



RURAL BANK OF DIGOS, INC.

The Pioneer Bank of Davao del Sur

2023 ANNUAL REPORT

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MISSION

WE ARE COMMITTED TO PROVIDE SUSTAINABLE QUALITY PRODUCTS AND PERSONALIZED SERVICES TO ALL OUR CLIENTS.

WE SHALL ENSURE OPPORTUNITIES FOR PERSONAL & PROFESSIONAL GROWTH AND PROVIDE FINANCIAL SECURITY FOR OUR EMPLOYEES.

WE WILL MEET THE EXPECTATIONS OF ALL OUR STOCKHOLDERS.

WE ARE RESPONSIVE TO THE CONCERNS OF ALL OUR STAKEHOLDERS.

VISION

RB DIGOS, INC., THE PIONEER BANK IN DAVAO DEL SUR IS THE BEST IN THE COUNTRY IN PROVIDING BANKING SERVICES TO ALL ITS CLIENTS IN THE COUNTRYSIDE THROUGH ITS HIGHLY COMPETENT AND COMMITTED EMPLOYEES, ENSURING EQUITABLE RETURNS TO ALL ITS STAKEHOLDERS.

CORE VALUES

RELIABILITY

BAYANIHAN SPIRIT

DEEP SENSE OF COMMITMENT

INTERGRITY & HONESTY

GOD FEARING

ONE TEAM. ONE FAMILY

SUSTAINABILITY

COMPANY PROFILE

Rural Bank of Digos, Inc. operates as a Rural Bank under the provisions of Republic Act No. 720, otherwise known as the Rural Bank Act, as amended. In 1992, Republic Act No. 7353, otherwise known as the Rural Bank Act of 1992, was enacted to provide creation, organization and operation of rural banks.

RB Digos was organized in December 1955 and started its operations on February 17, 1956. It was the first bank to operate in Digos and the southern part of the then Empire Province of Davao. That is why the bank earned its tagline; “The Pioneer Bank”.

It operates with 5 Branches and 6 Branch Lites strategically located in the Davao del Sur, Davao Occidental and North Cotabato areas that provides wide range of rural banking products and services including loans, deposits, utility bill payments, remittances and others services to the countryside.

With the bank’s core strategies – innovative, technology –driven approaches and client-centered products and personalized services: implementation of an effective and result – oriented management and supervisory programs and practices; and performance based rewards and incentives system, the Board of Directors and its Management is committed to meet the expectations of the stockholders and the clients its serves.

The Bank Officers and Staff works in accordance with the bank’s Core Values : Reliability, Bayanihan Spirit, Deep Sense of Commitment, Integrity & Honesty, God Fearing, One Team. One Family, Sustainability. Its Board of Directors are all professionals with competencies and experience in the disciplines of banking and finance, accounting, law and agri-business.

Today, RURAL BANK OF DIGOS, INC has become to what is now: strong, resilient, and ready to face future challenges.

PRESIDENT'S MESSAGE

Rural Bank of Digos continues to be stable, stronger and profitable as reflected on our Financial Highlights:

- **Total Resources is PhP 1.714 B, an increase of 20.73%**
- **Net Profit after Tax is PhP 26.6 M, an increase of 19.21%**
- **Earning per share is PhP 22.29**
- **Book Value per share is PhP 153.96**
- **Net Worth is PhP 295 M, an increase of 18.84%**

RBDI established a Branch Lite Unit in Mlang, North Cotabato. RBDigos operates with 5 Branches - Digos, Bansalan, Malita, Kidapawan & Antipas and 6 Branch Lite Units – Kapatagan, Davao del Sur, 3 in Davao Occidental – Sta. Maria, Don Marcelino and Jose Abad Santos, and 2 in North Cotabato – Arakan and Mlang.

As part of our commitment to our stakeholders and shareholders and in line with our strategies, **the bank has successfully migrated to a cloud based Core Banking System.** The management made sure that all bank data will be safely stored and secured.

The Banks' Board of Director together with the Senior Management Team re-aligned the Banks' Vision, Mission and Core Values to support Sustainable Finance as mandated by BSP, thereby promoting social awareness and environmental stewardship.

Lastly, the Board of Directors and my family infused capital worth PhP 30 Million. Just last months' Board meeting, the Board of Directors has approved the increase of Authorized Capital Stock to PhP 300 M an increase of PhP 100 M.

These have been our commitment to meet the expectations of the stockholders and clients by being competitive at par excellence with the banking industry - by achieving its operational, financial, technological, and human resource development targets and goals through our Core Strategies – innovative, technology – driven, client centered products & personalized services.

All of these accomplishments have helped Rural Bank of Digos to become one of the strong and stable Rural Banks in the country.

My heartfelt gratitude and appreciation to all our Valued Clients – depositors and borrowers, fellow Stockholders, Management Team & Employees and our Financial and Business Partners. With your support and cooperation, Rural Bank of Digos, Inc has become to what is now: strong, resilient, and ready to face future challenges.
e country.

My heartfelt gratitude and appreciation to all our Valued Clients – depositors and borrowers, fellow Stockholders, Management Team & Employees and our Financial and Business Partners with your support and cooperation, Rural Bank of Digos, Inc has become to what is now: strong, resilient, and ready to face future challenges.



GENE PHILIP D. DEREQUITO
President

2023 FINANCIAL HIGHLIGHTS

<u>A. PROFITABILITY</u>	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Total Net Interest Income	145,747,865	118,465,729	27,282,136	23.03%
Total Non-Interest Income	45,469,718	40,309,914	5,159,804	12.80%
Total Non-Interest Expense	157,928,277	129,563,071	28,365,206	21.89%
Profit Before Income Tax	33,289,306	29,212,572	4,076,734	13.96%
Net Income After Tax	26,638,935	22,346,842	4,292,093	19.21%
Provision for Credit Losses	20,588,424	20,050,843	537,581	2.68%
<u>B. SELECTED BALANCE SHEET DATA</u>				
Liquid Assets	339,958,018	359,006,978	(19,048,960)	-5.31%
Gross Loans	1,335,208,341	1,017,356,460	317,851,882	31.24%
Total Assets	1,714,742,633	1,420,196,119	294,546,514	20.74%
Deposits	1,126,960,991	1,125,791,028	1,169,963	0.10%
Total Equity	295,065,138	248,290,040	46,775,098	18.84%
<u>C. LENDING OPERATIONS</u>				
Total Loans Granted	1,180,002,000	939,969,100	240,032,900	25.54%
Agricultural Loans	19,394,000	17,545,000	1,849,000	10.54%
Commercial Loans	144,582,450	125,557,000	19,025,450	15.15%
Other Loans	1,016,025,550	796,867,100	219,158,450	27.50%
<u>D. DEPOSIT TAKING OPERATIONS</u>				
Demand Deposits	29,349,283	38,770,685	(9,421,402)	-24.30%
Savings Deposits	776,498,725	729,411,839	47,086,886	6.46%
Time Deposits	321,112,983	357,608,504	(36,495,520)	-10.21%
<u>E. SELECTED RATIOS</u>				
Return on Average Equity	9.81%	9.32%	0.49%	5.26%
Return on Average Assets	1.70%	1.70%	0.00%	0.00%
Net Interest Margin	9.74%	9.02%	0.72%	7.98%
Leverage Ratio (Debt to Equity Ratio)	481.14%	471.99%	9.15%	1.94%
Capital Adequacy Ratio (CAR)	15.87%	16.05%	-0.18%	-1.12%
Tier 1 (CAR Ratio)	15.18%	15.43%	-0.25%	-1.62%
Minimum Liquidity Ratio	32.75%	33.99%	-0.88%	-2.61%
Book Value per Share	153.96	159.30	(5.34)	-3.35%
<u>F. OTHERS</u>				
Cash Dividends Declared	19,043,350	15,459,520	3,583,830	23.18%
No. of Officers	14	14	-	0.00%
No. of Staff	88	103	(15)	-14.56%

2023 FINANCIAL HIGHLIGHTS

RURAL BANK OF DIGOS, INC. FIVE YEARS IN RETROSPECT 2023 - 2019

	2023	2022	2021	2020	2019
TOTAL RESOURCES	1,714,742,633	1,420,196,119	1,205,928,997	1,105,567,129	1,078,363,593
Checks and other cash items	32,893,013	44,625,564	34,932,834	35,078,399	30,254,797
Due from BSP and other banks	307,065,005	314,381,414	312,390,603	221,886,730	192,668,577
Loans and receivables, net	1,303,192,780	991,868,286	778,426,803	793,914,414	804,887,503
Financial Assets Held to Maturity, net	-	-	14,999,725	-	-
Bank premises	26,126,178	29,321,563	30,015,400	17,595,513	19,530,528
ROPA	24,415,396	23,802,824	22,795,802	25,202,035	16,334,393
Deferred tax asset	12,249,000	9,224,090	8,013,787	8,604,481	10,797,836
Other resources	8,801,261	6,972,378	4,354,043	3,285,557	3,889,959
DEPOSIT LIABILITIES	1,126,960,991	1,125,791,028	931,635,957	759,736,486	640,247,743
Demand Deposits	29,349,283	38,770,685	30,396,761	37,038,294	32,020,394
Savings Deposits	776,498,725	729,411,839	629,032,462	532,432,805	475,676,307
Time Deposits	321,112,983	357,608,504	272,206,734	190,265,388	132,551,042
BORROWINGS					
Loans Payable- LBP	231,195,003	232,639	930,555	74,939,749	184,331,581
OTHER LIABILITIES	61,521,501	45,882,412	42,295,918	48,059,998	39,134,682
CAPITAL ACCOUNTS	295,065,138	248,290,040	231,066,567	222,830,897	214,649,587
Capital Stocks	190,433,500	154,595,200	144,535,400	139,274,200	135,504,600
Other Reserves	1,872,531	2,025,148	1,127,195	1,073,078	2,388,510
Retained Earnings					
Free	76,120,172	69,322,850	70,285,798	63,184,007	59,656,243
Reserves	-	-	21,700	21,700	21,700
Undivided Profits	26,638,935	22,346,842	15,096,474	19,277,912	17,078,534
GROSS INCOME	211,014,464	174,250,093	159,350,845	156,525,977	153,452,068
Interest Income	165,544,746	133,940,179	121,242,118	120,168,307	119,105,335
Service Charges and Fees	307,626	362,297	328,700	279,543	266,297
Miscellaneous Income	45,162,092	39,947,617	37,780,027	36,078,127	34,080,436
TOTAL EXPENSES	162,669,813	140,647,703	134,970,423	128,870,127	132,926,823
Interest Expense	19,796,881	15,474,450	17,820,075	21,682,579	26,163,293
Non-Interest Expense	136,222,561	118,307,523	105,044,799	97,423,093	98,419,713
Income Tax Expense	6,650,371	6,865,730	12,105,549	9,764,455	8,343,817
NET INCOME	48,344,651	33,602,389	24,380,421	27,655,849	20,525,244

2023 FINANCIAL HIGHLIGHTS

Capital and Capital Ratios

As of 31 December 2023, Rural Bank of Digos, Inc. has P200.0 million authorized capital composed of Common shares at P100.00 par value per share. Out of the total authorized capital, only 1,904,335 shares were subscribed and paid-up.

Bank's capital adequacy and the use of regulatory capital are monitored regularly by the BOD and Senior Management, thus, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the BSP for supervisory purposes. The required information is filed with the BSP on a regular basis. BSP required each bank or banking group to: (a) hold the minimum level of regulatory capital and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above 10% minimum. The Bank's regulatory capital is divided into two tiers.

Consistent with the BSP requirements, contained in the table are the details and composition of the Bank's comparative qualifying capital for 2023 and 2022.

