring	Loss	3

(b) For secure loans and other credit exposures

<b>No. of Days Unpaid/ with Missed Payment</b>	<b>Classification</b>	<b>Stage</b>
31 – 90 days	Substandard (Underperforming)	2
91 – 120 days	Substandard (Non-performing)	3
121 – 360 days	Doubtful	3
361 – 5 years	Loss	3
Over 5 years	Loss	3

Certain qualitative criteria are also being considered by the Bank in assessing its allowance for impairment. These are but not limited to: Actual or expected short term delays in payment, extension to the terms granted, previous arrears within the 12 months and significant adverse changes in business, financial and/or economic conditions in which the borrowers operate and other back stop indicators.

All current accounts which have no history of default payments is classified into Stage 1. For outstanding stage 1 loans, except for accounts considered as credit risk-free, a general loan loss provision equivalent to 1% of the total loan portfolio is provided.

The assessment incorporates forward-looking information and is performed on an annual basis at a portfolio level.

*Measuring Expected Credit Loss (ECL)*

ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), 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.

*Probability of default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

*Exposure-at-default* is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principal and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.

*Loss-given-default* is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as a % of the exposure-at-default.

When estimating ECL, the Bank considers 3 scenarios (base case, best case and worst case). Each of these scenarios are associated with different loss rates. For all products, the Bank considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

The Bank applies a simplified ECL approach for its accounts receivables wherein the Bank uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

*Forward-looking information incorporated in the ECL models*

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. To reflect this, qualitative adjustments are occasionally made as temporary adjustments when such differences are significantly material.

***Derecognition***

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

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

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

#### 4.01.02 Financial Liabilities

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

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

##### **Classification**

The Bank classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2024 and 2023, the Bank does not have liabilities at FVPL.

##### Financial Liabilities at Amortized Cost

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

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

As at December 31, 2024 and 2023, the Bank's deposit liabilities and accrued and other payables (except statutory payables), are classified under this category as disclosed in Notes 16 and 17.

##### **Derecognition**

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

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

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

#### 4.01.03 Offsetting of Financial Assets and Liabilities

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

#### 4.02 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are measured at cost less any accumulated depreciation, amortization and impairment losses. Cost consists of purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of bank premises, furniture, fixtures and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. The carrying amount of replaced parts is derecognized. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building	–	20 to 35 years
Furniture, fixtures and equipment	–	1 to 10 years
Information technology equipment	–	1 to 10 years
Transportation equipment	–	5 years

Leasehold improvements are amortized over the shorter between the improvements' useful life of 5 to 35 years or the lease term. Right-of-use asset is amortized over the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

#### 4.03 Investment Properties

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

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

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

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



Transfers to and from investment properties do not result in gain or loss.

#### **4.04 Other Assets**

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

#### **4.05 Investment in Associate**

Associates are entities over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence, generally accompanying a shareholding of 20% or more of the voting power of the associate, is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

The cost of the investment is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Bank's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Bank accounts for all of its investments in associates using equity method.

Under the equity method of accounting, investment in associates is initially recognized at the transaction price (including transaction costs) and is subsequently adjusted to reflect the Bank's share of the profit or loss of the associate. Distributions received from the associate reduce the carrying amount of the investment. Unrealized profits and losses resulting from upstream (associate to the Bank) and downstream (the Bank to associate) transactions to the extent of the Bank's interest in the associate are eliminated. In 2022, the Bank started to recognize the share in profit (loss) of its associate.

If the Bank's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, the Bank discontinues recognizing its share of further losses. If the associate subsequently reports profits, the Bank resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. The requirements of PAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Bank's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PAS 36: "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PAS 36 to the extent that the recoverable amount of the investment subsequently increases. The Bank ceases using the equity method from the date that significant influence ceases. Upon loss of significant influence over the associate, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. When the investment is classified as held for sale, it is accounted for in accordance with PFRS 5: "Non-current Assets Held for Sale and Discontinued Operations".

#### **4.06 Impairment of Non-financial Assets**

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Related party transactions are transfer of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual.

In considering each possible related party relationships, attention is directed to the substance of the relationship and not merely on the legal form.

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

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

- (1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
- (2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
- (3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
- (4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

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

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

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

#### **4.08 Revenue and Expense Recognition**

##### **4.08.01 Revenue Recognition for Revenues within the scope of PFRS 15**

Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Bank and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable by the Bank for services provided in the normal course of business. In addition, the following specific recognition criteria must also be met before revenue is recognized.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

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

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

##### **Income from Assets Sold or Exchange**

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

##### **Service Fees, Commissions, and Other Income**

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

4.08.02 Revenue Recognition for Revenues outside the scope of PFRS 15

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

Interest Income

Interest income are recognized in the statements of comprehensive income for all interest-bearing financial instruments using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are integral part of the effective interest rate. The change in carrying amounts is recorded as "interest income".

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

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

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

Other Income

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

4.08.03 Expense Recognition

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

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

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

**4.09 Leases**

4.09.01 The Bank as Lessee

For any new contracts entered into on or after 1 January 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.



- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### **Recognition and Initial Measurement**

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

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

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

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

### **Subsequent Measurement**

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

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

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

#### **4.09.02 The Bank as Lessor**

Property leased out under operating lease is included in investment property in the statement of financial position. Rental income under operating lease is recognized in profit or loss on a straight-line basis over the period of the lease.

### **4.10 Employee Benefits**

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

#### **4.10.01 Short-term Employee Benefits**

Short-Term Benefits. The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Furthermore, short-term employee benefit obligations are measured in an undiscounted basis and are expensed as the related service is provided.

#### 4.10.02 Post-employment Benefits

The retirement obligations recognized are computed on the basis of the provisions of R.A. The cost of providing benefits is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement benefit obligation recognized in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds and that have terms to maturity approximating to the terms of the related retirement benefit obligation.

The Bank recognizes immediately the following changes in the retirement benefit obligation in the statements of comprehensive income:

- Service costs comprising current service costs, gains and losses on curtailment and non-routine settlements; and
- Net interest expense or income, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains or losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, excluding net interest, are recognized immediately in the statements of financial position with a corresponding debit or credit to equity through "other comprehensive income" in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Bank engaged the services of an actuary to determine the amount of the Bank's retirement benefit obligation for the years ended December 31, 2024 and 2023, as disclosed in Note 18.

### **4.11 Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

#### 4.11.01 Current Income Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### 4.11.02 Deferred Income Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry-forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

### **4.12 Provisions, Contingent Liabilities and Contingent Assets**

#### 4.12.01 Provisions

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

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

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

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

#### 4.12.02 Contingencies

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

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

#### **4.13 Borrowing Costs**

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **4.14 Events After the End of the Reporting Period**

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

### **5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

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.

#### **5.01 Critical Judgments in Applying Accounting Policies**

The Bank has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

##### 5.01.01 Classification of financial assets (Note 4)

The Bank follows the guidance of PFRS 9 in classifying financial assets at initial recognition whether it will be subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss.

The Bank determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Bank determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at fair value through profit or loss.

Management assessed that there is no change in the objective of holding the investments, as a result, the carrying amounts of investment securities at amortized cost, are ₱638,032,633 and ₱553,806,553 as of December 31, 2024 and 2023, respectively, as disclosed in Note 9.

##### 5.01.02 Determining whether or not a contract contains a lease

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

##### Identified asset

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



#### Substantive substitution rights

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

- The supplier has the practical ability to substitute alternative assets throughout the period of use (e.g., the Bank cannot prevent the supplier from substituting an asset and alternative assets are readily available to the supplier or could be sourced by the supplier within a reasonable period of time); and
- The supplier would benefit economically from the exercise of its right to substitute the asset (i.e., the economic benefits associated with substituting the asset is expected to exceed the costs associated with substituting the asset).

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

Right to obtain substantially all of the economic benefits from use of the identified asset.

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

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

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

#### Right to direct the use of the identified asset

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

#### 5.01.03 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs.

5.01.04 Classifying Real and Other Properties Acquired (ROPA)

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

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

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

**5.02 Key Sources of Estimation Uncertainties**

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

5.02.01 Estimating Allowances for Credit Losses

The Bank estimates the allowance for credit losses related to its loans and receivables based on assessment of specific accounts where the Bank has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. The Bank used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated, notwithstanding the provisioning requirements under Manual of Regulations for Banks (MORB).

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for credit losses would increase the recognized operating expenses and decrease current assets.

In both years, the Bank assessed its loans and receivables and determined that certain borrowers are unable to meet their financial obligations. Consequently, the Bank recognized provision for credit losses amounting to ₱26,602,194 and ₱7,214,378 in 2024 and 2023, respectively, as disclosed in Note 25. Allowance for credit losses – loans amounted to ₱65,667,155 and ₱25,175,505 as of December 31, 2024 and 2023, respectively, as disclosed in Note 11. Allowance for credit losses – SCR amounted to nil and ₱14,021 as of December 31, 2024 and 2023, as disclosed in Note 11. Allowance for credit losses – accounts receivable amounted to ₱4,221,155 and ₱650,261 in 2024 and 2023, respectively, as disclosed in Note 15.

5.02.02 Reviewing Residual Values, Useful Lives and Depreciation Method of Bank's Premises, Furniture, Fixtures and Equipment, Intangible Assets, and Investment Properties

The residual values, useful lives and depreciation method of the Bank's premises, furniture, fixtures and equipment and investment properties are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank's premises, furniture, fixtures and equipment and investment properties would increase the recognized operating expenses and decrease non-current assets.

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

In both years, Management determined that there are no indications that there has been a significant change in pattern used by the Bank to consume its asset's future economic benefit.

As of December 31, 2024 and 2023, the carrying amounts of bank premises, furniture, fixtures and equipment as disclosed in Note 12 amounted to ₱242,191,127 and ₱251,443,144, respectively. The carrying amount of investment properties amounted to ₱83,174,788 and ₱66,868,999, as of December 31, 2024 and 2023, respectively, as disclosed in Note 13. The carrying amount of intangible assets amounted to ₱6,440,700 and ₱6,940,799, as of December 31, 2024 and 2023, respectively, as disclosed in Note 14.

5.02.03 Determining Impairment of Non-Financial Asset

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 those 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.

No impairment loss was recognized on bank premises, furniture fixtures, and equipment and intangible assets in 2024 and 2023, as disclosed in Notes 12 and 14. Impairment losses on investment properties recognized as of 2024 and 2023 amounted to ₱898,964, as disclosed in Note 13.

5.02.04 Recoverability of Deferred Tax Assets

The Bank reviews the carrying amounts at each reporting date and reduces deferred tax assets 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 assets to be utilized prior to expiration.

The Bank has recognized deferred tax assets amounting to ₱20,060,293 and ₱12,787,143 as of December 31, 2024 and 2023, respectively, which Management believes to be fully recoverable prior to expiration, as disclosed in Note 27.

## 6. RISK MANAGEMENT OBJECTIVES AND POLICIES

### 6.01 General Risk Management Principles

The Bank's financial assets comprise cash and other cash items, due from other banks, investment securities at amortized cost, loans and receivable, and other assets while financial liabilities comprise deposit liabilities, bills payable, and accrued and other liabilities to finance the Bank's operations.

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

	Notes	2024	2023
<b>Financial assets at amortized cost</b>			
Cash and other cash items	8	₱ 212,938,303	₱ 238,925,758
Due from BSP	8	11,679,484	53,772,614
Due from other banks	8	552,208,570	545,076,862
Investment securities at amortized cost	9	638,032,633	553,806,553
Loans and other receivables – net	11	2,590,485,776	2,455,761,618
Other assets*	15	2,417,320	3,102,588
		<b>₱ 4,007,762,086</b>	<b>₱ 3,850,445,993</b>
<b>Financial liabilities at amortized cost</b>			
Deposit liabilities	16	₱ 3,733,023,534	₱ 3,582,701,476
Accrued and other liabilities**	17	100,442,144	98,736,407
		<b>₱ 3,833,465,678</b>	<b>₱ 3,681,437,883</b>

\*excluding non-financial assets amounting to ₱6,762,981 and ₱8,921,765 in 2024 and 2023, respectively.

\*\*excluding government-related payables and non-financial liabilities amounting to ₱14,032,276 and ₱13,654,598 in 2024 and 2023, respectively.

#### 6.01.01 Credit Risk and Concentration of Assets and Liabilities and Off-balance Sheet Items

Credit risk is the risk to earnings or capital arising from a counterparty failure to perform and meet the terms of its contract with the Bank subjecting the latter to a financial loss. Credit risk may last for the entire tenor and may approximate to the full amount of a transaction and in some cases may exceed the original principal exposure.

Credit risk inherent in the lending activities and the Bank manages it in accordance with a credit risk management framework that spans for identification, measurement, control, monitoring and reporting.

To manage credit risk, the Bank conducts credit investigation and background checking and follows written manuals and procedures for loan disbursements, monitoring and collection. Policies of loan diversification like maximum loan size, types of loans, loan structures are instituted to avoid concentration in a particular sector or area to lessen portfolio risk.

The Management closely monitors the overall credit operations and acts on the identified existing and potential risks appropriately for reporting during regular meetings of the BOD.



6.01.02 Maximum Exposure to Credit Risk before Collateral Held or Other Credit Enhancements

An analysis of the maximum exposure to credit risk relating to on-balance sheet assets without taking into account of any collateral held or other credit enhancements is shown below:

	Notes	2024	2023
Cash and other cash items*	8	<b>₱ 13,356,890</b>	₱ 11,245,283
Due from BSP	8	<b>11,679,484</b>	53,772,614
Due from other banks	8	<b>552,208,570</b>	545,076,862
Investment securities at amortized cost	9	<b>638,032,633</b>	553,806,553
Loans and other receivables**	11	<b>2,657,814,801</b>	2,483,258,870
Other assets***	15	<b>2,417,320</b>	3,102,588
		<b>₱ 3,875,509,698</b>	₱ 3,650,262,770

\*except for cash on hand amounting to ₱199,581,413 and ₱227,680,475 in 2024 and 2023, respectively.