	31-Dec	
	2 0 2 3	2 0 2 2
Tier 1 (core plus Hybrid) capital		
Paid up common stock	190,433,500	154,595,200
Paid up perpetual and non-cumulative preferred stock		
Common stock dividends distributable		
Retained earnings	77,992,703	69,322,850
Undivided profits	26,638,935	22,346,842
Total	295,065,138	246,264,892
Deduction from tier 1		
Deferred income tax	(11,069,861)	(7,100,637)
Tier 2 (supplementary) capital		
Upper tier 2 capital		
Limited life redeemable preferred stock		
Sinking fund for redemption of limited life redeemable preferred stock		
General loan loss provision	12,824,274	9,566,093
TOTAL QUALIFYING CAPITAL	296,819,551	248,730,348
Risk-weighted assets		
Total Risk-weighted on-balance sheet assets	1,664,176,030	1,359,749,056
Total operational risk-weighted assets	206,503,873	189,764,146
TOTAL RISK-WEIGHTED ASSETS	1,870,679,903	1,549,513,202
TIER 1 CAPITAL ADEQUACY RATIO	15.18%	15.43%
RISK-BASED CAPITAL ADEQUACY RATIO	15.87%	16.05%

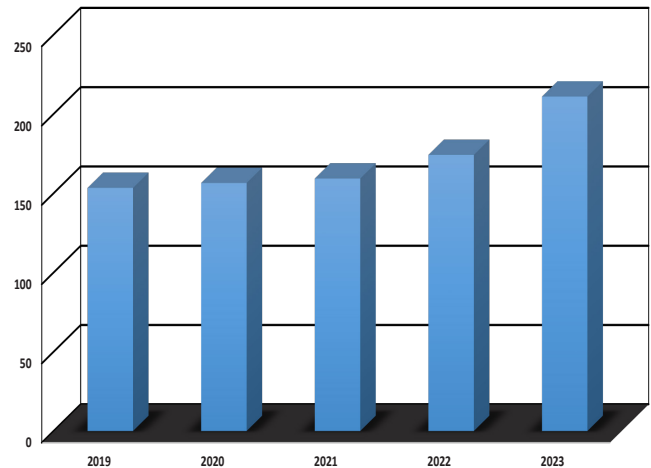
The Bank's Major Stockholders

As of December 31, 2023, the following are known to be the direct beneficial owners of more than 5% of RB Digos' common shares.

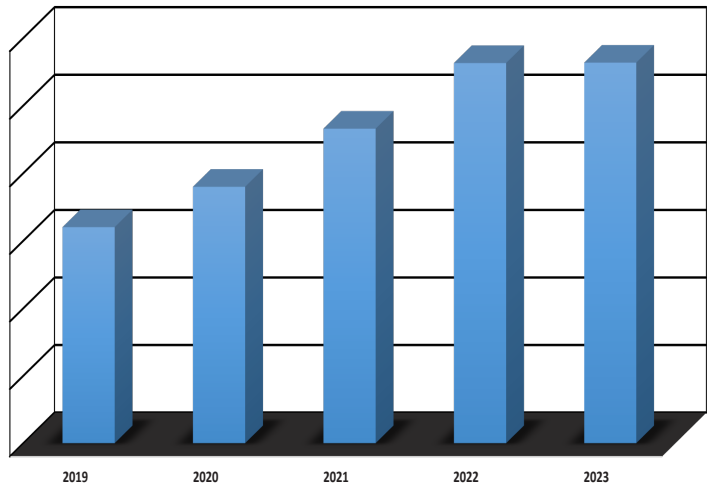
Name of Stockholder	Nationality	Percentage of Stockholdings
DEREQUITO, EUGENIO	FILIPINO	30.46%
BAUTISTA, GENELYD	FILIPINO	8.76%
DEREQUITO, GENE PHILIP	FILIPINO	8.33%
DEREQUITO, GINA LYNN	FILIPINO	6.51%
DEREQUITO, JOANNA FELICIDAD	FILIPINO	5.51%

2023 FINANCIAL HIGHLIGHTS

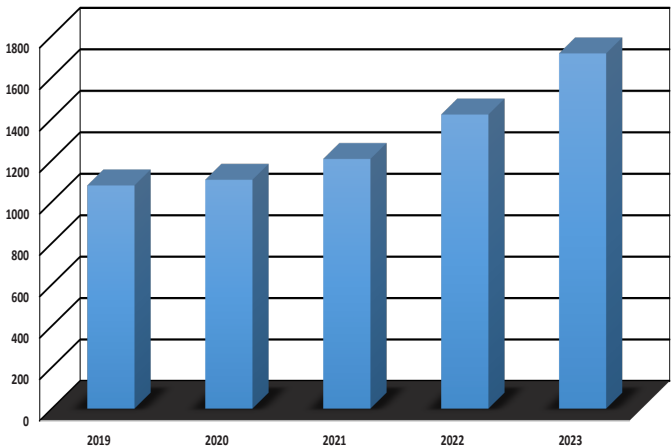
**RURAL BANK OF DIGOS, INC.
GROSS INCOME
(In Million Pesos)
2019 – 2023**



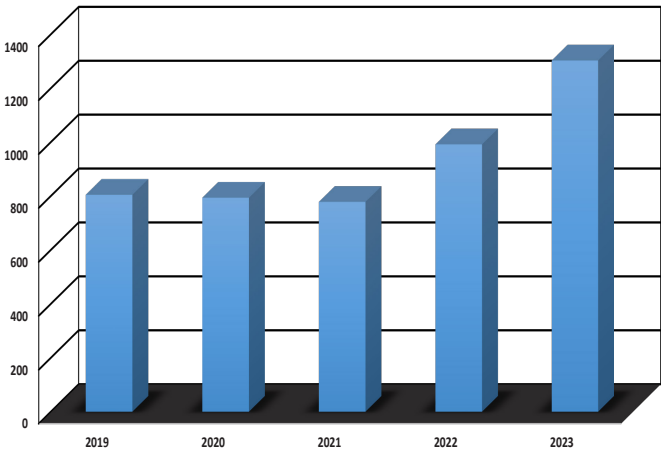
**RURAL BANK OF DIGOS, INC.
GROWTH IN DEPOSIT LIABILITIES
(In Million Pesos)
2019 – 2023**



**RURAL BANK OF DIGOS, INC.
GROWTH IN TOTAL RESOURCES
(In Million Pesos)
2019 – 2023**



**RURAL BANK OF DIGOS, INC.
GROWTH IN LOAN PORTFOLIO
(In Million Pesos)
2019 – 2023**



2023 FINANCIAL HIGHLIGHTS

KEY INSIGHTS: FINANCIAL PERFORMANCE AND STRATEGIC ACTIONS FOR 2023

Significant Changes in the Bank's Financial Condition and Result of Operations:

Rural Bank of Digos, Inc. has navigated through various challenges and opportunities amidst evolving market dynamics, regulatory requirements, and economic fluctuations. This comprehensive report of significant changes in bank's financial conditions for the year 2023, aims to facilitate informed decision making, foster and maintained the highest standards of transparency, integrity and accountability in its operations. Also, reflects our commitment to keeping stakeholders informed, enhance confidence and with a clear understanding of the key changes influencing the bank's financial position, performance and strategic direction.

Key areas covered in this report include:

Financial Performance

Asset quality remained stable for the year. The bank has been aggressive in its lending activities. It has balanced its lending operations from deposit taking generation and availment of rediscounting line with other financial institution.

Loans: Loan Portfolio had increased by P 317.85M or 31.24% compared last years' 27.89%. Large exposure is mostly concentrated on Loans to Individual for Personal Use Purposes particularly loans granted to Barangay Officials/staff and LGU employees.

Past Due: Decrease in Past Due Amounts throughout the fiscal year, although smaller compared to previous periods. The total past due amount decreased by P0.495 million, representing a reduction of 1.42% from the previous year.

Despite the relatively small decrease in past due amounts, the past due ratio experienced a notable decline. The past due ratio for the year stood at 2.47%, down from 3.42% in the previous year. This indicates a significant improvement in the bank's ability to manage overdue accounts in proportion to its loan portfolio.

The impact of the substantial increase in bank's loan portfolio is the primary factor contributing to the decrease in the past due ratio. As the loan portfolio expanded, the absolute amount of past due accounts decreased in significance relative to the overall loan portfolio size, resulting to lower past due ratio.

Past Due accounts had decreased only by P0.495M or 1.42%. However, resulted to 2.47% past due ratio compared last year which was 3.42%.

Majority of our non-performing loans and other assets are already aged and have been fully provided for with allowance for probable losses. This proactive approach ensures that we accurately reflect the potential risks associated with these accounts and we mitigate the impact on our financial performance and strengthen our resilience to adverse events.

However, it is crucial to acknowledge that while our current credit risk remains moderate, there is an increasing trend in this direction. As economic conditions evolve and market dynamic change, we recognize the need to adapt and strengthen our risk management frameworks accordingly.

Liquidity:

Throughout the year, the bank has remained compliant with liquidity requirements, with no shortfall of the required daily Minimum Liquidity Ratio (MLR).

Despite a slight decrease in our liquidity ratio, from 33.99% in the previous year to 32.75% this year, we have continued to uphold adequate liquidity levels to support our ongoing activities and meet our obligations.

The Bank's liquidity management strategy is our ability to utilize funds from our depository banks and avail rediscounting loan line to finance loan disbursements. This approach enables us to optimize the use of available resources to deploy funds effectively and maintain liquidity while meeting the growing demand for credit from our borrowers.

2023 FINANCIAL HIGHLIGHTS

While the liquidity ratio has decreased slightly, our overall liquidity risk remains low. We remain vigilant in monitoring liquidity metrics and adjusting our strategies as needed to mitigate potential risks. We will continue to prioritize the prudent allocation of resources and adherence to regulatory requirements to safeguard the interest of our stakeholders and ensure the long-term success of our institution.

Deposit Liabilities: Our deposits have grown by P1.69 million, representing a growth rate of 0.10%. This increase reflects the confidence that our clients have placed in our bank and indicate our commitment to providing reliable and efficient banking services.

Majority of these deposits have been deployed to meet the financial needs of our clients through lending activities. This demonstrates our role in facilitating economic growth and supporting the aspirations of individuals and businesses within our community.

Significant portion of the deposits comes from our core depositors. These include esteemed bank directors, stockholders and valued clients hailing from diverse business sectors.

Moving forward, the bank remains committed to nurturing strong relationships with our depositors and serving as a reliable financial partner. We will continue to focus on prudent lending practices, risk management, and innovative solutions to meet the evolving needs of our customers while maintaining the safety and soundness of our operations.

The loan gross to deposit ratio of 118.48% as compared to last year which was 90.37%

Capital:

The bank's total subscribed common stocks amount to P190.4 million for the current year, with capital infusion reaching P35.84 million. Despite the stable financial position, acceptable earnings, and outstanding asset quality, the Capital Adequacy Ratio (CAR) stands at 15.86%, a decrease from last year's 16.05% by 1.54%. The decrease can be attributed to the significant increase in the bank's total assets. As of December 2023, total assets amounted to P1.719 billion, compared to P1.428 billion as of September 2023, indicating an increase of P291 million, primarily in the loan portfolio. This surge in assets occurred without a proportionate increase in earnings and capital impacting the bank's CAR.

Furthermore, the substantial increase in the loan portfolio in the last quarter of 2023 did not generate significant earnings for that quarter. This is because interest and other charges are earned gradually through amortization and accretion, rather than being realized immediately.

The Board of Directors have committed to infuse capital during the first quarter of 2024. In addition, the board has decided to increase the authorized capital stock by 100 million, from P200 million to P300 million, to provide further flexibility in capitalization. This is to ensure that the bank has adequate resources to support its operations and meet regulatory requirements.

Earnings/Income:

The bank's earnings remain adequate to support dividends, however, the significant increase in total assets, especially the loan portfolio, indicates that the trend of bank's earnings may no longer fully support the latest operations and growth of the bank,

Despite this challenge, the bank has managed to generate sufficient revenue, with gross income increasing by P2.881 million or 9.35% compared to last year. This improvement is primarily attributed to the growth in interest income on loans. However, the interest expense have also increased.

Moreover, the bank has been effectively managing its overhead expenses, as evidenced by a consistently low cost-to-income ratio of 62.70%.

Key financial ratios are as follows:

10	Return on Assets:	1.80%
	Return on Equity:	9.90%
	Net Interest Margin:	10.10%

2023 FINANCIAL HIGHLIGHTS

These ratios demonstrate the bank's ability to generate returns on its assets and equity, as well as its efficiency in managing its interest income and expenses. However, the challenge lies in ensuring that earnings keep pace with the bank's rapid growth and operations to sustain long-term financial health and profitability.

RBDI's Strategic Initiatives and Actions Taken:

The governance of the Board and Senior Management is deemed acceptable, as evidenced by the effectiveness of the bank's risk management system. Through enhancement in various bank policies and procedures, there has been an improvement in audit proficiency and compliance appetite among employees. The monitoring and analysis of audit findings as of December 2023 revealed a significant decrease in the type of audit findings and the number of recurrences accompanied by positive outcomes in terms of earnings, liquidity and asset quality.

However, the importance of evaluating, measuring, controlling and monitoring Capital Adequacy to achieve the overall goals of RBDI in the upcoming periods must be prioritized. Hence, the board and senior management suggests that significant capital infusion is necessary and the bank's authorized capital should be increased through the amendment of the Articles of Incorporation. Additionally, efforts should be made to further improve earnings to align with the latest operations and growth of the bank.

- **Corporate Governance**

Board level committees, Management and Operation groups have been convening as scheduled most often and called for special meetings to discuss implementation of major changes in policies, rules and regulations. The Stockholders' meeting was held as scheduled on April 2023. The same set of BOD officers were elected.

- **Operations**

1. The bank capitalized on an opportunity to cater to and facilitate the release of salary-based loans for newly elected barangay officials and appointed staff during the last quarter of 2023, amounting to 104.5 million. This initiative wasn't limited to this specific group but extended to other salary-based loan products as well. By providing financial assistance to this demographic, the bank is not only supporting local governance but also strengthens its relationship with the community and expands its loan portfolio.
2. The bank is utilizing and availing of our rediscounting loan line with our creditor bank. This action is necessary because the funds from our deposits are not sufficient to finance the loan releases. The bank needs to provide funding for lending operation because it would result in an opportunity loss if this support is not provided.

3. Others:

- o Revisited our Mission, Vision, Core Values and Core Strategies
- o Approved the Recruitment Management System
- o Amended the bank By-Laws and Articles of Incorporation
- o Operated Established a branch-lite in Mlang, North Cotabato
- o Acquired New Core Banking System Provider Migrated to a cloud based Core Banking System
- o RBDI's Membership/Participation of the following:
 - a.) Enrollment of MSMEs accounts under Philguarantee Agreement
 - b.) Direct Clearing Subscriber
 - c.) Use of Computerized Accounting System
- o Change of Accounting treatment of:

Processing Fee – Amortized base on EIR

- **Information Technology(IT) and Business Continuity Plan**

The bank has diligently implemented its IT Risk Management policy to safeguard the security of bank information. As part of this effort, the migration to a cloud-Based Core Banking

2023 FINANCIAL HIGHLIGHTS

System was successfully executed in the first quarter of the year. Furthermore, enhancement were made to the RBDI website to better engage with customer and stakeholders.

To ensure continuous vigilance, our IT team maintain regular communication with relevant units and departments to facilitate strict surveillance, monitoring and response to any IT and/or security incidents that may arise. Additionally, regular updates are performed on each computer system to prevent vulnerabilities and mitigate the risk of computer scams to maintain a robust and secure IT infrastructure. Also, ICT personnel were sent to various trainings and seminars to adequately equipped necessary expertise to address evolving technological needs and challenges. Through these, ICT team will have acquired updated knowledge and techniques essential for enhancing IT systems, processes, and solutions and to stay abreast of technological advancements and fostering a highly skilled workforce capable of effectively managing IT matters.

- **Learning and Growth**

The capability building has been a top priority for the bank. To enhance employee skills and knowledge, in-house training development programs were conducted, alongside monthly interdepartmental group discussions and meeting in branches and employees were sent to various hybrid and face to face training and seminars. Last July 2023, the bank conducted a successful team building activities to foster sportsmanship and camaraderie among employees contributing to their overall development.

The bank's HR department scheduled formal training sessions for employees, ensuring they have access to relevant and up-to-date skills development opportunities. In June 2023, all employees participated in a bank-wide seminar/training to foster a culture of sustainability and corporate responsibility. It highlights the importance of incorporating social and environmental considerations into the bank's policies and practices. To ensure that all employees will effectively implement sustainable initiatives across its operations and the importance of ongoing training and education.

- **Personnel Welfare**

The bank has prioritized the safety and well-being of RBDI employees by implementing strict adherence to health and safety protocols. The bank has remained vigilant in maintaining a safe working environment for all staff members.

Also, the bank has ensured the continuity of health insurance coverage for employees, officers and directors as well as medicine benefits. To provide comprehensive support and protection for its workforce, ensuring the employees health and welfare remain safeguarded amidst any potential risks or uncertainties.

- **Sustainability**

The bank has taken proactive steps towards sustainability by organizing clean-up drives across all branches. These initiatives are aimed at contributing to the preservation and sustainability of our environment, aligning to responsible corporate citizenship.

Furthermore, various sustainability practices have been implemented including the segregation of waste, monitoring of power and light usage, and careful management of supply usage. Additionally, the bank has implemented health policies to ensure the well-being of its employees and stakeholders.

The Bank has revised and incorporated Sustainability as one of its Core Values.

Also, the bank budgeted to purchase a solar power on the first quarter of 2024.

These efforts reflect the bank's dedication to not only meeting regulatory requirements but also embracing its social and environmental responsibilities. By integrating sustainable practices into its operations, the bank is actively contributing to the promotion of a healthier and more sustainable future for all.

CORPORATE GOVERNANCE

Structure and Practices

The Board of Directors and Management adopts corporate governance framework of policies, rules, systems and processes in the banking institution that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates. They are committed to conduct the principles and practices that are designed to ensure the independence of the Board and its ability to effectively supervise management's operation of the Bank and guide them in pursuit of its vision, mission and long-term objectives. They shall create the proper awareness of the principles and practices within the bank organization in order to ensure compliance by every member of the organization.

It ensure RBDI's ability to satisfy the needs of its customers, sustain its leadership and competitiveness, and uphold its reputation in order to maintain RBDI's long term success and viability as a business entity its mandate consists of setting the strategic business directions of RBDI, appointing all senior management officers, confirming its organizational structure, approving all major strategies and policies, overseeing all major risk-taking activities, monitoring the financial results, measuring and rewarding the performance of management, and generating a reasonable investment return to shareholders. It also provide an independent check on management.

The Board formulate the Bank's vision, mission, strategic objectives, strategic plans, policies and procedures that guide its activities, including the means to effectively monitor Management performance.

Board of Directors

The present composition of the Board, its size and commitments to adequately perform its duties and responsibilities are veritably commendable. It is composed of seven (7) members, one of whom is an independent director. The chairperson as well as the rest of the members of the board have a clear grasp of the bank's operations with clear understanding of the financial ratios, acceptable business practices of the banking industry with the aim in mind of protecting the interest of the stockholders and stakeholders.

There is as of today no imperative need to expand its membership. The hierarchal structure is found to be effective. The Board is composed of respected members of the community. The directors are professionals, with proper college degrees, and known entrepreneurs and successful businessmen and with a veritable wealth of experience and trainings among them. Two (2) members of the Board are lawyers and three (3) members are certified public accountants. The members of the board are elected annually by the stockholders to hold office for a term of one year and shall serve until their qualified successors have been elected.

Board meetings are regularly conducted every third Tuesday of the month. The discussion would attest to the independence of directors giving such incisive inputs to protect the integrity and profitability of RBDI's banking operations. Attendance of directors is exemplary. Issues and reports before forwarded to the board are initially discussed during the Management Committee meeting and recommendations of the officers are forwarded to the whole body if there are any.

CORPORATE GOVERNANCE

Management committee is composed of any one of the board of directors, two group heads administration and support group head and operation head, branch managers and department unit heads.

To ensure stability and liquidity of the institution, the Board approves and evaluates the execution of strategic financial plans, annual budgets, policies, procedures and practices.

Board Committees

The distribution in the membership in various committees attest to the Board's interest in the bank's viability and profitability and in consonance with the different regulations of the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and other regulatory agencies.

The Board is supported by different committees that have been duly constituted: Executive Committee, Human Resource committee, Audit committee/Corporate Governance Committee, Credit committee.

The committees regularly convene to address issues and problems. Management committee and Credit Committee meetings conducted every month before the regular Board meeting. The Audit Committee is scheduled at least twice a year while the other committees when concerns are referred to them by management or when the need arises.



General Responsibility of the Board

The position of a Bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.

The Board is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board is also responsible for monitoring and overseeing the performance of Senior Management as the latter manages the day to day affairs of the Bank. It is the Board's responsibility to foster the long-term success of the Bank, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

CORPORATE GOVERNANCE

General Responsibility of the Board

To ensure a high standard of best practice for the Bank, its stockholders and other stakeholders, the Board conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

1) Approve and monitor the implementation of strategic objectives

Consistent with the Bank's strategic objectives, business plans shall be established for the Bank and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the Bank's long-term financial interests, its level of risk tolerance and its ability to manage risks effectively.

2) Approve and oversee the implementation of policies governing major areas of banking operations

The Board shall approve policies on all major business activities, e.g., investments, loans, asset and liability management, business planning and budgeting. The Board shall accordingly define the Bank's level of risk tolerance in respect of said activities. A mechanism to ensure compliance with said policies shall also be provided.

3) Approve and oversee the implementation of risk management policies

The Board shall be responsible for defining the Bank's level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks throughout the institution.

4) Oversee selection and performance of Senior Management

It is the primary responsibility of the Board to appoint competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the Bank's strategic objectives, and conduct regular review of Bank's policies with the management team.

5) Consistently conduct the affairs of the Bank with a high degree of integrity

The Board shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the Senior Management and other employees. The Board shall:

6) Define appropriate governance policies and practices for the Bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement:

a) The Board shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability, especially between the roles of the Chairman of the Board and President.

CORPORATE GOVERNANCE

- b) The Board shall maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.
 - c) The Board shall structure itself in a way, including in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, critical discussion of issues and thorough review of matters.
 - d) The Board shall establish a system of checks and balances which applies in the first instance to the Board itself. The system shall also provide a mechanism for effective check and control by the Board over the chief executive officer and key managers and by the latter over the line officers of the Bank. Checks and balances in the Board shall be enhanced by appointing a Chairman who is a nonexecutive, whenever possible.
 - e) The Board shall ensure that individual members of the Board and the shareholders are accurately and timely informed. It shall provide all its members and to the shareholders a comprehensive and understandable assessment of the Bank's performance, financial condition and risk exposures. All members of the Board shall have reasonable access to any information about the Bank at all times. It shall also provide appropriate information that flows internally and to the public.
- 7) Constitute committees to increase efficiency and allow deeper focus in specific areas. The Board shall create committees, the number and nature of which would depend on the size of the Bank and the Board, the complexity of operations, long-term strategies and risk tolerance level of the Bank.
- 8) Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.
- The Board shall recognize and acknowledge the importance of the assessment of the independent, competent and qualified Internal and External Auditors as well as the Risk and Compliance Officers in ensuring the safety and soundness of the operations of the Bank on a going-concern basis and communicate the same through-out the Bank.
- 9) Have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the group. Towards this end, the Board shall ensure consistent adoption of corporate governance policies and systems across the group and shall carry-out the following duties and responsibilities:
- 10) The Board shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the Bank. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.
- 11) Identify the stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.

CORPORATE GOVERNANCE

2023	AMOUNT	RB INDUSTRY 360 RBs
DEPOSITS	1,126 M	34
LOANS	1,335 M	28
ASSETS	1,719 M	32
CAPITAL	295 M	43

RBDI Performance in the RB Industry

Duties and Responsibilities of the Chairman of the Board

The role of the Chairman shall, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. The respective power and duties of the Chairman is delineated in the Bank's By-Laws.

- 1) The Chairman of the Board shall provide leadership in the Board. He/She shall ensure effective functioning of the Board, including maintaining a relationship of trust with Board members. In addition, the Chairman shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process.

The Chairman of the Board shall have the following powers and duties:

- a) To preside at all meetings of the stockholders and of the Board, and to ensure that the meeting of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- b) To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, management and the directors;
- c) To maintain qualitative and timely lines of communication and information between the Board and management;
- d) To submit an annual report of the operations of the Bank to the stockholders at the annual meeting;
- e) To exercise such general supervision as may be necessary to determine whether the resolutions and orders of the Board and of any authorized committee have been carried out by the management; and
- f) To exercise such other powers and perform such other duties as the Board may from time to time fix or delegate.

BOARD OF DIRECTORS



GENE PHILIP DELUAO DEREQUITO

President
Executive Director
61 years old, Filipino

Gene Philip D. Derequito, Filipino, was elected as President of Rural Bank of Digos, Inc. in April 2021 and has been a Board of Director for 15 years. He is a member of the Credit Committee.

He manages his own business GPD Construction and Board of the family owned Hagonoy Consolidated Agro – Industrial & Ventures Corporation.

Toto finished his Bachelor of Science in Medical Technology from University of Immaculate Conception. His total number of shares held is 158,582 and that is 8.33% of stockholding to total shares of the bank.



ATTY. ISAUROS BONCARAS GRAVADOR

Chairperson
Non-Executive Director
72 years old, Filipino

Atty. Isauros B. Gravador has been elected as Chairperson in April 2021 and has been a Board of Director for 15 years. He is also a member of Audit Committee.

Aius finished his BS Architecture from University of San Carlos in Cebu City and his Bachelor of Laws in Cor Jesu College.

His total number of shares held is 10,602 and that is 0.56% of stockholdings to total shares of the bank.

BOARD OF DIRECTORS



GENELYD DEREQUITO BAUTISTA

*Senior Vice President
Executive Director
62 years old, Filipino*

Genelyd Derequito Bautista was elected Senior Vice President of Rural Bank of Digos, Inc in April 2018. She held various positions since she joined the bank in 1999 – Corporate Secretary, Vice President and Executive Vice President and has been a Board of Director 24 years.