\*\*gross of unamortized discount amounting to ₱1,661,870 and ₱2,307,726 in 2024 and 2023, respectively and gross of allowance for credit losses amounting to ₱65,667,155 and ₱25,189,526 in 2024 and 2023, respectively.

\*\*\*excluding non-financial assets amounting to ₱6,762,981 and ₱8,921,765 in 2024 and 2023, respectively.

Where financial instruments are recorded at fair value, the amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

6.01.03 Credit Quality of Financial Assets

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

2024	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items*	13,356,890	—	—	13,356,890
Due from BSP	11,679,484	—	—	11,679,484
Due from other banks	552,208,570	—	—	552,208,570
Investment securities at amortized cost	638,032,633	—	—	638,032,633
Loans and other receivables**	2,491,071,497	158,133,446	6,947,988	2,656,152,931
Other assets***	2,417,320	—	—	2,417,320
	<b>3,708,766,394</b>	<b>158,133,446</b>	<b>6,947,988</b>	<b>3,873,847,828</b>
2023	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items*	11,245,283	—	—	11,245,283
Due from BSP	53,772,614	—	—	53,772,614
Due from other banks	545,076,862	—	—	545,076,862
Investment securities at amortized cost	553,806,553	—	—	553,806,553
Loans and other receivables**	2,278,901,502	195,367,832	6,681,810	2,480,951,144
Other assets***	3,102,588	—	—	3,102,588
	<b>3,445,905,402</b>	<b>195,367,832</b>	<b>6,681,810</b>	<b>3,647,955,044</b>

\*except for cash on hand amounting to ₱199,581,413 and ₱227,680,475 in 2024 and 2023, respectively.

\*\*net of unamortized discount amounting to ₱1,661,870 and ₱2,307,726 in 2024 and 2023, respectively and gross of allowance for credit losses amounting to ₱65,667,155 and ₱25,189,526 in 2024 and 2023, respectively.

\*\*\*excluding non-financial assets amounting to ₱6,762,981 and ₱8,921,765 in 2024 and 2023, respectively.

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

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

Loans with negotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

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

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

#### 6.01.04 Aging Analysis

An aging analysis of the Bank's loans and other receivable (net of unamortized discount) as of December 31, 2024 and 2023 are as follows:

	2024	2023
Outstanding receivables:		
Current accounts	<b>₱ 2,491,071,497</b>	₱ 2,278,901,501
Past due accounts:		
1 – 30 days past due	<b>34,327,539</b>	23,913,167
31 – 60 days past due	<b>26,550,767</b>	17,408,596
61 – 90 days past due	<b>8,917,452</b>	24,722,396
over 90 days past due*	<b>95,285,676</b>	136,005,484
	<b>₱ 2,656,152,931</b>	₱ 2,480,951,144

\*includes items in litigation amounting to ₱200,039 in 2024 and 2023.

#### **6.02 Liquidity Risk**

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

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

As of December 31, 2024 and 2023, the minimum liquidity ratio of the Bank is 45.06% and 46.77%.

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

2024	On Demand	Due Within 1 Year	Due Beyond 1 Year But Not More Than 5 Years	Due Beyond 5 Years But Not More Than 15 Years	Total
<b>Financial Assets:</b>					
Cash and other cash items	₱ 212,938,303	₱ —	₱ —	₱ —	212,938,303
Due from BSP	11,679,484	—	—	—	11,679,484
Due from other banks	338,405,678	188,539,619	19,858,327	5,404,946	552,208,570
Investment securities at amortized cost	—	355,904,587	50,000,000	232,128,046	638,032,633
Loans and other receivables*	41,122,213	98,242,762	1,108,314,180	1,408,473,776	2,656,152,931
Other assets**	2,417,320	—	—	—	2,417,320
	<b>₱ 606,562,998</b>	<b>₱ 642,686,968</b>	<b>₱ 1,178,172,507</b>	<b>₱ 1,646,006,768</b>	<b>₱ 4,073,429,241</b>
<b>Financial Liabilities:</b>					
Deposit liabilities	₱ 3,081,003,261	₱ 652,020,273	₱ —	₱ —	3,733,023,534
Accrued and other liabilities**	19,022,947	7,550,620	20,688,123	53,180,454	100,442,144
	<b>₱ 3,100,026,208</b>	<b>₱ 659,570,893</b>	<b>₱ 20,688,123</b>	<b>₱ 53,180,454</b>	<b>₱ 3,833,465,678</b>

QUEZON CAPITAL RURAL BANK, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023  
In Philippine Peso

2023	On Demand	Due Within 1 Year	Due Beyond 1 Year But Not More Than 5 Years	Due Beyond 5 Years But Not More Than 15 Years	Total
<b>Financial Assets:</b>					
Cash and other cash items	₱ 238,925,758	₱ —	₱ —	₱ —	238,925,758
Due from BSP	53,772,614	—	—	—	53,772,614
Due from other banks	335,776,552	198,479,585	10,820,725	—	545,076,862
Investment securities at amortized cost	—	267,441,115	176,814,164	109,551,274	553,806,553
Loans and other receivables*	29,474,246	222,448,495	1,287,058,027	941,970,376	2,480,951,144
Other assets**	3,102,588	—	—	—	3,102,588
	₱ 661,051,758	₱ 688,369,195	₱ 1,474,692,916	₱ 1,051,521,650	₱ 3,875,635,519
<b>Financial Liabilities:</b>					
Deposit liabilities	₱ 3,087,632,705	₱ 494,430,769	₱ 638,002	₱ —	₱ 3,582,701,476
Accrued and other liabilities***	18,996,464	3,114,102	5,197,855	71,427,987	98,736,408
	₱ 3,106,629,169	₱ 497,544,871	₱ 5,835,857	₱ 71,427,987	₱ 3,681,437,884

\*net of unamortized loan discount amounting to ₱1,661,870 and ₱2,307,726 in 2024 and 2023 respectively.

\*\*excluding non-financial assets amounting to ₱6,762,981 and ₱8,921,765 in 2024 and 2023, respectively.

\*\*\*excluding government-related payables and non-financial liabilities amounting to ₱14,032,276 and ₱13,654,598 in 2024 and 2023, respectively.



### **6.03 Interest Rate Risk**

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

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Bank is not exposed to interest rate risk since its financial assets and financial liabilities have fixed rates.

### **6.04 Operational Risks**

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

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

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

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

## 7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Fair Value of the Bank's financial instruments as of December 31, 2024 and 2023:					
	Carrying Value		Fair Value		
		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2024					
ASSETS					
Investment securities at amortized cost	638,032,633	–	638,032,633	–	638,032,633
Loans and other receivables – net	2,590,485,776	–	2,590,485,776	–	2,590,485,776
	3,228,518,409	–	3,228,518,409	–	3,228,518,409
LIABILITIES					
Deposit liabilities	3,733,023,534	–	3,733,023,534	–	3,733,023,534
2023					
ASSETS					
Investment securities at amortized cost	553,806,553	–	553,806,553	–	553,806,553
Loans and other receivables – net	2,455,761,618	–	2,455,761,618	–	2,455,761,618
	3,009,568,171	–	3,009,568,171	–	3,009,568,171
LIABILITIES					
Deposit liabilities	3,582,701,476	–	3,582,701,476	–	3,582,701,476

Cash and other cash item, Due from BSP, Due from other banks, Other assets, Accrued and other liabilities

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

Loans and other receivables

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

Deposit liabilities

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

Fair Value Hierarchy

In accordance with PFRS 13, 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, 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 financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

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

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

Fair Value Measurement for Non-financial Assets

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

The fair value of investment property as of December 31, 2024 and 2023 amounting to ₱160,836,425 and ₱136,556,550 respectively, is currently categorized within Level 2. 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. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

## 8. CASH AND CASH EQUIVALENTS

The account consists of the following:

	2024	2023
Cash and other cash items:		
Cash on hand	₱ 199,581,413	₱ 227,680,475
Checks and other cash items	13,356,890	11,245,283
	<b>212,938,303</b>	238,925,758
Due from BSP	11,679,484	53,772,614
Due from other banks	552,208,570	545,076,862
	<b>563,888,054</b>	598,849,476
	<b>₱ 776,826,357</b>	₱ 837,775,234

### Cash and Other Cash Items

Cash and other cash items refers to cash on hand representing the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier, including notes and coins in the possession of tellers while checks and other cash items account refers to the total amount of checks and other cash items received after the clearing cut-off time until the close of the regular banking hours.

### Due from Bangko Sentral ng Pilipinas (BSP)

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. Due from BSP bears annual interest rate of zero in 2024 and 2023.

On June 23, 2023, BSP issued Circular No. 1175 amending Section 251 of the MORB, decreasing the reserve requirement from 2% to 1% effective reserve week of June 30, 2023. On September 20, 2024, BSP issued Circular No. 1201, decreasing the reserve requirement from 1% to 0% effective reserve week of October 25, 2024. For December 31, 2024 and 2023, the Bank is compliant with the reserve requirement as set by the BSP.

### Due from Other Banks

Due from other banks comprise of savings deposits with interest rates ranging from 0.00% to 5.75% and time deposits with interest rates ranging from 0.025% to 5.75%.

Interest earned on deposits on local banks amounted to ₱9,782,524 and ₱10,143,604 in 2024 and 2023, respectively.

## 9. INVESTMENT SECURITIES AT AMORTIZED COST

This account consists of:

	2024	2023
Face amount	₱ 641,536,500	₱ 557,869,000
Unamortized discount	(3,503,867)	(4,062,447)
	₱ 638,032,633	₱ 553,806,553

Movements in the account are disclosed below:

	2024	2023
Balance at January 1	₱ 553,806,553	₱ 527,494,047
Acquisitions during the year	1,050,220,000	725,740,000
Maturities during the year	(966,800,000)	(697,928,500)
Unamortized premium/(discount)	507,573	(1,432,800)
Foreign exchange adjustment	298,507	(66,194)
Balance, December 31	₱ 638,032,633	₱ 553,806,553

Total interest earned on these financial assets amounted to ₱24,758,822 and ₱21,872,138 for 2024 and 2023, respectively.

No impairment was recognized as of and for the years ended December 31, 2024 and 2023.

Under current banking regulations, investments in bonds and other debt instruments shall not exceed 50% of adjusted statutory net worth plus 40% of total deposits liabilities. As of December 31, 2024 and 2023 the Bank is compliant with such regulations.



## 10. INVESTMENT IN ASSOCIATES

This account consists of the following:

Entity	Nature of Business	2024		2023	
		Ownership Interest		Ownership Interest	
		%	Amount	%	Amount
Tellermate System, Inc.					
Preferred stock	ATM	41.82%	2,800,000	41.82%	2,800,000
Common stock	Operations	39.20%	196,000	39.20%	196,000
			2,996,000		2,996,000
Cumulative share in profit			32,439		35,454
			3,028,439		3,031,454

### 10.01 Summarized Financial Information

The following illustrates the summarized information of the Bank's investment in associate:

#### 10.01.01 Tellermate System, Inc.

The summarized statement financial position of its associate is as follows:

	2024	2023
Total asset	₱ 6,169,494	₱ 6,175,531
Total liabilities	923,136	923,136
Equity	5,246,358	5,252,395

The summarized statement comprehensive income of its associate is as follows:

	2024	2023
Revenues	₱ 737	₱ 50,631
Operating expenses	6,774	6,774
Income/(loss) before tax expense	(6,037)	43,857
Income/(loss) after tax expense	(6,037)	43,857

Movement of share in profit of associate:

	2024	2023
Beginning balance	₱ 35,454	₱ 13,554
Share in profit/(loss)	(3,015)	21,900
	₱ 32,439	₱ 35,454

**11. LOANS AND OTHER RECEIVABLES – net**

The account consists of the following:

	2024	2023
Current loans	<b>₱ 2,431,127,298</b>	₱ 2,233,128,119
Past due loans	<b>203,761,617</b>	236,195,177
Under litigation	<b>200,039</b>	200,039
Total loans receivable	<b>2,635,088,954</b>	2,469,523,335
Sales contract receivable	<b>13,131,293</b>	5,657,859
Accrued interest receivable	<b>9,594,554</b>	8,077,676
	<b>2,657,814,801</b>	2,483,258,870
Unamortized discount	<b>(1,661,870)</b>	(2,307,726)
	<b>2,656,152,931</b>	2,480,951,144
Allowance for credit losses		
Loans receivable (Note 25)	<b>(65,667,155)</b>	(25,175,505)
Sales contract receivable (Note 25)	<b>–</b>	(14,021)
	<b>(65,667,155)</b>	(25,189,526)
Total loans and other receivables – net	<b>₱ 2,590,485,776</b>	₱ 2,455,761,618

Breakdown of loans receivable for the year is as follows:

2024	Stage 1	Stage 2	Stage 3	Total
Commercial loan	809,408,317	87,715,279	50,864,214	947,987,810
Revised flexi home loan	482,506,734	126,324,062	41,800,126	650,630,922
Agricultural loan	250,874,291	38,224,372	22,223,679	311,322,342
Other Loans and Discount	228,782,614	43,445,186	12,827,435	285,055,235
Flexi-commercial loan	209,730,284	20,472,784	38,053,406	268,256,474
Development incentive loan	38,080,149	10,062,366	5,081,155	53,223,670
Industrial loan	33,551,026	18,613,000	427,778	52,591,804
Commercial equity credit loan	29,636,750	–	–	29,636,750
Flexi-home loan	10,844,509	802,492	1,385,211	13,032,212
Agricultural equity credit loan	12,000,000	–	–	12,000,000
Cb circular - personal loan	3,969,930	11,774	–	3,981,704
Real estate loan	3,560,248	–	–	3,560,248
Car loan	3,506,412	–	–	3,506,412
Consumption loan	9,130	–	294,202	303,332
Supervised credit loan	–	–	39	39
	<b>2,116,460,394</b>	<b>345,671,315</b>	<b>172,957,245</b>	<b>2,635,088,954</b>

2023	Stage 1	Stage 2	Stage 3	Total
Commercial loan	793,403,155	28,088,160	91,846,975	913,338,290
Revised flexi home loan	483,322,078	97,612,352	46,584,570	627,519,000
Agricultural loan	267,668,749	28,329,392	10,195,170	306,193,311
Other Loans and Discount	215,174,011	24,362,133	9,785,711	249,321,855
Flexi-commercial loan	197,217,279	7,460,404	19,249,493	223,927,176
Development incentive loan	43,899,595	8,340,411	5,155,230	57,395,236
Industrial loan	38,797,208	2,740,051	—	41,537,259
Commercial equity credit loan	17,750,000	—	8,517	17,758,517
Flexi-home loan	8,926,613	1,472,604	1,698,812	12,098,029
Agricultural equity credit loan	3,000,000	—	—	3,000,000
Cb circular - personal loan	3,422,417	—	—	3,422,417
Real estate loan	3,944,454	—	—	3,944,454
Car loan	3,287,377	—	—	3,287,377
Consumption loan	22,759	—	336,860	359,619
Agricultural productivity loan	—	—	6,420,756	6,420,756
Supervised credit loan	—	—	39	39
	2,079,835,695	198,405,507	191,282,133	2,469,523,335

The Bank's loan accounts are stated at the outstanding balance, reduced by estimated allowance for credit losses and unearned interest and discounts.