She is the Chair of the Credit Committee and a member of Human Resource Committee.

She is the Vice President of the family owned Hagonoy Consolidated Agro – Industrial & Ventures Corporation. Mimi finished her Bachelor of Business Administration in Ateneo de Davao University.

Her total number of shares held is 166,903 and that is 8.76% of stockholdings to total shares of the bank.



NILDA CUISON—GO

*Vice Chairperson
Non-Executive Director
76 years old, Filipino*

Nilda Cuison Go, has been elected as Vice Chairperson of the Board in April 2021. She held various positions when she joined the bank in early 1970s – Vice Chair, Vice President and President and has served as a Board of Director for 53 years. She is a member of the Human Resource Committee.

She is the eldest child of the founder of the bank, Roman A. Cuison

Nilda finished her BS Commerce in Business Administration from St. Joseph College in Quezon City. Her total number of shares held is 23,516 and that is 1.23% of stockholdings to total shares of the bank.

BOARD OF DIRECTORS



TEODORO GELVERO CAMEROS, CPA

*Non-Executive Director
68 years old, Filipino*

Teodoro G. Cameros has been elected as Board of Director for 14 years. He is the Chair of the Human Resource Committee and a member of Audit Committee.

He used to work in CJC Shell station as a Manager for 12 years and eventually owned and manages Shell station in Digos City.

Teddy finished his BS Commerce in Accountancy from Cor Jesu College in Digos City.

His total number of shares held is 11,304 and that is 0.59% of stockholdings to total shares of the bank.



LUCIANO GELVERO CAMEROS, CPA

*Executive Director
62 years old, Filipino*

Atty. Luciano G. Cameros has been elected as Board of Director for 16 Years. He is also the bank's Legal Counsel. He is a member – Audit Committee, Credit Committee and Human Resources Committee. He was the Bank's Corporate Secretary for 9 years from 2001 – 2010.

He was a Law and Accounting professor in Cor Jesu College for 12 years and 23 years respectively. He has worked with Local Government Unit – Municipality of Hagonay as Municipal Councilor and Municipal Accountant.

He manages Cameros Accounting and Law Firm. Lolo finished his BS Commerce in Accountancy and Bachelor of Laws from Cor Jesu College in Digos City.

His total number of shares held is 24,272 and that is 1.27% of stockholdings to total shares of the bank.

BOARD OF DIRECTORS



JOSELITO PALMEJAR GUTIERREZ, CPA

*Independent Director
Non-Executive Director
64 years old, Filipino*

Joselito P. Gutierrez, has been elected as Independent Director last April 2021. He is the Chair of the Audit Committee and the bank/s Independent Director. He was a member of the Board of Directors for 7 years.

He held different positions in Land Bank of the Philippines from August 1988 until December 2019. His last position was Executive Vice President.

Lito finished his Bachelor of Science in Business Administration from University from the East.

His total number of shares is 6,844 shares, 0.36% of stockholdings of total shares of the bank.



SAMANTHA LYDIA DEREQUITO ANGALA

*Corporate Secretary
36 years old, Filipino*

Samantha Lydia D. Angala was appointed as Corporate Secretary on January 2010.

She is also the Corporate Secretary of the family owned Hagonoy Consolidated Agro – Industrial & Ventures Corporation.

Sam finished her Bachelor in Business Administration major in Banking & Finance from Ateneo de Davao University.

CORPORATE GOVERNANCE

Board Level Committee

1. Human Resource Committee Charter

Name of Committee	: HR COMMITTEE (HR COM)
Nature	: Board Level Committee
Membership	: Teodoro G. Cameros, CPA – Chairman Nilda Cuison- Go - Member Atty. Luciano G. Cameros -Member Genelyd D. Bautista - Member

Responsibility

The Human Resource Committee is primarily responsible to oversee the effective implementation of HR policies and procedures, Bank administrative rules and regulations, Disciplinary Management System and Performance Management System of the bank. It shall review and evaluate qualifications of all persons promoted to officership position and other positions requiring appointment by the Board of Directors.

Specific Duties and Responsibilities

1. Oversee the implementation of HR policies and procedures and Bank administrative rules and regulations;
2. Assist the board in its function to oversee the implementation of effective Performance Management System and Disciplinary Management System;
3. Review and recommend amendments on compensation package of the bank;
4. Review and evaluate the qualifications of persons to be promoted to officership position or other position requiring appointment by the Board of Directors;
5. Review and recommend amendments on HR policies for Board approval;
6. Act on other matters as delegated by the Board.

Composition

The Committee shall be composed of at least three (3) members of the Board of Directors, one of whom should be a lawyer in profession, to act with the Human Resource Manager as a HRCOM. The Board of Directors shall designate a Committee Chairperson. Any member of the HR Committee may be removed at any time by a majority vote of the entire membership of the Board of Directors.

Meetings

The HR Committee shall meet at least once a year and when the need arises.

Per Diems

The members are entitled to reasonable per diems to be fixed by the Board of Directors.

Charter Review

The HR COM charter shall be reviewed as necessary to ensure the charter's continuing effectiveness. The proposed changes, if any, shall be subject to the Board of Directors approval.

CORPORATE GOVERNANCE

2. Credit Committee Charter

Name of Committee	: CREDIT COMMITTEE (CRECOM)
Nature	: Board Level Committee
Membership	: Genelyd D. Bautista – Chairman Gene Philip D. Derequito - Member Atty. Luciano G. Cameros, CPA – Member

Responsibility

The Credit Committee shall primarily review, recommend and approve credit proposals and credit policies within its authority and limits as well as provide recommendations or conditions to lending. The CRECOM may also act on other matters as delegated by the stockholders, and the Board of Directors within its competence and in accordance with the By-Laws of the Bank.

Specific Duties and Responsibilities

1. Execute the resolutions adapted during board of directors' meetings, except resolutions wherein the implementation of which have been directed to the President or other board committees;
2. Evaluate and approve or reject loan proposals within the CRECOM approving authority;
3. Evaluate and recommend to the board of directors qualified loan proposals beyond its approving authority.
4. Review and recommend credit policies for approval to board.
5. Review risk exposures/ limits of various entities/groups and recommend actions to mitigate risk.
6. Assist the board in its function to oversee the implementation of effective credit risk management system.
7. Act on other matters as delegated by the Board.

No loan shall be made unless the application has received the unanimous approval of the qualified membership of the Credit Committee present at the meeting at which such action is taken, provided, however, that the Board of Directors may authorize the making of loans in accordance with definite procedure.

Composition

The Committee shall be composed of three (3) members of the Board of Directors, one of whom should be a lawyer in profession, to act with the Asset Management Unit Head as a Credit Committee. The Secretary shall serve as an ex-officio secretary of the committee. The Credit Committee shall primarily review, recommend, and approve credit proposals and credit policies within its authority and limits as well as provide recommendations or conditions to lending. The CRECOM may also act on other matters as delegated by the stockholders and the Board of Directors.

Meetings

The Credit Committee shall meet as frequently as convenient once a month in the morning of every regular Board Meeting. The CRECOM shall have at least (12) meetings in one year. Additional meetings may be scheduled when necessary.

CORPORATE GOVERNANCE

Per Diems

The members are entitled to reasonable per diems to be fixed by the Board of Directors.

Charter Review

The CRECOM charter shall be reviewed as necessary to ensure the charter's continuing effectiveness. The proposed changes, if any, shall be subject to the Board of Directors approval.

3. Internal Audit and Corporate Governance Charter

Name of Committee	: INTERNAL AUDIT/CGC COMMITTEE
Nature	: Board Level Committee
Membership	: Joselito P. Gutierrez, CPA - Chairman Teodoro C. Cameros – Member Atty. Isauros Gravador - Member

I – The Charter

This charter outlines the purposes, stature, authorities and responsibilities of the Audit Committee and the Internal Audit Function of Rural Bank of Digos, Inc. as well as its relations with other control functions in the bank.

II – Nature of Internal audit

Internal auditing is the independent appraisal of the various operations and systems of control to determine whether acceptable or Board approved policies and procedures are followed, legislative requirements and established standards are met, bank's assets/resources are used efficiently and economic and planned missions are accomplished effectively.

III- Independence

Internal Auditing is an advisory function having independent status within the bank.

The Internal Audit functions to wit:

1. Shall be directly responsible to the chairman of the Board Audit Committee;
2. Shall have no executive or managerial powers, functions or duties except those relating to internal audit;
3. Shall not be involved in the day-to-day operation of the bank;
4. Shall not be responsible for the detailed development or implementation of new systems and procedures.

IV – Audit Committee (Its Creation and Role as Internal Audit Committee)

The Audit Committee shall serve as channel of communication between the Board of Directors and the Internal Audit Department. It shall responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems

CORPORATE GOVERNANCE

and processes are designed to provide assurance in areas including reporting monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee shall meet every quarter and as the need arises. It shall consist of the following:

- One (1) Independent Director as Chairman/Chairperson
- Two (2) Regular Directors as Members

Its functions include:

a. AUDIT

1. Oversee the financial reporting framework. The committee shall oversee the financial reporting process, practices, and controls.
2. Monitor and evaluate the adequacy and effectiveness of the internal control system.
3. Oversee the internal audit function. The committee shall be responsible for the appointment/selection, remuneration, and dismissal of internal auditor. It shall review and approve the audit scope and frequency. The committee shall ensure that the scope covers the review of the effectiveness of the BSFI's internal controls, including financial, operational and compliance controls, and risk management system.
4. Oversee the external audit function. The committee shall be responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.
5. Oversee implementation of corrective actions. The committee shall receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by auditors and other control functions.
6. Investigate significant issues/concerns raised. The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
7. Establish whistleblowing mechanism. The committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

b. RISK OVERSIGHT

1. Oversee the risk management framework.
2. Oversee adherence to risk appetite.
3. Oversee the risk management function.
4. Consistent with the expectations set out in Sec 132 of MORB to promote long-term financial interest of the bank and ensure that it has beneficial influence on the economy.

CORPORATE GOVERNANCE

c. CORPORATE GOVERNANCE

1. Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors. The committee shall recommend to the board of directors matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.
2. Oversee the continuing education program for the board of directors.
3. Oversee the performance evaluation process.
4. Oversee the design and operation of the remuneration and other incentives policy.

V – Authority

The need for an internal audit function arises from the Board of Directors to establish an effective internal audit function, primarily to conduct a regular review, evaluation of the Bank's Internal Control Structure and safeguarding of bank's assets.

The Internal Audit Department composed of Internal Audit Head and Audit Specialist(s) shall have access at reasonable time to all books, documents, accounts, property, vouchers, records, correspondence and other data of the branch or department(s) which are necessary for the proper performance of the Internal audit function.

It is incumbent to all Branch Managers or Department Heads that they shall render assistance to the Internal Auditors in carrying out their duties.

VI – Responsibilities and Accountabilities of the Head of Internal Audit Function

1. To demonstrate appropriate leadership and have the necessary skills to fulfill his responsibilities for maintaining the unit's independence and objectivity;
2. To be accountable to the board of directors or audit committee on all matters related to the performance of its mandate as provided in the internal audit charter.
3. To ensure that the internal audit function complies with sound internal auditing standards such as the Institute of Internal Auditors' Auditor's International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics;
4. To develop an audit plan based on robust risk assessment, including inputs from the board of directors, audit committee and senior management and ensure that such plan is comprehensive and adequately covers regulatory matters.
5. To ensure that the internal audit function has adequate human resources with sufficient qualifications and skills necessary to accomplish its mandate.

VII – Scope of Internal Audit

The Internal Audit coverage may extend to all areas of the Bank/Branch/Department and include financial, accounting, administrative and other operational services. All processes, systems, units, and activities, including outsourced services, shall fall within the overall scope of the internal audit function.

The scope of internal audit shall include:

1. Evaluation of the adequacy and effectiveness of the internal control, risk management and governance systems in the context of current and potential future risks;
2. Review of the reliability, effectiveness and integrity of management and financial information systems, including the electronic information system;

CORPORATE GOVERNANCE

3. Review of the systems and procedures of safeguarding the bank's physical and information assets;
4. Review of the compliance system and the implementation of established policies and procedures; and
5. Review of areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

The extent and frequency of internal audits will depend upon varying circumstances such as results of previous audit, relative risk associated with activities, materiality, the adequacy of the system of internal control and the resources available. However, the minimum visit is twice a year except for the surprised cash counts as per employees key result areas (KRAs), Audit Program.

VIII – Audit Program

A long term strategic plan providing for the review of significant operations or the bank based on an assessment of risk pertaining to the achievement of its objectives will be prepared by the Audit Committee together with the Internal Audit Department.

An annual internal audit plan consistent with the long term strategic plan shall be prepared by the Internal Audit, prior to the commencement of each financial year.

XI – Liaison with External Auditor and Other Supervisory Authority (BSP, PDIC, etc.)

The Internal Auditor will communicate with the external Auditor and other supervisory authority to:

1. Foster a cooperative working relationship;
2. Reduce the incidence of duplication of effort;
3. Ensure appropriate sharing of information, and
4. Ensure coordination of the overall audit effort.

The Internal Auditor will make available to the External Auditor and other supervisory agents all internal audit working papers, programs, flow charts and reports.

XII – Audit Standards

Internal Auditing standards shall be consistent with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Philippine Standards on Audit (PSA) and Philippine Auditing Practices Statements (PAPS) issued by Auditing Standards Practices Council (ASPC).

XIII – Quality Assurance

In order to ensure that the quality of the Internal Audit work is consistently at a high standard, the Internal Auditor shall develop and maintain comprehensive work reporting systems.

The Department's activities are checked by the Audit Committee, External Auditor and by government regulatory agencies. The External Auditor, during their critical examination will express his/her opinion whether controls are in place and that Financial Statements are prepared observing the generally accepted accounting principles.

CORPORATE GOVERNANCE

The external auditors review the effectiveness of the internal audit function. They assess the work done by the internal auditors to determine the extent to which they can place reliance on the coverage to reduce their audit effort.

XIV – Code of Ethical Principles

All members of the Audit Team shall absolutely comply with the company's policies, rules and procedures and shall strictly observe the following ethical principles/standards as their deep commitment in the performance of their jobs.

1. Basic Standards – In all matters relating to the assignment, independence in mental attitude is to be maintained. Due professional care is to be exercised in the performance of the examination and the preparation of the report.
2. Integrity and Objectivity – An internal auditor shall maintain a high degree of integrity and objectivity in all his/her actuations. He/She must be guided by a strict sense of honesty, fairness and uprightness in the exercise of his/her work.
3. Confidentiality – The auditor shall not communicate any audit matters of governance interests (Audit findings even confirmed ones), shall refer to such requirements and any pertinent laws and regulations, before communicating with those charged with governance. In some circumstances, the potential conflicts with the auditor's ethical and legal obligations of confidentiality and reporting may be complex. The observance of secrecy rule of audit finding/information(s) shall be strictly followed not only during the employment but also even after his/her employment with the bank.
4. Conflict of Interest – Internal Auditor shall not concurrently engage in business or activity which impairs his/her professional competence or which give rise to a conflict of interest, e.g. offering or selling of products and services other than our banking services solicitation of gifts, securing loan approval and many others.
5. Acts discreditable – An auditor who commits an act discreditable to the management shall be held liable of such act in the performance of his/her work as follows:
 - a) Gross negligence in performing the job such that material misstatement or error of financial information results;
 - b) Commits or connives by not including an exception in the report, or abets with the auditee in the commission of any dishonest act or whatever nature;
 - c) Fails to observe or to direct attention to non-observance of company policies, GAAP and with other laws and regulations;
 - d) Refusal to cooperate, without valid reason with the Head, Audit Committee Board and external auditor in the examination of the accounts for the specific purpose of the engagement.

XV – Outsourcing of Internal Audit Activities

The bank may outsource internal audit activities covering all areas of bank operations except for areas covered by existing statutes on deposit secrecy. Provided, that: the board of directors, through the audit committee, shall be ultimately responsible for the conduct of audit on areas covered by existing statutes on deposit secrecy.

XVI- Review and Updating

This charter shall be reviewed periodically.

CORPORATE GOVERNANCE

Performance Evaluation

Board of Directors

Board, Committee and director evaluation involves board members undertaking a constructive but critical review of their own performance, identifying strengths, weaknesses and implementing plans for further professional development. The provision of feedback on board performance and governance processes is the most crucial element of said evaluation and is the means by which the Board of Directors achieves consensus on targeted improvements. Said self-assessments are to be carried out annually, shall be held in utmost confidentiality and will have non-attributable responses. The self-assessments focus on individual director performance as well as the collective performance of the Board and its Committees, operating as a whole and are built around the parameters for the Board and Committee Charters. Key evaluation factors of the assessments are indicated in the Performance Evaluation Manual of the Bank.

There are three (3) major levels to the evaluation:

a) Board-level Assessment of the body as a whole

The Board of Directors assess its own achievement of goals and working style, i.e., actual operations and work of the Board with respect to the Bank's business model and strategy. Directors also review board effectiveness with respect to current and future development challenges of the Bank, the continuous evolving expectations of its stakeholders and, if need be, existing communication on corporate governance matters.

b) Committee-level Assessment of respective Board Committees

All board-level committees are to evaluate annually the performance of the committee as a body and report the results to the Board or to such committee that may be appointed by the Board for review.

c) Individual Director Self-Assessment

The Board of Directors assess its own achievement of goals and working style, i.e., actual operations and work of the Board with respect to the Bank's business model and strategy. Directors also review board effectiveness with respect to current and future development challenges of the Bank, the continuous evolving expectations of its stakeholders and, if need be, existing communication on corporate governance matters.

The results of these evaluations shall be presented to the Corporate Governance/Audit Committee which will then report on all these assessments to the Board. The Corporate Governance/Audit Committee develop recommendations and/or an action plan for the Board, where determined necessary or desirable, to address issues raised as a result of such assessments, and monitor the progress of the Board in addressing issues identified in the assessment process.

A key objective of the performance evaluation is to also be able to highlight the strengths of the Bank's corporate governance system where such improvement initiatives can be highlighted in targeted communications to strengthen shareholder and stakeholder confidence.

The Corporate Governance Committee oversee the periodic performance evaluation of the RBDI board and its committees and conduct an annual self-evaluation of its performance. The evaluation is designed to be done every year.

CORPORATE GOVERNANCE

For the purpose of the evaluation, the board of directors, board committees and senior management were rated in a point system, 1 to 5 where:

POINT SCORE	ADJECTIVAL RATING
1	Outstanding
2	Very Satisfactory
3	Satisfactory
4	Unsatisfactory
5	Poor

Thus, the bank had set a minimum qualifications of a Director. The directors are regularly apprised by the bank's internal audit group and by the compliance officer and are provided copies of latest regulations and apprised and updated with the recent and current regulations of BSP and other regulatory agencies. The members of the committees are required to attend seminars and continuing education programs to fully equip them in the performance of their respective functions.

Senior Management and Rank & File Employees

The bank adopts a Performance Evaluation System for all employees. This Performance evaluation system undergoes annual review by the board. Employees are rated according to accomplishment of agreed targets.

Attendance of The Directors - May 2023 to April 2024

Name of Directors	Number of Shares Held as of 31 Dec 2023		Regular and Special Board Meetings		Credit Committee		Audit Committee		HR Committee	
	Number	%	Attended	%	Attended	%	Attended	%	Attended	%
GENE PHILIP D. DEREQUITO	158,582	8.33%	15	100%	12	100%		n/a		n/a
ISAUROS B. GRAVADOR	10,602	0.56%	15	100%		n/a	3	100%		n/a
NILDA CUISON-GO	23,516	1.23%	14			n/a		0%	1	100%
GENELYD D. BAUTISTA	166,903	8.76%	15	100%	12	100%		n/a	1	100%
LUCIANO G. CAMEROS	24,272	1.27%	14	100%	12	100%	2		1	100%
TEODORO G. CAMEROS	11,304	0.59%	15	100%		n/a	3	100%	1	100%
JOSELITO P. GUTIERREZ	6,844	0.36%	14				3			

Total Number of Meetings Held During the Year			15		12		3		1	
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CORPORATE GOVERNANCE

Selection Process of BOD & Senior Management

To help the bank find the best employees, there are processes and procedures for identifying, assessing and selecting BOD and Senior Management to ensure application of fit and proper standards.

BOD

The process of selecting a potential Board of Director is done privately and confidentially by the majority stockholders. A potential prospects will be identified during screening and pre-selection, thus, undergo assessment by acquiring the references and background checking.

Members of the Board are elected during the annual stockholders meeting and each will hold office for one (1) year, subject to the qualification and disqualification criteria and fit and proper rule of BSP and other existing laws and regulations.

Senior Management

For vacant senior management position, the bank's policy is to prioritize the promotion of its existing employees, provided that they possess the necessary qualifications needed to occupy the position. However, if there is no qualified existing employee, it is a policy of the bank to source out and recruit outside applicants in accordance with the HR policies and procedures on recruitment, selection and placement/orientation processes of the bank.

All promoted employees shall undergo through the Bank's Training and Development Program.

Training & Development Program

Rural Bank of Digos, Inc., through its Human Resource Department, shall implement a Training & Development program which shall have the following purposes and objectives:

1. Ensure the development of well prepared, trained, effective, competent, and qualified Bank Officers and Staff;
2. Completion of the Training & Development Program by officers and staff will become the basis of regularization, promotion and movements to all future Bank positions;
3. Support the Bank's Program for eventual Career Pathing and Succession Planning;
4. Become the base for the Bank's sustainability, profitability, growth and expansion by eventually helping produce effective officers and staff for future assignments to key positions, and opening of new branches.
5. Create a new breed of professional, competent and dedicated RBDI Officers and Staff.



CORPORATE GOVERNANCE

Remuneration Program

The compensation package of the bank includes the salaries, bonuses and other benefits provided to the officers and employees. The bank pays salaries to Officers and employees commensurate to the individual's qualifications and experience, nature of the job, position, and level of responsibility with reference to the board-approved salary scale and this is reviewed every two (2) years by Human Resource Committee.

The bank also adopts performance-based rewards and incentives system to bring out the best potential of the employee in their work.

Other benefits includes:

A. Employees

Aside from the Bank's Fringe Benefit Program, all regular employees of Rural Bank of Digos, Inc are entitled to the following benefits:

1. Vacation & Sick Leaves

All regular employees who have been employed for at least 1 year are entitled to a pro rated total of 30 calendar days paid leaves annually. 1 year is interpreted as 1 year after being appointed as regular employee. Breakdown as follows:

Vacation Leave - 15 days

Sick Leave - 15 days

Working Days for employees with at least 3 years of continuous service reckoned from date of regularization. Calendar days for employees with less than 3 years of continuous service reckoned from date of regularization.

A maximum of 20 unused leaves are convertible to Cash at the end of calendar year.

2. Bank Uniform

All regular employees are provided with 5 sets of polo barongs and pants for male employees; and 5 sets of blouses and skirts or slacks for female employees.

Key Officers and Branch Managers are provided a separate distinctive set of Bank uniforms.

3. Alalay sa Buhay

A mortuary / funeral benefit in case a death of employee. Bank shoulders the Annual premium of Three Hundred Pesos (PhP 300.00) for the employee.

This is on top of the Mortuary Financial Assistance given to the employees incase death of the employee and their family member.

4. Heath Care

A heath care program for regular employees with annual premium of Five Thousand Pesos (PhP 5,000.00).

Each employee can avail of a maximum benefit limit of One Hundred Seventy Five Thousand Pesos (PhP 175,000.00) annually.

5. Accident Insurance

An insurance given to the regular employee for any accident may happen.

Coverage of One Hundred Thousand Pesos (PhP 100,000.00) for all employees except for managers and Higher Positions which shall be rounded of to the nearest 50,000.00 of the officer's annual salary.

CORPORATE GOVERNANCE

B. Director

No compensation shall be paid to any director as such, but the directors of the Bank may be allowed reasonable honoraria for attendance at meetings, and also reasonable expenses incurred in connection thereto. Provided, however, that any such compensation (other than honoraria or per diems) may be granted to directors by the vote of stockholders representing at least a majority of the outstanding capital stock at a regular, or special stockholders' meeting. In no case shall the total yearly compensation of directors shall exceed ten (10%) of the Net Income Before Income Tax of the bank during the preceding year ("As Amended on December 15, 2010 by laws)

Only Bank President and Chairman has been granted reasonable monthly compensation subject to the approval of the stockholders.

Succession Plan For Directors, Senior Management & Other Officers

Objectives:

1. To enable the bank to prepare for organizational change both in the policy making level and in the management and operations level;
2. To identify and train possible successors to various management and board functions;
3. To protect the interest of the bank from possible disruption of business and possible losses

Procedure:

A. Board of Directors

1. A director who intends to resign shall inform in writing the remaining seated board at least ninety (90) days before the effectivity of the resignation. Likewise, any director who for health reasons can no longer perform his/her duties as director or has to take a prolonged leave of absence exceeding six (6) months shall inform in writing the chairman and shall before the end of the six month period officially inform the chairman whether he/she can resume his/her duties as director.
2. In case of permanent vacancy due to death, sickness or other disqualification under the pertinent provisions of the corporation by laws and the corporation code occurring six(6) months or more before the annual stockholders meeting may be filled by the vote of at least a majority of the remaining directors if constituting a quorum.
3. In case of the permanent vacancy in the position of chairman, the vice chairman or the president upon the majority vote of the remaining seated board shall assume the position as acting chairman until after a permanent chairman shall have been elected and qualified.