Sales contract receivable refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dacion in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

The breakdown of sales contract receivables are as follows:

	2024	2023
Performing	<b>₱ 13,131,293</b>	₱ 5,517,645
Non-performing	—	140,214
Total	<b>₱ 13,131,293</b>	₱ 5,657,859

The movement of the allowance for credit losses on loans receivable at December 31 as disclosed in Note 25 are summarized as follows:

	2024	2023
At January 1	<b>₱ 25,175,505</b>	₱ 31,654,179
Provision for credit losses	<b>23,031,300</b>	7,169,222
Reversal	<b>(1,897,305)</b>	(13,647,896)
Reclassification from reserves	<b>19,357,655</b>	—
	<b>₱ 65,667,155</b>	₱ 25,175,505

Allowance for credit losses of loans receivable from customers for the years ended December 31, 2024 and 2023 are as follows:

2024	Stage 1	Stage 2	Stage 3	Total
Commercial Loan	8,084,033	4,355,648	5,361,102	17,800,783
Revised Flexi Home Loan	5,020,356	7,074,301	5,011,564	17,106,221
Agricultural Loan	2,508,477	1,852,578	1,765,618	6,126,673
Other Loans and Discount	2,277,826	2,172,259	1,549,178	5,999,263
Flexi-Commercial Loan	2,097,303	1,023,639	3,805,342	6,926,284
Development Incentive Loan	380,802	503,118	508,116	1,392,036
Industrial Loan	334,610	1,861,300	42,779	2,238,689
Commercial Equity Credit Loan	296,368	333,423	—	629,791
Flexi-Home Loan	265,946	40,126	138,522	444,594
Agricultural Equity Credit Loan	120,000	117,282	—	237,282
CB Circular - Personal Loan	39,700	1,177	—	40,877
CB Circular - Real Estate Loan	35,602	—	—	35,602
CB Circular - Car Loan	35,064	—	—	35,064
Consumption Loan	91	—	286,366	286,457
Agricultural Productivity Loan	—	—	6,367,509	6,367,509
Supervised Credit Loan	—	—	30	30
	<b>21,496,178</b>	<b>19,334,851</b>	<b>24,836,126</b>	<b>65,667,155</b>
2023	Stage 1	Stage 2	Stage 3	Total
Commercial Loan	1,112,643	229,274	4,634,883	5,976,800
Revised Flexi Home Loan	495,327	2,562,570	3,912,129	6,970,026
Agricultural Loan	103,310	399,416	532,358	1,035,084
Other Loans and Discount	128,961	427,613	577,544	1,134,118
Flexi-Commercial Loan	590	19,367	—	19,957
Development Incentive Loan	118,277	36,545	289,512	444,334
Industrial Loan	387,972	47,221	—	435,193
Commercial Equity Credit Loan	177,500	—	85	177,585
Flexi-Home Loan	1,042	18,173	1,901,835	1,921,050
Agricultural Equity Credit Loan	30,000	—	—	30,000
CB Circular - Personal Loan	34,224	—	—	34,224
CB Circular - Real Estate Loan	39,445	—	—	39,445
CB Circular - Car Loan	32,870	—	—	32,870
Consumption Loan	228	—	228,543	228,771
Agricultural Productivity Loan	—	—	6,420,756	6,420,756
Restructured Loan	—	34,967	240,286	275,253
Supervised Credit Loan	—	—	39	39
	<b>2,662,389</b>	<b>3,775,146</b>	<b>18,737,970</b>	<b>25,175,505</b>

Allowance for credit losses is comprised of the following:

	2024	2023
Specific loan loss	<b>P 44,170,977</b>	P 23,734,803
General loan loss	<b>21,496,178</b>	1,440,702
	<b>P 65,667,155</b>	P 25,175,505

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



Interest income earned by the Bank from its loans and other receivables are disclosed below:

	2024	2023
Loans receivable	<b>P 253,563,227</b>	P 226,351,768
Sales contract receivable	<b>860,661</b>	747,793
	<b>P 254,423,888</b>	P 227,099,561

#### 11.01 Past Due Loans

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

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

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

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

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

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

#### 11.02 Non-Performing Loans

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

	2024	2023
Total Non-performing loans	<b>P 133,375,229</b>	P 163,856,781
Less: Non-performing loans covered by allowance for credit losses	<b>21,922,049</b>	21,837,507
	<b>P 111,453,180</b>	P 142,019,274

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

	2024	2023
Ratio of gross NPLs to gross TLP (%)	<b>5.06%</b>	6.64%
Ratio of net NPLs to gross TLP (%)	<b>4.23%</b>	5.75%
Ratio of total allowance for credit losses to gross NPLs (%)	<b>49.23%</b>	15.36%
Ratio of specific allowance for credit losses on gross TLP to gross NPLs (%)	<b>33.12%</b>	14.49%

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

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

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

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

**12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net**

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

2024	Land	Building under construction	Building	Leasehold rights and improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Right-of-Use Asset	Information technology	Total
<b>Cost:</b>									
Balance, January 1	63,810,982	3,656,403	92,826,923	35,281,494	39,063,387	7,221,997	92,455,303	108,592,414	442,908,903
Additions	900,000	1,767,353	–	–	3,248,971	750,000	–	10,376,374	17,042,698
Disposal	–	–	–	–	(664,912)	(1,290,000)	(1,629,128)	(2,192,228)	(5,776,268)
Reclassification	–	(809,103)	279,110	258,174	6,541	–	–	65,278	–
Adjustment <sup>1</sup>	(5,000,000)	(119,114)	–	–	(106,558)	–	–	(12,822)	(5,238,494)
Additions to ROU (PFRS 16)	–	–	–	–	–	–	3,910,254	–	3,910,254
<b>Balance, December 31</b>	<b>59,710,982</b>	<b>4,695,539</b>	<b>93,106,033</b>	<b>35,539,668</b>	<b>41,547,429</b>	<b>6,681,997</b>	<b>94,736,429</b>	<b>116,829,016</b>	<b>452,847,093</b>
<b>Accumulated depreciation:</b>									
Balance, January 1	–	–	30,566,411	18,872,798	31,299,347	3,182,557	16,816,892	90,727,754	191,465,759
Depreciation (Note 26)	–	–	3,502,436	1,495,604	2,683,813	1,197,346	5,924,151	9,573,989	24,387,339
Disposal	–	–	–	–	(637,943)	(1,129,950)	(1,256,626)	(2,071,403)	(5,095,322)
Adjustment	–	–	3,016	(3,211)	(23,739)	(50)	–	(77,226)	(101,210)
<b>Balance, December 31</b>	<b>–</b>	<b>–</b>	<b>34,071,863</b>	<b>20,365,191</b>	<b>33,331,478</b>	<b>3,249,903</b>	<b>21,484,417</b>	<b>98,153,114</b>	<b>210,655,966</b>
<b>Carrying amount</b>	<b>59,710,982</b>	<b>4,695,539</b>	<b>59,034,170</b>	<b>15,174,477</b>	<b>8,215,951</b>	<b>3,432,094</b>	<b>73,252,012</b>	<b>18,675,902</b>	<b>242,191,127</b>
<b>2023</b>									
<b>Cost:</b>									
Balance, January 1	58,810,982	955,050	92,092,091	33,224,464	34,746,759	5,886,997	62,560,922	99,675,677	387,952,942
Additions	5,000,000	5,439,474	53,741	–	4,907,144	2,200,000	–	9,847,594	27,447,953
Disposal	–	–	–	–	(590,516)	(865,000)	(2,606,151)	(930,857)	(4,992,524)
Reclassification	–	(2,738,121)	681,091	2,057,030	–	–	–	–	–
Addition to ROU (PFRS 16)	–	–	–	–	–	–	32,500,532	–	32,500,532
<b>Balance, December 31</b>	<b>63,810,982</b>	<b>3,656,403</b>	<b>92,826,923</b>	<b>35,281,494</b>	<b>39,063,387</b>	<b>7,221,997</b>	<b>92,455,303</b>	<b>108,592,414</b>	<b>442,908,903</b>
<b>Accumulated depreciation:</b>									
Balance, January 1	–	–	27,079,346	17,350,022	29,559,391	2,924,815	13,923,822	83,343,523	174,180,919
Depreciation (Note 26)	–	–	3,487,065	1,522,776	2,330,472	1,077,401	5,499,221	8,289,737	22,206,672
Disposal	–	–	–	–	(590,516)	(819,659)	(2,606,151)	(905,506)	(4,921,632)
<b>Balance, December 31</b>	<b>–</b>	<b>–</b>	<b>30,566,411</b>	<b>18,872,798</b>	<b>31,299,347</b>	<b>3,182,557</b>	<b>16,816,892</b>	<b>90,727,754</b>	<b>191,465,759</b>
<b>Carrying amount</b>	<b>63,810,982</b>	<b>3,656,403</b>	<b>62,260,512</b>	<b>16,408,696</b>	<b>7,764,040</b>	<b>4,039,440</b>	<b>75,638,411</b>	<b>17,864,660</b>	<b>251,443,144</b>

The adjustment on land amounting to ₱5,000,000 represents the reversal of a payment made for a discontinued purchase of property on February 10, 2023.

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

Depreciation and amortization expense is presented as separate components of operating expenses under non-interest expenses in the statement of comprehensive income.

In 2024, the Bank disposed several properties with a carrying amount of ₱307,844 for ₱347,844 resulting to a gain on sale amounting to ₱40,000, which is included in other income, as disclosed in Note 23.

In 2023, the Bank disposed several properties with a carrying amount of ₱70,692 for ₱166,350 resulting to a gain on sale amounting to ₱95,658 which is included in other income, as disclosed in Note 23.

Additions worth ₱17,042,698 and ₱27,447,953 were paid in cash during 2024 and 2023, respectively.

No bank premises, furniture, fixture and equipment were used as collateral for liabilities as at December 31, 2024 and 2023.

As of December 31, 2024 and 2023, the Bank has no commitment to purchase bank premises, furniture, fixture and equipment.

Section 109 of the MORB states that the total investment of a bank in real estate and improvements thereon, including bank equipment, shall not exceed fifty percent (50%) of the bank's net worth. As of December 31, 2024 and 2023, the Bank is compliant with such regulation.

The following are the lease agreements entered into by the Bank and outstanding as of December 31, 2024 and 2023.