B. Senior Management/Officers

1. Management shall come up with an employee development plan to develop employee potentials for higher duties and responsibilities.

CORPORATE GOVERNANCE

2. Employees shall be given opportunities for professional growth through attendance of seminars and trainings.
3. After series of trainings and seminars, actual work performance ratings, aptitude and aptitude mapping, employees with identified potentials shall be assigned to higher duties and tested through a process of immersion to test their decision making capabilities and stress management.
4. A pool of employees with potentials for higher duties shall be maintained by the bank's senior management. The list must be confidential and be reviewed annually.

Retirement Policy

The bank has established an Employee Retirement Plan which provides the payment of retirement, disability, death or separation benefits to its employees. The retirement fund is held by Land Bank of the Philippines as Trustee Bank of the Fund.

The normal retirement date of an employee shall be the first day of the month coincident with or next following his/her attainment of age sixty (60), provided he/she has rendered ten (10) years of service.

An employee may, upon application and subject to approval of the Bank retire after his / her attainment of age fifty (50) provided that at the date of his / her retirement he should have at least rendered ten (10) years of service.

Any employee may, with the Bank's consent, remain active service after his/her normal retirement date and continue to earn retirement credits, but not beyond his/her attainment of age sixty-five (65). Such deferred retirement, however shall be on a case to case basis.

The retirement fund of the Bank's employees amounted to P 16,334,868. (See note 13). This includes benefits paid to employees from plan assets amounting to P1,243,577. The fair values of the above assets are determined based on market-to-market valuation. While no significant changes in asset allocation that are expected in the next financial year. The Trustee may make changes at any time.

Term Limit and Retirement of Director

The regular term of a director shall be one ('1) year from the date of his election during the regular annual meeting of the stockholders or until his successor is elected to take his place during said annual meeting.

There is no retirement age and term limit for the regular Board of Directors as long as he/she is eligible and qualified to be a director under existing laws and Bangko Sentral ng Pilipinas rules and regulations. An Independent Director may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director of the bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

CORPORATE GOVERNANCE

DOSRI and Related Party

In the ordinary course of business, the Bank has loans, deposits and other transactions with its related parties, and with certain directors, officers, stockholders and related interest (DOSRI). These transactions are compliant with the required limits/ceilings and are conducted at arm's length basis, i.e., terms and conditions being applied to customer are similarly applied to related parties and DOSRI. All transactions with related parties and DOSRI requires approval by the board.

The bank sets a materiality threshold of P500,000.00 aggregate transaction with related party in a year to be considered for BSP reporting.

The bank ensures compliance with the regulatory limits and reporting requirements through its Compliance Officer.

The bank has no material related party transactions during the year. Details of DOSRI and RPT is on Note 22 under Notes to Financial Statement. Total DOSRI loans – P 9,541,931, a .71 % to Total Loans for year 2023.

In dealing with RPT, the bank observe the following guidelines:

1. Related party transactions shall be allowed provided that these comply with applicable regulatory limits/requirements and dealings are conducted at arm's length basis, i.e., terms and conditions being applied to regular customer are similarly applied to related party. Any of the following mechanism shall be applied to ensure arm's length transaction:
 - a. Transaction must undergo bidding process to determine market prices through interactions with prospect buyers;
 - b. Benchmarking through survey, either internal or external whichever is applicable, to determine which value/price/cost is favorable to the bank;
 - c. Publication/ Posting of property for sale to make it available to the general public.
2. If an actual or potential conflict of interest arises on the part of a director, officer or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process relating to the transaction. Any member of the Board who has an interest in the transaction under discussion shall not participate therein and shall abstain from voting on the approval of the transaction.
3. All Related party transactions shall require the approval from the Board of Directors. It shall be endorsed to the Board of Directors for approval by the concerned units of the bank. Pertinent documents and information shall be provided to the board to assist them in evaluating the RPT which include:
 - a. The related party's relationship to the bank and interest in the transaction;
 - b. Proposed aggregate value of such transaction, including appraised value, selling price, the charges and fees, the property description or nature of the service arrangement whichever is applicable;
 - c. The mechanism applied to ensure arm's length including details of the bidding, the publication details, survey results and others.
 - d. The benefits to the bank of the proposed RPT;
 - e. The availability of other sources of comparable products or services;
 - f. An assessment of whether the proposed RPT is on terms and condition that are comparable to the terms generally available to an unrelated party under similar circumstances.

CORPORATE GOVERNANCE

4. Any of the following types of transaction even if the aggregate amount exceeds the materiality threshold shall not require review and approval by the Board:

- a. Financial services provided to all related parties such as Demand, Savings and Time Deposits provided that the transaction has no policy deviations and the services are on substantially the same terms as those prevailing at the time for comparable services provided to unrelated parties; and
- b. Credit accommodation granted under BSP-approved fringe benefit programs.

Assessment and Review

The bank shall maintain an inventory of related parties which shall be reviewed and updated quarterly and it shall be tagged to the bank's database system.

General Manager shall report the status and exposures to each related party as well as the aggregate exposures to all related parties to the board of director on a quarterly basis.

Head Office accountant shall submit a report on material RPT to the appropriate department of the BSP in accordance with the prescribed report format and timeline.

Internal Audit shall conduct periodic formal review of the effectiveness of the bank's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures. Audit reports, including exceptions or breaches in limits, shall be communicated to the board.

Compliance Officer shall ensure that the bank complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related party. It shall ensure that the RPT policy is kept updated and is properly implemented throughout the bank.



CORPORATE GOVERNANCE

Self-Assessment Function

Internal auditing and compliance functions are the independent appraisal of the various operations, systems of control, and compliance system to determine whether acceptable or Board approved policies and procedures are followed, legislative requirements and established standards are met, bank's assets/resources are used efficiently and economic and planned missions are accomplished effectively. They help the management accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Internal Audit and Compliance Department have access at reasonable time to all books, documents, accounts, property, vouchers, records, correspondence and other data of the branch or department(s) which are necessary for the proper performance of the Internal audit and compliance function.

A written report will be prepared and issued by the Internal auditors to the Audit Committee/ Board of Directors at the conclusion of each audit and will be distributed as considered appropriate. On the other hand, Chief Compliance Officer shall submit report to the Board of Directors.

To ensure effectiveness and adequacy of the internal control system, the board has been consistently reviewing the financial, operational and compliance controls, and risk management through active participation in the board meetings as well as thorough monitoring of the issues and concerns as far as internal control. Risks and internal control issues brought out during Mancom,

Board, independent auditors/examiners, and stockholders meeting have been acted upon through identification, measurement, control and monitoring of the former.

Dividend Policy

Pursuant to Section 57 of R.A. No. 8791, RBDI bank shall not declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. Neither RBDI declare dividends if, at the time of declaration, it has not complied with the requirements on the declaration of dividends set by regulators and by the bank board of directors.

On 15 February 2024, the Bank's Board of Directors has declared cash dividends amounting to P 19,043,350.00 or P10 per share for common share stockholders on record as of 31 December 2023.

Consumer Protection Practices

Role of the Board and Senior Management

The board of directors of Rural Bank of Digos, Inc. shall be responsible for the delivery of effective recourse to its consumers. Pursuant thereto, the Board shall:

- a. Approved the Consumer Assistance policies and procedures;
- b. Approved Risk Assessment Strategies relating to Effective Recourse by the consumer;
- c. Ensure Compliance with Consumer Assistance policies and procedures;
- d. Provide adequate resources devoted to Consumer Assistance; and
- e. Review the Consumer Assistance policies at least annually.

CORPORATE GOVERNANCE

The Bank's Senior Management shall be responsible for the implementation of the Consumer Assistance policies and procedures.

Corporate Structure

Rural Bank of Digos, Inc shall have a Head-Consumer Assistance Officer and two Consumer Assistance Officer(CAO) per Branch. The Branch Managers and Branch Cashiers are hereby designated as the Branch Consumer Assistance Officer and the General Manager as the Head Consumer Assistance Officer with defined roles and responsibilities in handling consumer concerns.

1. Consumer Assistance Officer. The Consumer Assistance Officer shall have the following responsibilities:

- a. Receive and acknowledge consumer concerns;
- b. Record concerns in a Consumer Complaints Logbook;
- c. Make an initial review and investigation of concerns;
- d. Process concerns;
- e. Provide official reply to consumer;
- f. Request client feedback; and
- g. Prepare and submit report to the Head Consumer Assistance Officer.

Consumer Assistance Officers are also responsible for the application of this policy and to communicate it to all employees and staffs of their respective branches.

2. Head Consumer Assistance Officer. The Head Consumer Assistance Officer shall perform the following:

- a. Monitor consumer assistance process;
- b. Keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence;
- c. Report to senior management the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence, and the suggestions for process or personnel competency needing improvement; and
- d. Ensure immediate escalation of any significant complaint to the Board.

Consumer Assistance Channels

The bank's clients may lodge their concerns through any reasonable means, such as, a walk-in or personal visit, letter, telephone, and facsimile. The bank maintains a Consumer Assistance Help desk dedicated for customer concerns and service and manned by a Consumer Assistance Officer. A notice to public is posted in the conspicuous place in the bank premises to ensure that clients know how and where to lodge their concerns

Consumer Assistance Process and Timeliness

	SIMPLE*	COMPLEX*
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate, and resolve)	Within 5 days	Within 5 days
Communication of Resolution	Within 9 days	Within 9 days

CORPORATE GOVERNANCE



Seated: Leslie Joy D. Ferrariz - H.O. Accountant, Laarni S. Maquiling - Compliance Officer, Ivy P. Monteverde - General Manager, Emilyn D. Torreón - Treasury / Finance Manager, Ana Maria A. Barbas - Branch Manager – Kidapawan, Ires Gladys P. Maata - Branch Manager - Bansalan

Standing: Greg S. Ramos - AMU Head, Randy N. Coscos - Branch Manager- Digos Branch, Junelan M. Bacomo - Internal Auditor, Giovanni D. Gabriento - EVP Administration Group Head, Romeo M. Young - Security Officer, Marvin M. Marquez- Branch Manager - Malita Reniel D. Taboroda - ICT in Charge, Gilbert T. Tablatin - Branch Manager – Antipas

MANAGEMENT COMMITTEE:

Name of Officers	Position	Age	Nationality
Giovanni D. Gabriento, MBA	EVP – Administration Group Head; Human Resource and Administrative Manager	43	Filipino
Ivy P. Monteverde	General Manager	47	Filipino
Emilyn D. Torreón	Treasury / Finance Manager	47	Filipino
Junelan M. Bacomo	Internal Auditor	39	Filipino
Laarni S. Maquiling	Compliance Officer	47	Filipino
Greg S. Ramos	Asset Management Unit Head	42	Filipino
Leslie Joy D. Ferrariz	Head Office Accountant	41	Filipino
Reniel D. Taborada, CPA	ICT in Charge	33	Filipino
Romeo M. Young	Security Officer	71	Filipino
Randy N. Coscos	Branch Manager	48	Filipino
Ires Gladys P. Maata, CPA	Branch Manager	37	Filipino
Marvin Marquez	Branch Manager	52	Filipino
Ana Maria A. Barbas	Branch Manager	43	Filipino
Gilbert P. Tablatin	Branch Manager	46	Filipino

RISK MANAGEMENT FRAMEWORK

The Bank's risk management policies are designed to identify all key risks, measures these risks, manage the risk positions and determine capital allocation. The Bank regularly reviews its risk management policies and systems to reflect changes in market, products and emerging best practices.

The Bank recognizes that risk management is the responsibility of the entire organization. Accordingly, all employees are expected to manage risks relating to their own responsibilities. These are, however, specialized group of individuals within the Bank that perform certain management functions.

The Board of Directors ultimately oversees and provides written principles for overall and specific risk management, such as credit risk, market and interest risks and liquidity risk, upon the recommendations of various committees composed of BOD members and Senior Management.

Performing risk management functions on year-round basis

1. Audit Committee which examines the Bank's framework of risk management control and governance process to ensure that these are adequate and functional and responsible for the development and oversight of the Bank's risk management program, and
2. Credit Committee which recommends credit policies and evaluates credit applications.

Jointly Performing risk management functions on a daily basis

1. Treasury/Finance for funding and liquidity risk
2. Compliance for regulatory and legal risk
3. Audit/Credit Committee for credit risk
4. Internal audit for the evaluation of the adequacy of internal control system, covering operational risk
5. General Manager for operational risk

Risk Appetite and Strategy:

The Bank has updated manual in various areas of operation, which sets out the bank's appetite to risk and strategies to mitigate risk. These refer to conditions which may be detrimental to a Bank's business model and its ability to generate returns from operating activities.