**2024**

Location of leased property	Leased Property	Lease Term		Lease Payment	Escalation Clause
		Start of term	End of term		
QCRB Tower	Office Space Lot & Improvements	July 1, 2012	June 30, 2052	99,100	10% every 3 years
Padre Burgos, Quezon	Lot	September 27, 2022	September 26, 2025	8,600	No escalation clause
Mauban, Quezon	Lot	July 27, 2009	July 26, 2024	12,000	1,500 every 3 years
Atimonan, Quezon	Lot	July 2, 2015	July 2, 2035	22,000	5% every 5 years
QCRB Tower, Quezon	Office Space Lot	January 1, 2018	December 31, 2038	38,905	10% every 2 years
Tiaong, Quezon		May 1, 2016	April 30, 2041	22,000	7% every 5 years
Lopez, Quezon	Lot	March 5, 2012	March 4, 2032	15,000	15,000.00 for the 1st 2 years. 5% every 2 years thereafter
Calauag, Quezon	Lot & Improvements	October 10, 2005	October 10, 2032	6,720	12% every 3 yrs.
Tagkawayan, Quezon	Lot & Improvements	October 5, 2017	October 4, 2037	11,959	12% increase every 3 years
Gumaca, Quezon	Lot & Improvements	December 3, 2017	December 2, 2037	14,025	14% increase every 2 years
Mulanay, Quezon	Lot & Improvements	October 14, 1997	October 13, 2032	11,015	12% increase every 3 years
Real, Quezon	Lot	June 5, 2023	June 4, 2028	22,000	5% increase every year
Luisiana, Laguna	Lot & Improvements	April 30, 2003	April 30, 2025	10,648	10% increase every 3 years
San Narciso, Quezon	Lot & Improvements	September 6, 2003	September 5, 2028	6,200	12% increase every 3 years
Calauan, Laguna	Lot	May 12, 2009	May 11, 2029	17,000	15% increase every 3 years



**QUEZON CAPITAL RURAL BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**  
**In Philippine Peso**

Nagcarlan, Laguna	Lot	February 9, 2009	February 8, 2034	15,000	10% increase every 3 years
San Juan, Batangas	Lot & Improvements	December 16, 2009	December 15, 2034	20,000	13% increase every 5 years
San Jose, Batangas	Lot & Improvements	July 18, 2018	July 17, 2038	25,000	12% increase every 5 years
Cainta, Rizal	Office Space	February 3, 2023	February 02, 2038	76,160	8% increase every 2 years
Rosario, Batangas	Lot & Improvements	July 18, 2011	July 17, 2026	15,000	10% increase every 5 years
Sto. Tomas, Batangas	Improvements	September 11, 2011	September 10, 2036	25,000	10% increase every 5 years
Siniloan, Laguna	Lot	October 25, 2011	October 24, 2026	25,000	10% increase every 5 years
Isabang, Lucena City	Lot	October 03, 2018	October 02, 2033	8,000	3.5% increase every 5 years

**2023**

Location of leased property	Leased Property	Lease Term		Lease Payment	Escalation Clause
		Start of term	End of term		
QCRB Tower	Office Space	July 1, 2012	June 30, 2052	99,100	10% every 3 years
	Lot & Improvements				
Padre Burgos, Quezon	Lot	September 27, 2022	September 26, 2025	8,600	No escalation clause
Mauban, Quezon	Lot	July 27, 2009	July 26, 2024	12,000	1,500 every 3 years
Atimonan, Quezon	Lot	July 2, 2015	July 2, 2035	22,000	5% every 5 years
		January 1, 2018	December 31, 2038		
QCRB Tower, Quezon	Office Space			38,905	10% every 2 years
Tiaong, Quezon	Lot	May 1, 2016	April 30, 2041	22,000	7% every 5 years
		March 5, 2012			15,000.00 for the 1st 2 years. 5% every 2 years thereafter
Lopez, Quezon	Lot		March 4, 2032	15,000	
	Lot & Improvements	October 10, 2005	October 10, 2032	6,720	12% every 3 yrs.
Calauag, Quezon	Lot & Improvements	October 5, 2017	October 4, 2037	11,959	12% increase every 3 years
Tagkawayan, Quezon	Lot & Improvements	December 3, 2017	December 2, 2037	14,025	14% increase every 2 years
Gumaca, Quezon	Improvements	October 14, 1997	October 13, 2032	11,015	12% increase every 3 years
Mulanay, Quezon	Improvements				10% increase every 3 years
Real, Quezon	Lot	June 5, 2023	June 4, 2028	5,445	10% increase every 3 years
	Lot & Improvements	April 30, 2003	April 30, 2025	10,648	12% increase every 3 years
Luisiana, Laguna	Lot & Improvements	September 6, 2003	September 5, 2028	6,200	15% increase every 3 years
San Narciso, Quezon	Improvements				10% increase every 3 years
Calauan, Laguna	Lot	May 12, 2009	May 11, 2029	17,000	13% increase every 5 years
Nagcarlan, Laguna	Lot	February 9, 2009	February 8, 2034	15,000	12% increase every 5 years
	Lot & Improvements	December 16, 2009	December 15, 2034	20,000	8% increase every 2 years
San Juan, Batangas	Improvements	July 18, 2018	July 17, 2038	25,000	10% increase every 5 years
San Jose, Batangas	Improvements	February 3, 2023	February 02, 2028	76,160	10% increase every 5 years
Cainta, Rizal	Office Space				10% increase every 5 years
	Lot & Improvements	July 18, 2011	July 17, 2026	15,000	10% increase every 5 years
Rosario, Batangas	Lot & Improvements	September 11, 2011	September 10, 2036	25,000	10% increase every 5 years
Sto. Tomas, Batangas	Improvements	October 25, 2011	October 24, 2026	25,000	10% increase every 5 years
Siniloan, Laguna	Lot	October 03, 2018	October 02, 2033	8,000	3.5% increase every 5 years
Isabang, Lucena City	Lot				

### 13. INVESTMENT PROPERTIES – net

The account includes real properties foreclosed from delinquent borrowers which are held for capital appreciation.

Details of the Bank's investment properties are as follows:

2024	Land	Building	Total
<b>Cost:</b>			
Balance, January 1	₱ 40,079,392	₱ 46,494,890	₱ 86,574,282
Additions	12,321,491	21,753,233	34,074,724
Disposals	(5,673,118)	(17,790,655)	(23,463,773)
Reclassification	(6,303)	6,303	–
<b>Balance, December 31</b>	<b>46,721,462</b>	<b>50,463,771</b>	<b>97,185,233</b>
<b>Accumulated Depreciation:</b>			
Balance, January 1	–	18,806,319	18,806,319
Depreciation expense (Note 26)	–	4,357,062	4,357,062
Disposal	–	(10,051,900)	(10,051,900)
<b>Balance, December 31</b>	<b>–</b>	<b>13,111,481</b>	<b>13,111,481</b>
<b>Accumulated impairment loss</b>			
Balance, December 31 (Note 25)	–	898,964	898,964
<b>Carrying amount</b>	<b>₱ 46,721,462</b>	<b>₱ 36,453,326</b>	<b>₱ 83,174,788</b>
<b>2023</b>	<b>Land</b>	<b>Building</b>	<b>Total</b>
<b>Cost:</b>			
Balance, January 1	₱ 47,826,072	₱ 40,979,960	₱ 88,806,032
Additions	4,071,017	10,206,727	14,277,744
Disposals	(11,817,697)	(4,691,797)	(16,509,494)
<b>Balance, December 31</b>	<b>40,079,392</b>	<b>46,494,890</b>	<b>86,574,282</b>
<b>Accumulated Depreciation:</b>			
Balance, January 1	–	17,648,342	17,648,342
Depreciation expense (Note 26)	–	3,778,926	3,778,926
Disposal	–	(2,620,949)	(2,620,949)
<b>Balance, December 31</b>	<b>–</b>	<b>18,806,319</b>	<b>18,806,319</b>
<b>Accumulated impairment loss</b>			
Balance, January 1 (Note 25)	–	957,964	957,964
Reversal (Note 25)	–	(59,000)	(59,000)
<b>Balance, December 31</b>	<b>–</b>	<b>898,964</b>	<b>898,964</b>
<b>Carrying amount</b>	<b>₱ 40,079,392</b>	<b>₱ 26,789,607</b>	<b>₱ 66,868,999</b>

In 2024, the Bank disposed certain investment properties with carrying amount of ₱5,765,192 for cash proceeds of ₱10,272,069 realizing a gain on sale of ₱4,506,877 as disclosed in Note 23. Also, certain investment properties with carrying amount of ₱7,646,681 were sold through sales contract receivable at selling price of ₱19,670,000 realizing a gain on sale of ₱12,023,319, as disclosed in Note 23. Out of the total selling price, ₱12,056,353 were collected in 2024.

In 2023, the Bank disposed certain investment properties with carrying amount of ₱12,305,813 for cash proceeds of ₱23,151,072 realizing a gain on sale of ₱10,845,259 as disclosed in Note 23. Also, certain investment properties with carrying amount of ₱1,582,732 were sold through sales contract receivable at selling price of ₱3,000,000 realizing a gain on sale of ₱1,417,268, as disclosed in Note 23. Out of the total selling price, ₱1,847,926 were collected in 2023.

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is an indication that an impairment loss has occurred on its investment properties in 2024 and 2023.

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

The fair value of investment property as of December 31, 2024 and 2023 amounting to ₱160,836,425 and ₱136,556,550 respectively, is currently categorized within Level 2. 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. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

Expenses incurred related to rental operations and maintenance of investment properties amounting to ₱1,916,212 and ₱1,032,369 in 2024 and 2023, respectively, are presented as part of operating expenses in the statements of comprehensive income.

#### 14. INTANGIBLE ASSETS – net

Intangible Assets refers to the identifiable non-monetary assets without physical substance such as the core banking system being used by the Bank.

Movements in the account are disclosed below:

	Note	2024	2023
Cost:			
Balance, December 31		₱ 16,187,500	₱ 16,187,500
Accumulated amortization:			
Balance, January 1		9,246,701	8,746,602
Amortization for the year	26	500,099	500,099
Balance, December 31		9,746,800	9,246,701
<b>Net carrying value</b>		<b>₱ 6,440,700</b>	<b>₱ 6,940,799</b>

## 15. OTHER ASSETS

The account consists of the following:

	2024	2023
Stationery and supplies on hand	<b>₱ 2,469,930</b>	₱ 3,054,284
Accounts receivable*	<b>2,314,670</b>	2,879,085
Prepaid expenses	<b>1,699,915</b>	1,157,769
Sinking funds	<b>71,200</b>	71,200
Petty cash fund	<b>61,000</b>	61,000
Returned checks and other cash items	<b>31,450</b>	152,303
Prepaid tax	<b>—</b>	1,968,667
Miscellaneous assets	<b>2,532,136</b>	2,680,045
	<b>₱ 9,180,301</b>	₱ 12,024,353

\*net of allowance for credit losses amounting to ₱4,221,155 and ₱650,261 in 2024 and 2023 as disclosed in Note 25.

Prepaid expenses represent the expense prepayments expected to benefit the bank for a future period not exceeding one year paid in advance, which shall be amortized monthly.

Accounts receivable represents claims or advance payment on various non-loan transactions and amount due from other parties. This account is measured at face value and reduced by allowance for credit losses.

Stationery and supplies represent the cost of unused stationeries, printed forms, and office supplies.

Sinking fund represents accumulated amount set aside for the redemption of issued and outstanding government shares of Development Bank of the Philippines.

The movement of the allowance for credit losses on accounts receivable at December 31 as disclosed in Note 25 are summarized as follows:

	2024	2023
At January 1	<b>₱ 650,261</b>	₱ 979,926
Provision for credit losses	<b>3,570,894</b>	31,135
Write-off	<b>—</b>	(360,800)
	<b>₱ 4,221,155</b>	₱ 650,261

## 16. DEPOSIT LIABILITIES

This account consists of the following:

	2024	2023
Savings deposits	<b>₱ 3,127,560,674</b>	₱ 3,070,529,887
Time certificate of deposits	<b>587,700,089</b>	495,068,771
Demand deposits	<b>17,762,771</b>	17,102,818
	<b>₱ 3,733,023,534</b>	₱ 3,582,701,476

Deposit liabilities bear annual interest rates ranging from 0.10% to 2.0% in 2024 and 0.15% to 2.0% in 2023.

Under existing BSP regulations, savings deposits and special savings deposit of the Bank are subject to statutory reserve equivalent to 0% and 1% for 2024 and 2023, respectively, except for basic deposit accounts which are subject to 0% reserve equivalent. As of December 31, 2024 and 2023, the Bank is compliant with such requirements.



Total interest expense on deposit liabilities amounted to ₱25,541,561 and ₱18,455,396 for 2024 and 2023, respectively.

## 17. ACCRUED AND OTHER LIABILITIES

Details of this account are disclosed below:

	Note	2024	2023
Lease liabilities		₱ 77,390,954	₱ 76,748,347
Accounts payable		12,941,191	7,183,209
Accrued other expenses		5,220,165	5,710,993
Other taxes and licenses payable		4,667,173	3,952,645
Accrued interest payable		4,028,243	2,991,597
Dividends payable	22	3,722,958	3,778,485
Manager's check		2,358,798	8,034,769
SSS, Philhealth, Pag-ibig		2,047,518	1,659,318
Withholding tax payable	34	2,026,791	1,828,689
Unearned income		60,629	492,953
Miscellaneous payable		10,000	10,000
		<b>₱ 114,474,420</b>	<b>₱ 112,391,005</b>

Miscellaneous payables pertain to overpayment of loans, compromise, tax refund for separated employees and security deposit.

### 17.01 Lease Liabilities

The details of the Bank's lease liabilities and their carrying amounts are as follows:

	2024	2023
Balance, January 1	₱ 76,748,347	₱ 55,684,147
Addition	3,910,255	32,500,532
Derecognition	(448,709)	—
Interest	6,860,975	5,421,204
Payments	(9,679,914)	(16,857,536)
Balance, December 31	<b>₱ 77,390,954</b>	<b>₱ 76,748,347</b>

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

	2024	2023
Current	₱ 3,503,409	₱ 2,953,247
Non-current	73,887,545	73,795,100
Total	<b>₱ 77,390,954</b>	<b>₱ 76,748,347</b>

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

<b>2024</b>	<b>Lease Payments</b>	<b>Finance Charges</b>	<b>Net Present Values</b>
Within 1 year	₱ 9,942,492	₱ 6,439,083	₱ 3,503,409
1 – 2 years	9,878,157	6,127,927	3,750,230
2 – 3 years	9,325,845	5,819,022	3,506,823
3 – 4 years	9,061,524	5,520,163	3,541,361
4 – 5 years	9,110,059	5,211,675	3,898,384
More than 5 years	103,522,472	44,331,725	59,190,747
<b>Total</b>	<b>₱ 150,840,549</b>	<b>₱ 73,449,595</b>	<b>₱ 77,390,954</b>

<b>2023</b>	<b>Lease Payments</b>	<b>Finance Charges</b>	<b>Net Present Values</b>
Within 1 year	₱ 9,563,532	₱ 6,610,285	₱ 2,953,247
1 – 2 years	9,700,660	6,136,935	3,563,725
2 – 3 years	9,436,328	5,827,699	3,608,629
3 – 4 years	8,867,895	5,531,083	3,336,812
4 – 5 years	8,584,066	5,247,429	3,336,637
More than 5 years	108,073,578	48,124,281	59,949,297
<b>Total</b>	<b>₱ 154,226,059</b>	<b>₱ 77,477,712</b>	<b>₱ 76,748,347</b>

## 18. RETIREMENT BENEFITS OBLIGATION

The Bank has a non-contributory defined benefit plan covering all regular and full-time permanent employee. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The most recent actuarial valuations of plan assets and the present value of the retirement benefit obligation were carried out at December 31, 2023 by Actuarial Advisers, Inc. The present value of the retirement benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

The assumptions used to determine retirement benefits of the Bank are as follows:

	<b>2024</b>	<b>2023</b>
Discount rate	<b>6.06%</b>	6.06%
Salary rate increase	<b>3.00%</b>	3.00%

The amount of retirement benefit obligation recognized in the statements of financial position as of December 31, 2024 and 2023 are determined as follows:

	<b>2024</b>	<b>2023</b>
Present value of defined benefit obligation	<b>₱ 48,827,559</b>	₱ 46,145,852
Fair value of plan assets	<b>(29,206,255)</b>	(28,528,694)
Present value of unfunded obligation	<b>₱ 19,621,304</b>	₱ 17,617,158

Movements in the present value of the defined benefit obligation for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Balance at January 1	<b>P 46,145,852</b>	<b>P 37,917,237</b>
Interest expense	–	1,865,528
Current service cost	<b>3,470,422</b>	3,685,866
Benefits paid	<b>(788,715)</b>	(753,742)
Remeasurement loss – defined benefit obligation	–	3,430,963
	<b>P 48,827,559</b>	<b>P 46,145,852</b>

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 a 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.