1. Credit Risk

The Bank takes on exposures to credit risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the end of the reporting period. Management therefore develops system of measurement and mitigating policies so that it can capture, and it can carefully manage, control and limit its exposure to credit risk.

The Bank employs a range of policies and practice to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and receivables are mortgages over residential properties, and business assets such as premises and inventory.

RISK MANAGEMENT FRAMEWORK

2. Liquidity risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows which could deplete available cash resources for client lending. It includes the inability to manage unplanned changes in funding sources, as well as the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Board sets limit on the minimum proportion of maturing funds available to meet such calls and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

3. Operational risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Operational risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the bank and across the different entities in a banking group or conglomerate where the bank belongs.

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.

4. Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products and transactions in a bank's overall portfolio, both on or off-balance sheet. Market risk arises from market-making dealing and position-taking in interest rate, foreign exchange and equity markets.

5 . Interest Rate Risk

Identifying, measuring, monitoring and controlling RBDI's exposure to changes in interest rates is an important function of the BOD and management. BOD and management should assess both the adequacy of processes used to control IRR and the quantitative level of exposure and ensure that appropriate policies, procedures, MIS and internal controls are in place to maintain IRR at prudent levels with consistency and continuity. They should also assess the existing and potential future effects of the changes in interest rates on RBDI's financial condition, including capital adequacy, earnings, liquidity, and, where appropriate, asset quality.

6 . Reputation Risk

Since the bank is run by a reputable family group, the reputation of the family is the reputation of the bank. Every effort is made by the family who are also Directors of the bank, to abstain in joining politics. Personalized service, honesty, integrity and dependability, as the best asset, thus bring the bank's reputation beyond reproach, also, our armor and goodwill to each and every client.

With the increasing use of social media platforms, the bank adopted Policies and Procedures on social media to prevent exposures of bank.

RISK MANAGEMENT FRAMEWORK

Risk Management Process and Measuring Tools:

Credit Risk

Management is confident in its ability to continue to control and sustain minimal exposures of credit risk to the Bank resulting both its loans and receivables, other investment and due from other banks based on Management's evaluation, namely: a.) mortgage loans, which represents 26% secured loans of the total portfolio are backed by collateral b:) the Bank has introduced a more stringent process upon granting loans and receivables.

The bank manages concentration risk by setting exposure limits to borrowing groups, industries, and where appropriate, on products and facilities. These limits are reviewed as the need arises but at least annually. In order to avoid excessive concentration of risks, policies and procedures include specific guidelines to focus on maintaining diversified portfolio. Identified risks are controlled and managed accordingly.

Management monitors the market value of real property collateral every after two years and as needed to preserve collateral cover. It is Bank's policy to dispose the collateral for past due and non-performing loans and receivables through foreclosure proceedings. Also, has developed and continually reviews and calibrates its internal risk rating system for credit exposures by assessing its credit portfolio in terms of risk profile. The attributable risk ratings are assessed and updated regularly. Past due ratings is used to classify the credit quality of its receivables portfolio.

Liquidity Risk

The Bank's liquidity risk management is consistent with its general risk management framework and commensurate with the level of risk assumed.

BOD adopts the following measuring/monitoring tools to measure FLR:
(prepared by the Treasury/Finance Department)

1. Daily Liquidity Monitoring Reports
"Daily Liquidity Monitoring Report" (copy furnished the Compliance Officer) to contain primary reserves ratio, including the following:
 - 1.1 Compliance with cash in vault daily balance per branch and bank-wide
 - 1.2 Compliance with regular reserves (CIV and BSP)
 - 1.3 Compliance with Single Borrower's limit
2. Monthly Projected Cash Flow Statement
3. Interest Rate and Maturity Matching over at least every quarter
(Note: also used for Interest Rate Risk Analysis)
4. Quarterly Report of Stress Testing to be prepared by the Compliance Officer to be submitted to the BOD with test/analysis to cover potential liquidity risk drivers and different internal events or bank- or a combination of many.

RISK MANAGEMENT FRAMEWORK

Operational Risk

BOD adopts tools and mechanisms that are appropriate to its size, complexity of operations and risk profile to properly identify and assess operational risk. The tools that will be used for identifying and assessing operational include:

- a. Results of internal/external audit and supervisory issues raised in the Bangko Sentral Report of Examination (ROE) – Internal audit surfaces issues on effectiveness of internal control, risk management, and governance systems and processes of an organization, while external audit focuses on control weaknesses and susceptibility of the bank to material misstatements in the financial statements.
- b. Internal loss data collection and analysis – Internal operational loss data provides meaningful information for assessing bank's exposure to operational risk and the effectiveness of internal controls. Analysis of loss events can provide insights into the causes of large losses and information on whether control failures are isolated or pervasive.

Internal operational loss data will be taken from day-to-day operational events that are reflected in the incident/complaint report, minutes of the branch meeting, minutes of Management Committee Meeting, reports of Security Officer, reports of Information Technology Head, and other operational related reports. The capturing and recording of loss event in the database will be done by the General Manager.

Interest Rate Risk

BOD adopts the following measuring/monitoring tools to measure IRR:

1. Survey on Interest Rates on Loans Offered by Competitors
2. Survey on Interest Rates on Deposit Products Offered by Competitors
3. Determination of Cost of Funds
4. Interest Rate and Maturity Matching

Loan Pricing

The Treasury/Finance Department (TFD) design and propose the appropriate policy direction, controls and monitoring and reporting mechanisms to ensure appropriate loan pricing for BOD approval. Determining the effectiveness of loan pricing is a critical element in assessing and rating the capital, asset quality, management, earnings, liquidity and sensitivity to market risks.

Risk Measurement and Reporting:

The bank primarily measures and monitor risk based on limits established by the bank. The overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities are consistently monitored all the time.

From the branch/BLU level, risk reports are prepared and reported in group meetings in order to ensure that all business units have access to necessary and up-to-date information. These reports include aggregate credit exposure, credit forecast/targets, limit exceptions, liquidity ratios and other ratios.

RISK MANAGEMENT FRAMEWORK

Senior management assesses the appropriateness of allowance for credit losses every quarter.

Information compiled from all business units is examined and processed in order to analyze, control and identify risks early. This information is presented and explained to the BOD and the head of each business unit.

All the risks identified by the Operations and Support Group were also brought up to Mancom and Board of Directors during regular meetings.

Anti- Money Laundering, Terrorism and Proliferation Financing Risk Management

The Rural Bank of Digos, Inc. remains dedicated in strengthening its fight against financial crimes. The bank has its board approved updated Money Laundering and Terrorism Prevention Program (MTPP) we call it the APCMLT-Action Plan to Combat Money Laundering, Terrorism and Proliferation Financing. This is a comprehensive and risk-based MTPP geared toward prevention of the bank to be used for money laundering, terrorism and proliferation financing. The APCMLT embodied the new and revised AML-related policies and guidelines, including, but not limited to the provisions of R.A. 9160 “Anti Money Laundering Act”, as amended.

The bank has a full time Compliance Officer who is directly reporting to Audit Committee and to the board, who manages its implementation in coordination with the Operation Group Managers. The Board exercises its oversight function thru its Audit Committee. Internal Audit evaluates the degree of adherence to policies and procedures. Audit findings and management actions to address deficiencies are communicated to management and board.

As part of the continuing education, 54 employees of the bank mostly front liners were sent to formal AML seminar conducted by AMLC during the year.

Environmental and Social Risk Management System (ESRMS)

Rural Bank of Digos, Inc (RBDI) recognizes that climate change and other environmental and social risks could pose financial stability concerns considering their significant and protracted implications on the bank’s operation and financial interest. The physical risks arising from climate change could result in significant societal, economic, and financial risks affecting the bank and its stockholders. The environmental and physical risks could threaten the sustainability of the banking sector.

Thus, the Board of Directors (BOD) approved ESRMS for strict implementation and bank-wide dissemination with the end-view of setting standards to promote effective management of risk arising from climate change and environmental hazards and to the achieve the following:

- Contribute to minimize indirect environment impact by working with businesses whose activities do not harm the environment or society by integrating E & S practices in the bank’s operation;
- Continue to offer sustainable products and services that answers the need of our custoers and supports the Philippines Sustainability Development Goals (SGDs) and Development Plan of the government;
- Adopt and effectively implement a sound ESRMS system that identify, assess, monitor and control environmental risks associated with the bank’s loan portfolio;
- Fully support the government on implementing environmental policies, laws, rules and regulations through sound business decision; and

RISK MANAGEMENT FRAMEWORK

- Increase environmental and social risk awareness level of all employees in the bank.

Bank Sustainable Products and Services:

Rural Bank of Digos, Inc offered sustainable financial products and services that meet the evolving needs of our customers and support the achievement of some Sustainability Development Goals and Development Plans of the Philippine Government. We align products and services with the SDGs and Plans.

Typical E&S Risk of RBDI:

Davao region including Davao del Sur, North Cotabato region where RBDI branches are located have experienced droughts, flooding, heavy precipitation, and typhoons. Their impact on the bank's operation may be at present low, but these events are becoming common occurrences. Intensity 4 to 7 earthquakes have been occurring in this region and neighboring areas. Future events might result to higher impacts of the bank's operation including property damage and deterioration of assets. The bank will have to prepare for increasing regulatory standards and levels of improvement.

- The Bank is exposed to credit risk stemming from a reduction in the value of collateral associated with a transaction due to E&S risk events such as earthquake, floods and others.
- The Bank is exposed to financial risk stemming from potential disruption of client's operations as a result of E&S problems. If not managed properly, these problems can affect a client's stability to meet its financial obligations to the Bank and/ or can drive down the value of a client's collateral in the context of a transaction. A client's failure to effectively address E&S considerations can jeopardize its business operations as well as the Bank if it supports the transaction.
- The Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, which would deplete available cash resources for client lending. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution - specific and market-wide events including natural disasters and environmental events.

Below are the common E&S risk affecting bank operation.

Natural Calamities/

- Earthquake
- Floods and typhoons
- Drought
- Soil degradation

Social Issues:

- Health and Safety
- Pandemic
- Poverty

The bank shall identify the environmental factors/issues, then evaluate the possible risk to identify the results and its effect in order to apply mitigating measures.

Management of E&S risk is implemented through a set of procedures which is to be integrated into the bank's lending processes to avoid and/ or manage proactively any social and environmental risks likely to arise from a project, activity, collateral and area/location for which the bank grants a loan, by conducting social and environmental due diligence prior to loan approval and disbursement.

This shall include policies, processes and procedures of the following:

1. Identification and assessment of E&S Risk;
2. Tools, targets, and limits to measure and control exposures; and
3. Duties and responsibilities of the lending officers.

RISK MANAGEMENT FRAMEWORK

Risk Identification and Assessment:

- The bank shall consider the economic sector/product type, the project and activities being financed and the location of the collateral of the loan as well as the borrower in identifying risk.
- To properly identify and assess E&S risk the bank shall i.) screen loan application, ii) categorize transactions based on their E&S risk and iii) conduct E&S due diligence on the borrower at the inception of client relationship.
- AO shall indicate the loan category and the corresponding risk E&S risk level in the CIBI form and loan approval sheet form.
- To guide AOs in categorizing loan applications, a ready matrix for determining in which category it shall fall.
- The above categorization shall be applied to all project-based loans, Agricultural production, loans secured by REM and SME.

Salary-based General Purpose Consumption Loan and Loans Secured by Non-risk assets/deposits are not required to be screened and categorized as it is generally assessed as low in terms of E&S risk.

Risk Measurement, Monitoring, Reporting and Control:

The bank shall measure and manage E&S risk relative to its credit operations. Shall implement processes to regularly monitor its E&S risk exposures to losses on a continuing basis both at borrower and portfolio levels. The bank shall:

1. Integrate E&S risk in the bank's Borrowers Risk Rating system.
The overall E&S risk assessment of the borrower shall be integrated in the bank's borrower risk rating system as additional criteria.
2. Conduct stress testing and scenario analysis to quantify E&S risk related to climate change and other risk exposures.
3. Consistent with the bank's existing credit policy, it shall conduct of site visit and/or account validation as part of the bank continuous monitoring and assessment process.
4. Incorporate E&S factors in credit review process and loan classification and provisioning in determining allowance for credit losses.
5. Regularly report to the board of directors and senior management to apprise them of the bank's E&S risk exposures arising from credit operation. The report shows the breakdown of its portfolio by type of loan, industry or sector and E&S classification as well as results on its monitoring of E&S risk. It shall also report potential issues associated with the activities of borrowers that may have material impact and the corresponding control measures to mitigate such risk.