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.

Details of the fair value of plan assets are disclosed below:

	2024	2023
Balance, January 1	<b>P 28,528,694</b>	<b>P 17,389,906</b>
Contribution to the fund	–	10,000,000
Interest income	<b>1,466,276</b>	855,583
Benefits paid from the fund	<b>(788,715)</b>	(753,742)
Remeasurement gain – return on plan assets	–	1,036,947
	<b>P 29,206,255</b>	<b>P 28,528,694</b>

Amounts recognized in statements of comprehensive income in respect of these defined benefit plans are as follows:

	2024	2023
Current service cost	<b>P 3,470,422</b>	<b>P 3,685,866</b>
Interest cost	–	1,865,528
Interest income	<b>(1,466,276)</b>	(855,583)
	<b>P 2,004,146</b>	<b>P 4,695,811</b>

The movement in other comprehensive income (loss), net of tax, for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Balance, January 1	<b>P (1,795,512)</b>	<b>P –</b>
Actuarial loss – DBO	–	(3,430,963)
Remeasurement gain – Plan assets	–	1,036,947
Deferred tax effect	–	598,504
	<b>P (1,795,512)</b>	<b>P (1,795,512)</b>

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

The information on the sensitivity analysis and the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation are described below:

2024	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 0.5%	1,710,408	(1,536,238)
Salary growth rate	+/- 1.0%	3,601,010	(2,954,497)

2023	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 0.5%	1,710,408	(1,536,238)
Salary growth rate	+/- 1.0%	3,601,010	(2,954,497)

Maturity analysis of the undiscounted benefit payments is as follow:

	2024	2023
1 year and less	₱ 8,545,540	₱ 8,545,540
More than 1 year to 5 years	4,100,652	4,100,652
More than 5 years to 10 years	27,441,715	27,441,715
More than 10 years to 15 years	25,351,693	25,351,693
More than 15 years to 20 years	37,828,994	37,828,994
More than 20 years	390,746,067	390,746,067

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating 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 the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statements of financial position.

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

Through its defined benefit retirement plan, the Bank is exposed to a number of risks, the most significant of which are as follows:

- Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are equities, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.
- Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.



## 19. CAPITAL STOCK

### 19.01 Preferred Stock

Shown below are the details on preference stock:

	2024		2023	
	Shares	Amount	Shares	Amount
Preferred A – ₱100	10,000	₱ 1,000,000	10,000	₱ 1,000,000
Preferred B – ₱1,000	9,000	9,000,000	9,000	9,000,000
Preferred C – ₱1,000	30,000	30,000,000	30,000	30,000,000
Preferred D – ₱1,000	30,000	30,000,000	30,000	30,000,000
Preferred E – ₱1,000	30,000	30,000,000	30,000	30,000,000
Preferred F – ₱1,000	50,000	50,000,000	50,000	50,000,000
Preferred G – ₱1,000	50,000	50,000,000	50,000	50,000,000
	<b>209,000</b>	<b>₱ 200,000,000</b>	<b>209,000</b>	<b>₱ 200,000,000</b>

Issued and fully paid

Balance, January 1	155,032	₱ 154,571,200	149,116	₱ 148,655,200
Stock dividends	–	–	5,916	5,916,000

Balance, December 31	155,032	₱ 154,571,200	155,032	₱ 154,571,200
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Preferred Stock- Class A, shall be issued only against government investment in the capital stock of the Bank. Preferred stock so issued shall have preferences over common stock and preferred stock class B, preferred stock class C, (as amended on October 21, 1995), preferred stock class D, (as amended on January 29, 1997), preferred stock class E (as amended on January 30, 1999), preferred stock class F and preferred stock class G, (as amended on January 21, 2006) in the assets of the corporation in the event of liquidation, as provided hereunder.

Preferred Stock- Class B, shall be issued to private individuals or privately owned corporations which shall be entitled to a maximum of twelve percent (12%) non-cumulative cash or stock dividend per annum subject to right of conversion at the option of the Bank ten (10) years after date of issue to another class of preferred capital stock. (as amended on January 21, 2006 and April 23, 2016)

Preferred Stock- Class C, shall be issued to private individuals or privately owned corporations which shall be entitled to a maximum of twelve percent (12%) non-cumulative cash or stock dividend per annum. (as amended on October 21, 1995 and April 23, 2016)

Preferred Stock- Class D, shall be issued to private individuals or privately owned corporations which shall be entitled to a maximum of twelve (12%) non-cumulative cash or stock dividend per annum, subject to right of conversion at the option of the Bank after (5) years from issue to another class of preferred capital stock. (as amended on January 29, 1997 and April 23, 2016)

Preferred Stock- Class E, shall be issued to private individuals or privately owned corporations which shall be entitled to a maximum of twelve (12%) non-cumulative cash or stock dividend per annum, subject to right of conversion at the option of the Bank after five (5) years from issue to another class of preferred capital stock. (as amended on January 21, 2006 and April 23, 2016)

Preferred Stock- Class F, shall be issued to private individuals or privately owned corporations which shall be entitled to a maximum of ten percent (10%) non-cumulative cash or stock dividend per annum, subject to right of conversion at the option of the Bank after ten (10) years from issue to another class of preferred capital stock.

Preferred Stock- Class G, shall be issued to private individuals or privately owned corporations which shall be entitled to a maximum of nine (9%) non-cumulative cash or stock dividend per annum, with the right of conversion at the option of the stockholder after five (5) years from issue to another class of preferred capital stock subject to the approval by the Bangko Sentral ng Pilipinas. (as amended on January 21, 2006 and April 23, 2016)

## 19.02 Common Stock

Shown below are the details on the movement of common stock:

	2024		2023	
	Shares	Amount	Shares	Amount
Authorized capital at ₱100 par value	1,000,000	₱ 100,000,000	1,000,000	₱100,000,000
Issued and fully paid at ₱100 par value				
Balance, January 1	714,803	₱ 71,480,300	591,403	₱ 59,140,300
Issuance	—	—	123,400	12,340,000
<b>Balance, December 31</b>	<b>714,803</b>	<b>₱ 71,480,300</b>	<b>714,803</b>	<b>₱ 71,480,300</b>

Ordinary shares carry one (1) vote per share and a right to dividends.

## 19.03 Additional Paid in Capital

Shown below are the details on the movement of additional paid in capital:

	2024	2023
<b>Balance, December 31</b>	<b>₱ 33,917,198</b>	<b>₱ 33,917,198</b>

## 19.04 Treasury Stock

### 19.04.01 Treasury Stock - Preferred

The movement of treasury stocks of the Bank are detailed below:

	2024	2023
<b>Balance, December 31</b>	<b>₱ 180,000</b>	<b>₱ 180,000</b>

## 19.05 Stock dividends distributable

Shown below are the details on the movement of stock dividends distributable:

	2024	2023
Balance, January 1	₱ 719,350	₱ 299,190
Declaration	—	6,336,160
Issuance	—	(5,916,000)
Transfer to cash dividends payable	(540)	—
	<b>₱ 718,810</b>	<b>₱ 719,350</b>

Stock dividends distributable refers to the amount of stock dividends declared by the Board of Directors, the corresponding certificates for which have not yet been issued.

## 19.06 Capital Management

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

The Bank manages its capital structure, which composed of paid-up capital and surplus reserve, and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

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

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

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

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

The minimum capital ratios based on the new compositions and the CCB shall take effect starting January 1, 2023.

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

- a) Tier 1 Capital, which is composed of:
  - i. CET1 Capital; and
  - ii. Additional Tier 1 (AT1) Capital
- b) Tier 2 Capital

CET1 Capital consists of:

- a) Paid-up common stock
- b) Surplus free
- c) Deposit for common stock subscriptions
- d) Stock dividends distributable
- e) Other comprehensive income
  - i. Actuarial loss on defined benefit obligation

Subject to deductions/regulatory adjustments for:

- i. Deferred tax asset, net of deferred tax liability
- ii. Defined benefit pension fund assets (liabilities)
- iii. Intangible assets
- iv. Other equity investments in non-financial allied undertakings

AT1 Capital consists of:

- a) Paid-up perpetual and non-cumulative preferred stock
- b) Deposit for perpetual and non-cumulative preferred stock subscription
  - Subject to deductions/regulatory adjustments for:
    - i. Treasury shares

Tier 2 Capital consists of:

- a) General loan loss provision;
  - Subject to deductions/regulatory adjustments for:
    - i. Sinking fund for redemption

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

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

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

	2024	2023
CET1 Capital	<b>₱ 309,131,972</b>	₱ 303,939,264
AT1 Capital	<b>158,041,200</b>	158,041,200
Tier 1 Capital	<b>467,173,172</b>	461,980,464
Tier 2 Capital	<b>21,424,978</b>	1,369,502
Qualifying capital	<b>488,598,150</b>	463,349,966
Total risk-weighted assets	<b>₱ 3,292,273,904</b>	₱ 3,140,726,823
CET1 Ratio	<b>9.39%</b>	9.68%
CCB	<b>3.39%</b>	3.68%
Tier 1 capital	<b>14.19%</b>	14.71%
Total CAR	<b>14.84%</b>	14.75%

The Bank's leverage ratio, computed as total capital over total assets, is 10.95% and 11.35%, as of December 31, 2024 and 2023, respectively.

On August 24, 2022, the BSP issued Circular No. 1151, Amendments to Minimum Capitalization of Rural Banks, increasing the minimum capitalization requirement to ₱200 million for rural banks with more than 10 branches, which must be satisfied within five years from the date of effectivity of the circular. Banks which comply with the new capital levels must submit to the BSP a certification to this effect, within 10 banking days from the date of effectivity of this circular. Banks availing of the capital build-up track shall submit to the BSP within six months from the date of effectivity of this circular. On September 21, 2022, the Bank submitted its certificate of compliance with the said circular.



## 20. DEPOSIT FOR FUTURE STOCKS SUBSCRIPTIONS

Movement of this account for the years ended December 31, 2024 and 2023 are as follows:

	2024		2023	
Balance, January 1	P	7,360,625	P	16,026,625
Reclassification		–		(12,340,000)
Addition		–		3,674,000
	P	7,360,625	P	7,360,625

All deposit for future stock subscription were received in cash.

All contracting parties in the subscription agreement are existing stockholders.

The Bank has filed already the increase in authorized capital stock with the SEC on November 17, 2020. On November 5, 2021, the Bank has received from SEC the Certificate of Approval of Increase of Capital Stock. As of December 31, 2024 the Bank has not yet received the full payment of the subscription from the stockholders.

As of December 31, 2024 and 2023, the Bank has complied with all the requirements in classifying the deposit for stock subscription as an equity which are as follows:

- The deposit for stock subscription meets the definition of an equity instrument under Philippine Accounting Standards (PAS) 32 Financial Instruments: Presentation such that the deposit for stock subscription shall not be interest-bearing nor withdrawable by the subscriber;
- The Bank's existing authorized capital is already fully subscribed;
- The Bank's stockholders and board of directors have approved the proposed increase in authorized capital;
- The Bank has filed an application for the amendment of its articles of incorporation for the increase in authorized capital with the appropriate supervising department of the Bangko Sentral, duly supported by complete documents as prescribed by the Bangko Sentral: Provided, That the approval of the Securities and Exchange Commission (SEC) on the same application shall be obtained within the period prescribed under the SEC Financial Reporting Bulletin on Deposit for Future Subscription.; and
- The bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Sec. 122 (Transactions involving voting shares of stocks, Item "b"), if applicable.

## 21. SURPLUS

### 21.01 Surplus – free

The table below shows the surplus – free for the years ended December 31, 2024 and 2023:

	2024		2023	
Balance, January 1	P	201,027,642	P	181,490,633
Profit		25,895,346		50,214,037
Dividends declared (Note 22)		–		(20,860,600)
Reversal of appropriation		–		(11,699,706)
Appropriation for deficiency in GLLP		–		443,622
Adjustments		2,435,795		1,439,656
	P	229,358,783	P	201,027,642

The Bank's surplus free is not subject and is exempt from the provision of improperly accumulated earnings tax as provided under Section 29 of National Internal Revenue Code of the Philippines and as implemented by Revenue Regulation No.02-2001 and Section 34 Republic Act No. 8791 requiring banks to maintain a specific minimum Capital Adequacy Ratio (CAR).

## 21.02 Surplus – reserves

Detailed movement of surplus reserves is as follows:

		Surplus reserves for contingencies	Surplus reserves – others	Total
Balance, January 1	₱	1,271,200	₱ 8,101,571	₱ 9,372,771
Appropriation for GLLP deficiency		–	11,699,706	11,699,706
Reversal		–	(443,622)	(443,622)
Balance, December 31, 2023	₱	1,271,200	₱ 19,357,655	₱ 20,628,855
Reclassification		–	(19,357,655)	(19,357,655)
<b>Balance, December 31, 2024</b>	<b>₱</b>	<b>1,271,200</b>	<b>₱ –</b>	<b>₱ 1,271,200</b>

The surplus reserves pertain to reserve set aside by the Bank for contingencies. While surplus reserves – others pertain as a temporary account for the deficiency in the 1% general loan loss allowance for stage 1 loan accounts.

## 22. DIVIDENDS DECLARED

Under Section 124 of the MORB, the liability for dividends shall be taken up in the books upon receipt of BSP approval thereof, or if no approval is received, after thirty (30) business days from the date the required report on dividend declaration was received by the appropriate supervising and examining department of the BSP, whichever comes earlier.

In 2023, the Bank declared cash dividends amounting to ₱14,524,440 to its common shareholders and stock dividends amounting to ₱6,336,160 preferred shareholders on record as of December 31, 2022.

Movements of cash dividends payable are as follows:

	2024	2023
Balance at January 1	₱ 3,778,485	₱ 2,478,572
Cash dividends declared	–	14,524,440
Transfer from stock dividends distributable	540	–
Cash dividends paid	(56,067)	(13,224,527)
	<b>₱ 3,722,958</b>	<b>₱ 3,778,485</b>

## 23. OTHER INCOME

This account consists of the following:

	Notes	2024	2023
Fees and commissions		<b>₱ 23,690,234</b>	₱ 35,522,508
Gain on sale of investment property	13	<b>16,530,196</b>	12,262,527
Front end fee		<b>12,086,600</b>	10,648,650
Processing fee		<b>8,585,413</b>	7,396,575
Penalty on loans		<b>6,638,265</b>	4,938,051
Renewal fee		<b>932,177</b>	979,470
Realized foreign exchange gains		<b>236,412</b>	475,712
Gain on lease modification		<b>76,207</b>	—
Rental income		<b>66,000</b>	67,500
Gain on sale of bank's property, furniture and fixtures, and equipment	12	<b>40,000</b>	95,658
Recovery on charged-off assets		<b>14,021</b>	12,308,319
Miscellaneous income		<b>11,670,965</b>	13,367,633
		<b>₱ 80,566,490</b>	₱ 98,062,603

Fees and commissions income consists of fund transfers, service charges on dormant and falling-below-maintaining-balance accounts, commissions on mortgage redemption insurance, remittances, returned checks and other cash items, ATM fees income, and others.

Recovery on charged-off assets pertains to reversal of allowance for credit losses.

Miscellaneous income consists of front-end fees, renewal fees, restructuring fees, re-appraisal fees, penalties on loans, charges on unsuccessful ATM withdrawals, surcharges, income from checkbooks, processing fees, and others.

## 24. OPERATING EXPENSES

Details of other expenses are shown below:

	Note	2024	2023
Compensation and fringe benefits		<b>₱ 159,059,301</b>	₱ 140,443,687
Depreciation and amortization	26	<b>29,244,500</b>	26,485,697
Taxes and licenses		<b>18,814,375</b>	18,003,185
Traveling expense		<b>13,014,178</b>	12,533,635
Security, clerical, messengerial and janitorial expense		<b>9,283,224</b>	7,842,957
Power light and water		<b>7,713,144</b>	7,691,618
Information technology expense		<b>7,391,968</b>	8,344,263
Insurance – PDIC		<b>7,141,195</b>	7,101,744
Interest expense on lease liabilities		<b>6,860,975</b>	5,421,204
Fuel and lubricants		<b>4,053,654</b>	3,855,948
Representation and entertainment		<b>3,785,047</b>	3,503,054
Repairs and maintenance expense		<b>3,272,362</b>	2,898,524
Stationery and supplies used		<b>2,673,129</b>	2,683,221
Insurance – others		<b>2,272,089</b>	2,126,655
Litigation expenses		<b>1,916,212</b>	1,032,369
Postage, telephone, cable and telegrams		<b>1,664,525</b>	1,775,224
Management and other professional fees		<b>785,309</b>	1,005,738
Supervision fees		<b>690,927</b>	845,973
Donation and charitable contributions		<b>603,640</b>	867,364
Documentary stamp used		<b>578,951</b>	464,349
Fines and penalties		<b>472,744</b>	5,503,453
Advertising and publicity		<b>210,899</b>	228,524
Rent		<b>177,939</b>	195,845
Fees and commissions		<b>131,553</b>	95,528
Membership fees and dues		<b>113,468</b>	79,211
Periodicals and magazines		–	4,806
Other expenses		<b>8,363,229</b>	9,107,376
		<b>₱ 290,288,537</b>	₱ 270,141,152

Breakdown of compensation and fringe benefits are as follows:

	Note	2024	2023
Salaries and wages		<b>₱ 105,853,174</b>	₱ 91,565,747
Fringe benefit – officers and employees		<b>32,573,639</b>	29,479,144
SSS, Philhealth, and Pag-ibig		<b>12,656,556</b>	10,275,723
Director's fee		<b>2,650,000</b>	2,629,000
Provident fund		<b>2,630,842</b>	1,180,846
Retirement expense	18	<b>2,004,146</b>	4,695,811
Medical, dental and hospitalization		<b>690,944</b>	617,416
		<b>₱ 159,059,301</b>	₱ 140,443,687

The Bank has elected not to recognize a lease liability for short term leases (lease of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liability amounted ₱177,939 and ₱195,845 for the years ended December 31, 2024 and 2023.



## 25. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Allowance for credit losses is comprised of the following:

	Notes	2024	2023
<b>Balance at January 1</b>			
Loans receivable	11	<b>₱ 25,175,505</b>	₱ 31,654,179
Sales contract receivable	11	<b>14,021</b>	—
Investment property	13	<b>898,964</b>	957,964
Accounts receivable	15	<b>650,261</b>	979,926
		<b>26,738,751</b>	33,592,069
<b>Provision for credit and impairment Losses</b>			
Loans receivable	11	<b>23,031,300</b>	7,169,222
Sales contract receivable	11	<b>—</b>	14,021
Accounts receivable	15	<b>3,570,894</b>	31,135
		<b>26,602,194</b>	7,214,378
<b>Reversal</b>			
Loan receivable	11	<b>(1,897,305)</b>	(13,647,896)
Sales contract receivable	11	<b>(14,021)</b>	—
Investment property	13	<b>—</b>	(59,000)
		<b>(1,911,326)</b>	(13,706,896)
<b>Write off</b>			
Accounts receivable	15	<b>—</b>	(360,800)
<b>Adjustment</b>			
Loan receivable	11	<b>19,357,655</b>	—
<b>Balance at December 31</b>			
Loans receivable	11	<b>65,667,155</b>	25,175,505
Sales contract receivable	11	<b>—</b>	14,021
Investment properties	13	<b>898,964</b>	898,964
Accounts receivable	15	<b>4,221,155</b>	650,261
		<b>₱ 70,787,274</b>	₱ 26,738,751

## 26. DEPRECIATION AND AMORTIZATION

	Notes	2024	2023
<b>Depreciation expense</b>			
Bank premises, furniture, fixtures and equipment	12	<b>₱ 16,967,584</b>	₱ 15,184,675
Investment property	13	<b>4,357,062</b>	3,778,926
		<b>21,324,646</b>	18,963,601
<b>Amortization expense</b>			
Leasehold improvements	12	<b>1,495,604</b>	1,522,776
Right-of-use asset	12	<b>5,924,151</b>	5,499,221
Intangible asset	14	<b>500,099</b>	500,099
		<b>7,919,854</b>	7,522,096
		<b>₱ 29,244,500</b>	₱ 26,485,697

## 27. INCOME TAX

Under Philippine tax laws, the bank is subject to percentage and other taxes (included in taxes and licenses in the comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax. The bank's liability will be based on regulations to be issued by tax authorities.

Income taxes include the corporate income tax, discussed below, and final tax paid which represents the final withholding tax on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as provision for income tax in the statements of income.

Under current tax regulations, the applicable income tax rate is thirty percent (30%). Interest allowed as a deductible expense is reduced by an amount equivalent to thirty three percent (33%) of interest income subjected to final tax. Also, entertainment, amusement and recreation (EAR) expense is limited to one percent (1%) of net revenues, as defined, for sellers of services beginning September 1, 2002. The current regulations also provide for MCIT of 2% on modified gross income and allow a three-year NOLCO. Any excess of the MCIT over the regular income tax is deferred and can be used as a tax credit against future income tax liability while NOLCO can be applied against taxable income, both in the next three years from the year of occurrence.

The Bank's liability for income tax is based on existing tax laws and BIR regulations. However, income tax expense as shown on the statement of position comprehensive income is determined under the provision of PAS 12 *Income Taxes*. Under PAS 12, income tax expense is the sum of current tax expense computed under tax laws and deferred tax expense determined through the use of balance sheet liability method.

Deferred tax expense is the sum of changes in deferred tax asset and deferred tax liability. The balance sheet liability method focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

### 27.01 Income Tax Recognized in Profit

Components of income tax expense (benefit) are as follows:

	2024	2023
Income tax expense – current	₱ 8,474,221	₱ 8,269,342
Income tax expense (benefit) – deferred	(7,273,150)	2,905,501
	₱ 1,201,071	₱ 11,174,843

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

	2024	2023
Accounting profit	<b>₱ 27,096,417</b>	<b>₱ 61,388,880</b>
Tax expense at 25%	<b>6,774,104</b>	15,347,220
Tax effect of the following:		
Interest income subject to final tax	<b>(8,635,336)</b>	(8,003,935)
Disallowed interest expense	<b>2,158,834</b>	2,000,984
Non-deductible expenses	<b>428,388</b>	1,683,877
Write-off of excess deferred tax assets	<b>474,327</b>	377,467
Nontaxable share in loss/(profit) of associate	<b>754</b>	(5,475)
Reversal of unrecognized deferred taxes		
Loans receivable	—	(154,129)
Accounts receivable	—	(71,166)
	<b>₱ 1,201,071</b>	<b>₱ 11,174,843</b>

## 27.02 Deferred Tax Assets

The Bank's deferred tax assets (DTA) as of December 31, 2024 and 2023 are as follows:

	Allowance for credit losses – loans receivable	Allowance for credit losses – SCR	Accounts receivable	Investment property	Retirement benefit obligation	Unamortized excess contribution over service cost	Excess of lease liability over ROU	Total
Balance, December 2022	7,759,416	–	173,816	239,491	5,159,655	–	1,761,762	15,094,140
Recognition in other comprehensive income:								
Origination	–	–	–	–	598,504	–	–	598,504
Recognition in profit or loss:								
Origination	1,792,305	5,144	75,440	–	1,173,953	1,578,534	–	4,625,376
Reversal	(3,257,845)	(1,639)	(86,690)	(14,750)	(2,527,822)	(157,853)	(1,484,278)	(7,530,877)
Balance, December 2023	6,293,876	3,505	162,566	224,741	4,404,290	1,420,681	277,484	12,787,143
Recognition in profit or loss:								
Origination	5,757,825	–	892,723	–	501,036	–	757,252	7,908,836
Reversal	–	(3,505)	–	–	–	(157,854)	–	(161,359)
Write-off	(474,327)	–	–	–	–	–	–	(474,327)
<b>Balance, December 2024</b>	<b>11,577,374</b>	<b>–</b>	<b>1,055,289</b>	<b>224,741</b>	<b>4,905,326</b>	<b>1,252,827</b>	<b>1,034,736</b>	<b>20,060,293</b>

Management believes that they will generate income in the future to which they can fully utilize the deferred tax assets.

### 27.03 Unrecognized Deferred Tax Assets

Details of the Bank's unrecognized deferred tax assets are as follows:

2024	Tax base	Tax effect	Recognized DTA	Unrecognized
Allowance for credit losses – loans and other receivable	65,667,155	16,416,789	11,577,374	4,839,415
Retirement benefit obligation	19,621,304	4,905,326	4,905,326	–
Excess of lease liability over ROU	4,138,942	1,034,736	1,034,736	–
Allowance for credit losses – accounts receivable	4,221,155	1,055,289	1,055,289	–
Allowance for impairment loss	898,964	224,741	224,741	–
Unamortized contribution over service cost	5,051,308	1,262,827	1,262,827	–
<b>Total Unrecognized Deferred Tax Assets</b>	<b>99,598,828</b>	<b>24,899,708</b>	<b>20,060,293</b>	<b>4,839,415</b>

2023	Tax base	Tax effect	Recognized DTA	Unrecognized
Allowance for credit losses – loans and other receivable	25,189,526	6,297,381	6,297,381	–
Retirement benefit obligation	17,617,158	4,404,290	4,404,290	–
Excess of lease liability over ROU	1,109,936	277,484	277,484	–
Allowance for credit losses – accounts receivable	650,261	162,566	162,566	–
Allowance for impairment loss	898,964	224,741	224,741	–
Unamortized contribution over service cost	5,682,724	1,420,681	1,420,681	–
<b>Total Unrecognized Deferred Tax Assets</b>	<b>51,148,571</b>	<b>12,787,143</b>	<b>12,787,143</b>	<b>–</b>

### 27.04 Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE)” Act

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

Under the proposed law, effective July 1, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding P100 million, excluding land, and total net taxable income of not more than P5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The bill would also lower the minimum corporate income tax (MCIT) from 2% to 1% effective July 2020 until June 30, 2023.

Other key provisions of the CREATE bill include:

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;



- Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
- The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

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

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

## 28. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting entities, which are under common control with the reporting enterprise, or between, and/or among the reporting entities and its key management personnel, directors, or its shareholders.

There are transactions and arrangements between the Bank and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements.

### 28.01 Loans Receivable from DOSRI

In the ordinary course of business, the Bank has loans and other transactions with certain directors, officers, stakeholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the terms as with other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of the loans to each DOSRI as follows:

- a. The individual ceiling for credit accommodations of a bank to each of its directors, officers and related interests shall be equivalent to his outstanding deposits and book value of his paid-in capital in the lending bank. The unsecured credit accommodations to each of the Bank's directors and officers shall not exceed 30% of his total credit accommodations.

- b. The aggregate ceiling for credit accommodations, whether direct or indirect, to directors and officers of a bank shall not exceed 15% of the total loan portfolio of the Bank or its combined capital accounts net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of directors and officers shall not exceed 30% of the aggregate ceiling or the outstanding direct/indirect credit accommodations thereto, whichever is lower.

The summary of Bank significant transactions with loans to its related parties as of and for the years ended December 31, 2024 and 2023.

**2024**

Related Party Category	Amount of Transactions	Outstanding Balances	Terms	Conditions
DOSRI Loans	₱ (666,492)	₱ 1,643,997	Payable in installment	Secured

2024	DOSRI	Related Party Loans
Total outstanding DOSRI/ related party loans	₱ 1,643,997	₱ 1,643,997
Percent of DOSRI/related party accounts to total loans	0.09%	0.09%
Percent of unsecured DOSRI/related party accounts to total DOSRI accounts	0.00%	0.00%
Percent of past due DOSRI/related party accounts to total DOSRI/related party accounts	0.00%	0.00%
Percent of nonperforming DOSRI/related party accounts to total DOSRI/related party accounts	0.00%	0.00%

**2023**

Related Party Category	Amount of Transactions	Outstanding Balances	Terms	Conditions
DOSRI Loans	₱ (627,426)	₱ 2,310,489	Payable in installment and lumpsum; interest bearing	Secured

2023	DOSRI	Related Party Loans
Total outstanding DOSRI/ related party loans	₱ 2,310,489	₱ 2,310,489
Percent of DOSRI/related party accounts to total loans	0.09%	0.09%
Percent of unsecured DOSRI/related party accounts to total DOSRI accounts	0.00%	0.00%
Percent of past due DOSRI/related party accounts to total DOSRI/related party accounts	0.00%	0.00%
Percent of nonperforming DOSRI/related party accounts to total DOSRI/related party accounts	0.00%	0.00%

The Bank assessed that DOSRI Loans are not impaired as of December 31, 2024 and 2023.

## 28.02 Remuneration of Key Management Personnel

The remuneration of key management consists of:

		2024		2023
Short-term employee benefits	P	19,680,923	P	17,519,114
Post-employment benefits		—		—
	P	19,680,923	P	17,519,114

The key management compensation is shown as part of compensation and fringe benefits under other operating expenses account in the statements of comprehensive income.

29. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following shows the movement of financial liabilities.

2024	January 1	Cash flows	Interest expense	Non-cash changes			December 31
				Fair value changes	Others	Leases	
Lease liability	₱ 76,748,347	₱ (9,679,914)	₱ 6,860,975	₱ -	₱ (448,709)	₱ 3,910,255	₱ 77,390,954
Dividends payable	3,778,485	(56,067)	-	-	540	-	3,722,958
	₱ 80,526,832	₱ (9,735,981)	₱ 6,860,975	₱ -	₱ (448,169)	₱ 3,910,255	₱ 81,113,912

2023	January 1	Cash flows	Interest expense	Non-cash changes			December 31
				Fair value changes	Others	Leases	
Lease liability	₱ 55,684,147	₱ (16,857,536)	₱ 5,421,204	₱ -	₱ -	₱ 32,500,532	₱ 76,748,347
Dividends payable	2,777,762	(13,224,527)	-	-	14,225,250	-	3,778,485
	₱ 58,461,909	₱ (30,082,063)	₱ 5,421,204	₱ -	₱ 14,225,250	₱ 32,500,532	₱ 80,526,832

### 30. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the normal course of the Bank's operations, there are various outstanding commitments to extend credit, which are not reflected in the Banking financial statements. Management does not anticipate material losses from these commitments.

There were commitments amounting to ₱4,263,250 and ₱12,641,483 involving the Bank as of December 31, 2024 and 2023, respectively. These refer to the available credit line for clients that availed the Equity Credit Line (ECL) product of the Bank.

Except for the above, the Bank has no other contingent accounts as of December 31, 2024 and 2023.

### 31. EVENTS AFTER THE REPORTING DATE

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

### 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 22, 2025.

### 33. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION 15 – 2010

Revenue Regulations (RR) No. 21 – 2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15 – 2010. The amendment that became effective on December 28, 2010 requires the in the notes to financial statements, information on taxes and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions.

Below are the additional information required by RR 15 – 2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

#### 33.01 Gross Receipts Tax

	2024	2023
Gross receipts tax paid	₱ 11,736,147	₱ 11,564,033
Gross receipts tax payable	4,530,338	3,952,645
	₱ 16,266,485	₱ 15,516,678



### 33.02 All Other National and Local Taxes

All other local and national taxes paid by the Bank and presented as part of operating expenses for the periods ended December 31, 2024 and 2023 consist of:

	2024	2023
National tax:		
Percentage tax	₱ 16,266,485	₱ 15,516,678
Local taxes:		
Business permit and other fees	2,015,936	1,922,822
BIR permit	531,954	563,685
	₱ 18,814,375	₱ 18,003,185

### 33.03 Withholding Taxes

Withholding taxes paid or accrued for the years ended December 31, 2024 and 2023 consist of:

	Paid	Accrued	Total
<b>2024</b>			
Final withholding tax	₱ 4,102,033	₱ 663,551	₱ 4,765,584
Withholding tax on compensation	3,936,252	1,177,926	5,114,178
Expanded withholding tax	1,751,673	185,314	1,936,987
	₱ 9,789,958	₱ 2,026,791	₱ 11,816,749
	Paid	Accrued	Total
<b>2023</b>			
Final withholding tax	₱ 3,977,421	₱ 608,129	₱ 4,585,550
Withholding tax on compensation	3,074,461	987,033	4,061,494
Expanded withholding tax	2,356,141	233,527	2,589,668
	₱ 9,408,023	₱ 1,828,689	₱ 11,236,712

### 33.04 Tax Assessments

The Bank has no outstanding tax assessments as of December 31, 2024 and 2023.

### 33.05 Tax Cases

The Bank has no outstanding tax cases in any other court or bodies outside of the BIR as of December 31, 2024 and 2023.

## 34. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR 1074

On January 8, 2020, the Monetary Board of the Bangko Sentral ng Pilipinas issued BSP circular 1074, *Amendments to the Regulation on the Financial Audits of Banks*, which requires Banks to include the following additional information:

### 34.01 Basic Quantitative Indicators of Financial Performance

The key financial performance indicators of the Bank are shown below:

	2024	2023
Return on average equity	5.26%	10.72%
Return on average assets	0.60%	1.21%
Net interest margin	8.58%	8.10%

### 34.02 Capital Instrument Issued

The description of the capital instrument issued by the Bank is disclosed in Note 19.

### 34.03 Significant Credit Exposures

The Bank concentration of credit as to the industry/economic sector (net of unamortized discount) are as follows:

	2024			2023		
	Peso Amount	% As to Industry	% As to Tier 1	Peso Amount	% As to Industry	% As to Tier 1
Activities of households as employers and undifferentiated goods-and-services-producing activities if households for own use	940,231,929	35.70%	201.26%	891,087,644	36.12%	192.88%
Wholesale and retail trade; repair of motor vehicles and motorcycles	505,209,874	19.18%	108.14%	480,644,017	19.48%	104.04%
Agricultural, forestry and fishing	322,790,604	12.26%	69.09%	315,078,675	12.77%	68.20%
Administrative and support service activities	270,617,361	10.28%	57.93%	239,822,404	9.72%	51.91%
Accommodation and food service activities	156,842,940	5.96%	33.57%	126,642,072	5.13%	27.41%
Transportation and storage	81,719,323	3.10%	17.49%	92,832,247	3.76%	20.09%
Construction	73,580,828	2.79%	15.75%	63,099,515	2.56%	13.66%
Education	73,561,203	2.79%	15.75%	69,617,324	2.82%	15.07%
Manufacturing	51,781,526	1.97%	11.08%	40,538,740	1.64%	8.78%
Human health and social work activities	41,191,908	1.56%	8.82%	49,270,731	2.00%	10.67%
Financial and insurance activities	18,019,159	0.68%	3.86%	22,544,574	0.91%	4.88%
Arts, entertainment and recreation	8,334,315	0.32%	1.78%	9,576,728	0.39%	2.07%
Information and communication	3,370,088	0.13%	0.72%	5,718,736	0.23%	1.24%
Real estate activities	969,225	0.04%	0.21%	2,995,258	0.12%	0.65%
Electricity, Gas & Water	749,675	0.03%	0.16%	920,621	0.04%	0.20%
Mining and quarrying	—	0.00%	0.00%	—	0.00%	0.00%
Other services activities	84,457,126	3.21%	18.08%	56,826,323	2.30%	12.30%
<b>Total</b>	<b>2,633,427,084</b>	<b>100.00%</b>		<b>2,467,215,609</b>	<b>100.00%</b>	

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital which is equivalent to ₱46,717,317 and ₱46,198,046, as of December 31, 2024 and 2023, respectively.

In 2024, the Bank has exposure to credit risk concentration to loans to individuals activities of households as employers and undifferentiated goods-and-services-producing activities if households for own use amounting to more than 30% of the total loan portfolio. The Bank is exposed to wholesale and retail trade; repair of motor vehicles and motorcycles, administrative and support service activities, agricultural, forestry and fishing, accommodation and food service activities, transportation and storage, construction, education, manufacturing, activities of households as employers and undifferentiated goods-and-services-producing activities if households for own use and other services activities amounting to more than 10% of Tier 1 Capital.

In 2023, the Bank has exposure to credit risk concentration to loans to individuals activities of households as employers and undifferentiated goods-and-services-producing activities if households for own use amounting to more than 30% of the total loan portfolio. The Bank is exposed to wholesale and retail trade; repair of motor vehicles and motorcycles, administrative and support service activities, agricultural, forestry and fishing, accommodation and food service activities, transportation and storage, construction, human health and social work activities, education, activities of households as employers and undifferentiated goods-and-services-producing activities if households for own use and other services activities amounting to more than 10% of Tier 1 Capital.

#### 34.04 Breakdown of Total Loans

##### 34.04.01 As to security

Breakdown of loans as to secured and unsecured, and secured loans as to type of security (net of unamortized discount) are as follows:

	2024	2023
Secured by real estate mortgage	₱ 2,617,085,225	₱ 2,447,003,747
Secured by other collateral	5,587,401	9,629,158
Secured	2,622,672,626	2,456,632,905
Unsecured	10,754,458	10,582,704
	₱ 2,633,427,084	₱ 2,467,215,609

##### 34.04.02 As to status

Breakdown of loans as to performing and non-performing status per product is as follows:

2024	Performing	Non-performing	Total
Commercial loan	₱ 1,238,391,092	₱ 71,293,006	₱ 1,309,684,098
Housing purposes	645,384,069	25,319,842	670,703,911
Consumption purposes	309,021,435	15,364,390	324,385,825
Other agricultural credit loans	299,767,143	21,398,191	321,165,334
Motor vehicle purposes	3,506,412	—	3,506,412
Salary – based loan	3,981,704	—	3,981,704
	₱ 2,500,051,855	₱ 133,375,229	₱ 2,633,427,084

2023	Performing	Non-performing	Total
Commercial loan	₱ 1,102,770,014	₱ 100,884,040	₱ 1,203,654,054
Housing purposes	611,218,273	33,558,011	644,776,284
Consumption purposes	282,993,335	15,741,285	298,734,620
Other agricultural credit loans	299,667,412	13,673,445	313,340,857
Salary – based loan	6,709,794	—	6,709,794
	₱ 2,303,358,828	₱ 163,856,781	₱ 2,467,215,609

#### 34.05 Information on Related Party Loans

Information on related party loans is disclosed in Note 28.

#### 34.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2024 and 2023, there were no assets pledged as a collateral for any liabilities of the Bank.

#### 34.07 Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2024 and 2023, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular No. 1074.

# Capital Structure and Capital Adequacy

	As of December 31, 2024	As of December 31, 2023
Tier 1 Capital	467,173,172	461,980,464
Tier 2 Capital	21,424,979	1,369,502
<b>TOTAL QUALIFYING CAPITAL</b>	<b>488,598,151</b>	<b>463,349,966</b>
Credit Risk-Weighted Assets	2,887,282,447	2,786,078,502
Operational Risk-Weighted Assets	403,611,774	353,312,700
Market Risk-Weighted Assets	1,379,682	1,335,621
<b>TOTAL RISK WEIGHTED ASSETS</b>	<b>3,292,273,903</b>	<b>3,140,726,823</b>
<b>CAPITAL REQUIREMENTS FOR CREDIT RISK</b>	<b>288,728,245</b>	<b>278,607,850</b>
<b>CAPITAL REQUIREMENTS FOR OPERATIONAL RISK</b>	<b>40,361,177</b>	<b>35,331,270</b>
<b>CAPITAL REQUIREMENTS FOR MARKET RISK</b>	<b>137,968</b>	<b>133,562</b>
<b>TIER 1 CAPITAL ADEQUACY RATIO</b>	<b>14.19%</b>	<b>14.71%</b>
<b>TOTAL CAPITAL ADEQUACY RATIO</b>	<b>14.84%</b>	<b>14.75%</b>
Total Tier 1 Capital		
Paid-up Common Stock	71,480,300	71,480,300
Deposit for Stock Subscription	3,710,625	3,710,625
Common Stock Dividends Distributable	718,810	719,350
Additional Paid-up Capital	33,917,199	33,917,199
Retained Earnings	204,575,244	150,704,998
Undivided Profits	25,895,346	50,214,037
Other Comprehensive Income	(1,636,119)	(1,686,905)
<b>GROSS AMOUNT</b>	<b>338,661,405</b>	<b>309,059,603</b>
Deductions:		
Deferred Tax Assets Net of Deferred Tax Liabilities	20,060,292	12,787,143
Other Intangible Assets	6,440,701	6,940,800
Defined benefit pension fund assets (liabilities)	-	(17,617,158)
Other Equity Investments in Non-financial Allied	3,028,439	3,009,554
Additional Tier 1:		
Paid Up Perpetual and Non-cumulative Preferred Stock	154,571,200	154,571,200
Deposit for Perpetual and Non-cumulative Preferred Stock Subscription	3,650,000	3,650,000
Perpetual and non-cumulative preferred stock and other AT1 instruments treasury shares including shares that the bank could be contractually obliged to purchase	(180,000)	(180,000)
<b>TOTAL TIER 1 CAPITAL</b>	<b>467,173,172</b>	<b>461,980,464</b>
Total Tier 2 Capital		
Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption	(71,200)	(71,200)
General Loan Loss Provision	21,496,179	1,440,702
<b>TOTAL TIER 2 CAPITAL</b>	<b>21,424,979</b>	<b>1,369,502</b>

The Bank's leverage ratio, computed as total capital over total assets, is 10.95% and 11.35%, as of December 31, 2024 and 2023, respectively.

On August 24, 2022, the BSP issued Circular No. 1151, Amendments to Minimum Capitalization of Rural Banks, increasing the minimum capitalization requirement to ₱200 million for rural banks with more than 10 branches, which must be satisfied within five years from the date of effectivity of the circular. Banks which comply with the new capital levels must submit to the BSP a certification to this effect, within 10 banking days from the date of effectivity of this circular. Banks availing of the capital build-up track shall submit to the BSP within six months from the date of effectivity of this circular. On September 21, 2022, the Bank submitted its certificate of compliance with the said circular.

## Sustainability Report

Being one of the biggest rural banks in the Philippines that provide financial services, Quezon Capital Rural Bank, Inc. (QCRB) maintains a diverse portfolio of corporate and retail banking products and services for a broad range of customers. This sense of responsibility has been a core motivation in the way of doing business throughout the years. The Bank has a total of 35 branches spread in the provinces of Quezon, Laguna, Batangas and Rizal.

With more than 50 years of presence in the local banking industry in the Philippines, excellent customer services, prudent business approach and experienced professionals, QCRB has become one of the competitive banks in the communities it serves. QCRB concentrates its pursuit to increase the impact of its services on the real economy and our society. QCRB also proactively supports major strategic initiatives nationally and green finance is an emerging strategic focus.

Further, managing environmental and social risks is a key component of the bank's corporate social responsibility. This helps the bank to identify and manage potential adverse impacts to the environment and to human rights, as well as the associated risks affecting our clients and the bank as well. We also engage with clients and suppliers to better understand their processes and policies and to explore how any environmental and social risks may be mitigated.



## Risk Appetite Statement (Environmental and Social Risks)

- ❖ QCRB's mandate is to finance projects that promote productivity gains and environmental benefits. Rating of projects is a mandatory part of the Bank's credit granting process and it supports the Bank's mission to work towards a prosperous and sustainable finance.

**Amendments of the bank's vision:** We commit to balancing economic success with environmental and social responsibilities. We foster business that enables sustainable growth.

- ❖ We have low tolerance for E&S risks that negatively impact the bank. We are committed to reducing the negative effects of these risks in order to positively contribute to the aims of societal development. We continuously evaluate current and emerging risks across our credit functions, investment activities and other bank operations.
- ❖ We acknowledge that our lending and investment operations are susceptible to E&S risks. To control these risks and guarantee adherence to our E&S risk appetite, we implement three lines-of-defense systems and an Environmental and Social Risk Management System (ESRMS).
- ❖ Resource efficiency, climate change mitigation, pollution reduction, technical progress and innovation, human capital, infrastructure improvements, and general improvements in market efficiency and the business environment are aspects that the Bank considers during the evaluation process of possible projects.
- ❖ We are committed to the objectives of the key climate-related action plans for banks and recognize that climate change exposes the Bank to physical and transition risks but offers opportunities as well.
- ❖ Our business strategy will support and assist our stakeholders towards a climate resilient economy. We encourage our clients and partners to clearly define and communicate their climate related commitments and to develop and execute effective strategies to mitigate climate risks.

In alignment with our purpose, we ensure that our sustainability strategy is firmly grounded in robust governance, policies and processes and are part of QCRB's Code of Conduct. These sustainability principles are at the core of our business and emphasize the bank's commitment to environmental and social responsibility. This framework is composed of two parts, namely:

1. Environmental and Social Risk Management (ESRM) Framework; and
2. E & S Risk Assessment Procedures for Investment Activities.

In order to address the requirements of the sustainable finance framework, the bank has created the Sustainable Finance Framework Committee (SFFC) who is primarily responsible to oversee the compliance of the bank to the sustainability framework.

The objectives of the Committee are:

1. To oversee the implementation of the sustainable finance, environmental and social risk management of the bank in compliance with BSP Cir. 1085-Sustainable Finance Framework and as amended by BSP Cir. No. 1128-Environmental and Social Risk Management Framework; and
2. To administer the overall integration of sustainability in the bank's operations in compliance with the circulars herein mentioned.

### **Environmental and Social Risk Management System (ESRMS) Framework**

The Environmental and Social Risk Management System is a Framework that integrates sustainability considerations and objectives into the business strategy of QCRB. The Framework will actively manage social and environmental risks associated with the bank's business engagements. In doing so, we will mitigate risks; we contribute to positive change by supporting clients that seek continuous improvement in environmental and social practices.

It aims to establish a consistent and comprehensive methodology for the classification and reporting of financial products and services as sustainable. It further serves as a basis for defining targets and metrics for sustainable finance to deliver on the QCRB's commitment to support sustainable economic growth and to engage in projects and activities that have clear environmental and/or social benefits.

The ESRM applies to all the bank's businesses and products and is founded on QCRB's Code of Conduct, our respect for human rights and the need to address the challenges of climate change.

The main objectives of the ESRMS are:

- a. Define the level of risk appetite of the bank on E&S risk.
- b. Provide clear guidance in assessing E&S risks in the bank's operations, products and services, transactions, activities, and operating environment.

- c. Provide the tools for monitoring E&S risks as well as the compliance of the bank and its counterparties with sustainability-related standards, laws and regulations.
- d. Provide tools for assessing identified E&S risks and for considering the same in the aggregate risk exposures of the bank.
- e. Integrate E&S risks in stress testing exercises covering both short-term and long-term time horizons following the principles and requirements.
- f. Identify the unit or personnel responsible for overseeing the management of E&S risks.

### Strategic E & S Risk Objectives

The bank recognizes the importance of E & S risks in its operations. It will include in its annual budget planning any capital requirements to support the following strategic objectives:

- a. Short Term.** Within the next three (3) years, the bank will embed the E & S Risks to at least ten (10) branches and departments such as recycling, segregation of garbage, conservation of energy, and partial use of renewable energy. The bank will introduce E & S to clients and other stakeholders through the inclusion of the sustainability principles in the loan and other products and services. For lending operations, the bank is targeting to release E & S loans of up to 5% of the portfolio growth every year.
- b. Medium term.** In five (5) years, the bank aims to continue implementation and promotion of activities in compliance to E & S risks including resource efficiency such as reduction in the use of paper, use of renewable energy in at least twenty (20) branches. Conducting client education and seek their engagements to continuously mitigate the E & S risks. Targeted E & S loans account for up to 10% of the portfolio growth every year.
- c. Long Term.** In ten (10) years' time, all branches, departments and employees of the bank are expected to advocate E & S risks and be compliant to mitigating strategies such as waste segregation and disposal, pollution prevention, use of renewable energy and reduced use of paper through digitization. The bank is also expected to be fully compliant to sustainable finance on loan products and other bank products and services. The bank will create and offer loan products specifically for sustainable finance and endeavor to reach up to 15% of the portfolio growth every year for E & S loans.

## Addressing E&S Risks arising from QCRB's Lending Operations

As per BSP circulars all financial institutions are exposed to some level of environmental and social risks through their clients and partners. If left unmanaged, these risks can lead to a decline in reputational image, costly litigation, or loss of revenue.

### Types of E&S Risks that the bank is exposed to:

- a. Collateral Risk.** The Bank is exposed to collateral risk stemming from a reduction in the value of collateral associated with a transaction due to environmental and social problems.
- b. Financial and Market Risks.** The bank is exposed to financial risk stemming from potential disruption of client's operations as a result of environmental and social problems. If not managed properly, these problems can affect the client's ability to meet its financial obligations to the bank. A client's failure to effectively address environmental and social considerations can jeopardize its business operations.
- c. Reputational Risk.** The bank is exposed to reputational risk due to potentially negative publicity associated with a client's poor environmental and social practices. This harms the bank's brand value and image in the media, with the public, the business and the financial community.
- d. Credit Risks.** The Bank is exposed to credit risk when a client is unwilling and/or unable to fulfill the contractual obligations associated with a transaction as a result of environmental and social issues.
- e. Legal Risk.** The bank is exposed to legal risk when a client fails to adequately address environmental and social risks leading to regulatory fines, penalties, and sanctions.

### Applicability

This Framework covers all classified sustainable loans of the Bank from the date of BOD's approval (new and re-loans). Existing loans are not covered unless being processed for additional loan, renewal, re-loan via email and for repackaging.

Multiple accounts with similar purposes from the same borrower shall be considered as Sustainable Financing if the purpose of the loans is related to E&S projects. All the accounts will be tagged similarly when the borrower applies for additional loan, renewal, restructured or re-loan.



### Eligibility Parameter – Use of Proceeds

Under this framework, any financing (including but not limited to asset-based lending, corporate and individual level lending) can be classified as sustainable finance. QCRB defines a parameter based on the Use of Proceeds.

Where a dedicated use of proceeds can be determined, environmental and social criteria will be applied to classify whether the underlying economic activities are deemed sustainable. There are two basic considerations, namely:

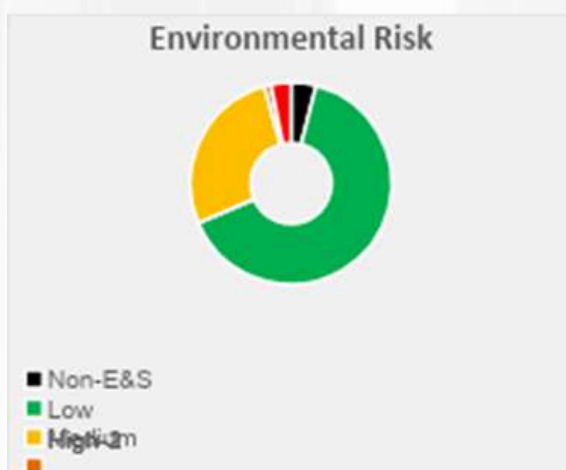
1. Activities helping to sustain, improve and protect the environment; and
2. Activities enabling social development, especially in marginalized target groups.

### E&S Risk Portfolio Monitoring Report

For the year 2024, 580 accounts amounting to a total of P993,600,000.00 were released with outstanding balance of P927,781,361.63 as of December 31, 2024. This figure represents 35.21% of the P2,635,146,791.37 total loan portfolio with breakdown as follows:

ENVIRONMENTAL RISK		LOAN BALANCE	RATIO
Non-E&S	101	37,036,991.55	1.41%
Low	357	599,539,751.16	22.75%
Medium	117	251,809,540.03	9.56%
High-1	1	9,604,772.74	0.36%
High-2	4	29,790,306.15	1.13%
<b>Total</b>	<b>580</b>	<b>927,781,361.63</b>	<b>35.21%</b>

SOCIAL RISK		LOAN BALANCE	RATIO
Non-E&S	101	37,036,991.55	1.41%
Low	392	647,556,889.89	24.57%
Medium	82	203,792,401.30	7.73%
High-1	1	9,604,772.74	0.36%
High-2	4	29,790,306.15	1.13%
<b>Total</b>	<b>580</b>	<b>927,781,361.63</b>	<b>35.21%</b>



Out of the 580 accounts released in 2024, 5 accounts were categorized under High Risk 1 & 2 with outstanding balance of P39,395,078.89, all of which remained in current status as of December 31, 2024.



### Sustainability Initiatives

As part of the QCRB's commitment to foster awareness and advocate for sustainable practices across the organization, the Sustainable Finance Framework Committee (SFFC) issued a memorandum aiming to provide insights into how each individual from branches and departments can play a role in advancing the bank's sustainability goals. This encourages all employees to adopt the following practices to enhance the bank's collective efforts to sustainability:

**a. Energy Conservation:**

- Turn-off lights and unplug electronic devices, such as printers and scanners, when not in use.
- Use natural light whenever possible.

**b. Responsible Water Usage**

- Report any water leaks promptly.
- Do not leave the water running for a long time.

**c. Waste Reduction**

- Reduce the use of disposable items, such as plastic utensils, paper plates and plastic cups.
- Think before you print.

### **BSP Circular 1187: Philippine Sustainable Finance Taxonomy Guidelines**

In compliance with the abovementioned circular issued by the BSP in February 2024, the bank is set to adopt the guidelines within the year 2025 and incorporate the framework into its operations, enhancing transparency and accountability in sustainable financing.