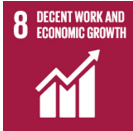


RISK MANAGEMENT FRAMEWORK

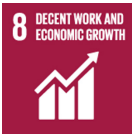
BANK SUSTAINABILITY REPORT

Rural Bank of Digos, Inc offered sustainable financial products and services and adopted operational policies and practices that meet the evolving needs of our customers and supported the achievement of some Sustainability Development Goals and Development Plans of the Philippine Government.

The bank accounted its contribution to sustainability as follows:

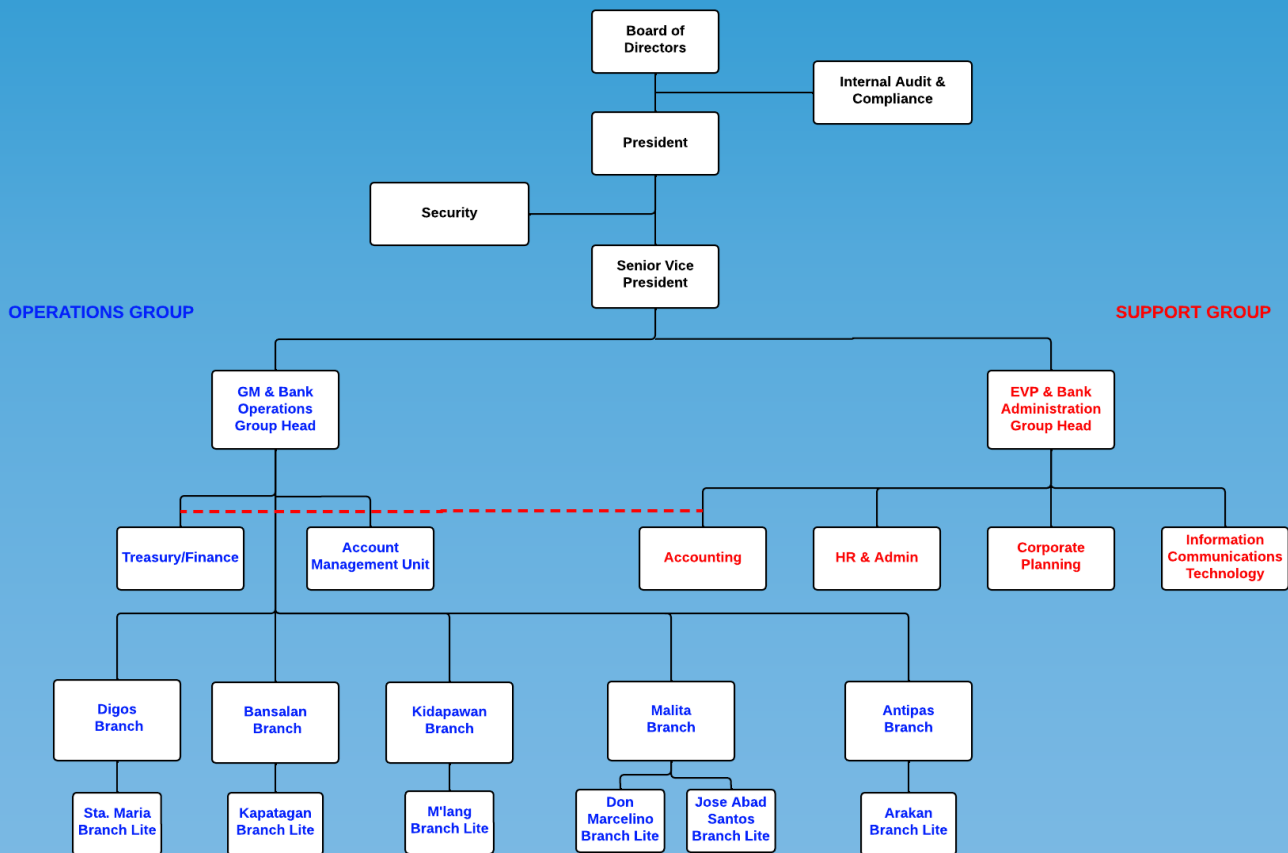
	SDGs and Plans	
120.09M loans granted to MSMEs to promote sustainable economic development, fostering job creation and advancing decent work practices. 15.19 M loans granted to Microfinance Loans and Other Microenterprise Loans	  	Contribution to local economic development. Encourage MSMEs to invest infrastructure projects that enhance productivity and sustainability. Empower low-income household to engage in productive activities and improve living standards thereby contributing to poverty reduction efforts.
200K Loans granted to Agrarian Loans in support to the nation's goal of attaining food security, alleviate poverty, promote sustainable farming practices, and mitigating climate change impacts and conserving natural resources. Total Agri-Agra Loans of 20M.	   	19.19M loans granted to Other-Agriculture Loans in support to the sustainable farming practices to help preserve biodiversity and ecosystem on land. -Support small farmers can promote economic growth and create decent work for local communities.
185.67M loans to Teachers 7.432M loans to Educational Institutions 362.69M loans granted to LGU employees 258.86M loans granted to Barangay officials can empower local leaders with financial resources fostering peace and stability within communities. -Poverty reduction by creating opportunities for income generation and enhancing the economic well-being of brgy. residents. -Enable barangay officials to acquire the necessary skills and knowledge for better governance.	       	-Enhance the access to quality education -Reducing inequalities, fostering decent work conditions and strengthening institution. -Promoting gender equalities -Fostering relationship for sustainable development. -Fostering innovation and infrastructure development

RISK MANAGEMENT FRAMEWORK

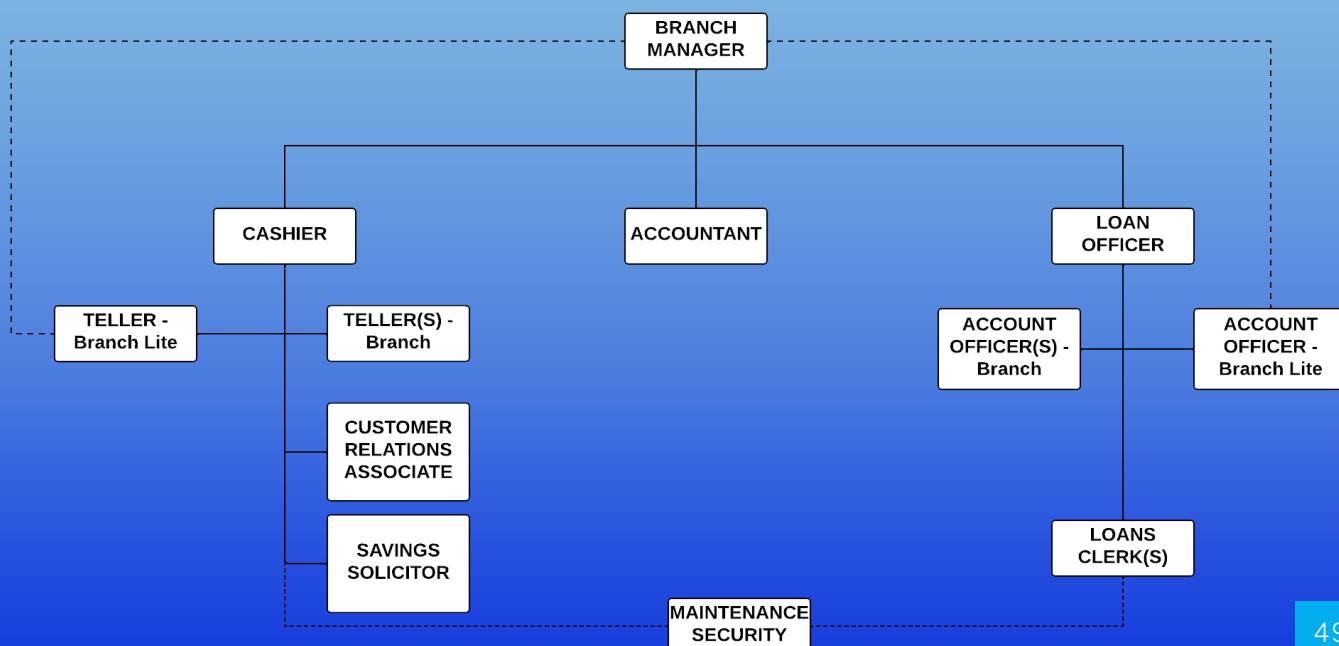
Offered Deposit products and PesoNet Services to support financial inclusion programs 138.84M loans granted to 5,800 pensioners	   	1 BLU established in Mlang, Cotabato to provide services to underserved and unbanked areas minority, indigenous, low-income, or disabled persons and senior citizens Adopted non-discrimination policy on hiring employees.
4.58M cost of lot donated as follows: - Donated 1,401 sq. m lot to Brgy. Apopong, General Santos City to be used as water facility for the community with an appraised value of P2.8M		-Donated 1,782 sq. m. farm lot to Kibongbong, Kiblawan, Davao del Sur to be used as road to market with an appraised value of P1.782M
Acquisition, development, operation, or maintenance of energy efficient technology that results in energy consumption improvement or emissions mitigation such as: 0.218 M investment to energy-efficient equipments and appliances (ipods, led lights, and CAS accounting) 2.031M to cloud based core banking system	  	Adoption of fuel consumption and vehicle usage management policy. Budgeted to shift into renewal energy targeting the use of Solar energy for Head Office in 2024
0.117M donation to Bahay ni Maria & Haven of Hope Orphanage) to support the well-being of vulnerable and disadvantaged communities, elderly / disabled care homes and orphanage		0.856M incurred for Providing healthcare programs (health insurance and , medicine allowance) to ensure healthy lives of employees. Adoption of health and safety policies.
Adopting non-discrimination policies of hiring employees in the workplace. 14 new employees hired regardless of gender and status.	 	
Involvement in environmental activities such as tree planting, clean-up drive and others		
41.355M taxes paid. Classified as LTD bank. Consistently paying taxes to support government programs and activities in attaining peace, justice and prosperity of the nation.	 	

RISK MANAGEMENT FRAMEWORK

**RURAL BANK OF DIGOS, INC.
ORGANIZATIONAL CHART**



BRANCH POSITION CHART



BRANCHES AND BRANCH LITES



RBDI – M'LANG BRANCH LITE

July 20, 2023

DATE OF OPENING

BRANCHES AND BRANCH LITES

Rural Bank of Digos, Inc operates 5 branches and 6 Branch Lites. It opens from Monday to Friday from 9:00 in the morning until 4:00 in the afternoon.

HEAD OFFICE

Rizal Avenue
Digos City, Davao del Sur
(082) 553-4641 • (082) 553-9792 • (082) 553-1411

BRANCHES

DIGOS, MAIN BRANCH

Rizal Avenue
Digos City, Davao del Sur
(082) 553-2691
(082) 553-3606

KIDAPAWAN

Quezon Blvd.
Kidapawan City
(064) 577-5145
(082) 276-0513

ANTIPAS

Poblacion Antipas
North Cotabato
(082) 276-0514

BANSALAN

J. Viacrusis St.
Bansalan, Davao del Sur
(082) 553-9253
(082) 276-0700

MALITA

Poblacion Malita
Davao Occidental
(082) 276-0280

BRANCH LITES

DON MARCELINO

Kinanga, Don Marcelino
Davao Occidental
(082) 276-0280

JOSE ABAD SANTOS

Caburan Big, JAS
Davao Occidental
(082) 276-0280

ARAKAN

Poblacion Arakan
North Cotabato
0909-718-4917

STA. MARIA

Poblacion Sta. Maria
Davao Occidental
(082) 276-0280

KAPATAGAN

Purok 3 Mt. Apo Kapatagan
Digos City, Davao del Sur
(082) 553-3606/553-2691

M'LANG

Pidot St., Poblacion M'lang
North Cotabato
(046) 577 514/(064) 577-4442
(082) 276 0513/ 0985 328 1537

Website: www.rbdi.com.ph
Email add: rbdigos@rbap.org

PRODUCTS & SERVICES

PRODUCTS & SERVICES OFFERED:

LOAN PRODUCTS:

1. Agrarian Reform/ Other Agricultural Loans
2. Microenterprise Loans
 - Microfinance Loans
 - Other Micro Enterprise Loans
3. Small & Medium Enterprise Loans
 - Small Scale Enterprises
 - Medium Scale Enterprises
4. Loans to Private Corporations
 - Financial
 - Non-Financial
5. Loans to Individual for Housing Purposes
6. Loans to Individual for Consumption Purposes-Salary Based
 - LGU
 - Personal Consumption Loans
 - Barangay Loans
 - Pension Loans
 - Salary Loans (Private Institution/ Other Govt.Agencies)
7. Loans to Individual for Consumption Purposes-Others
 - OFW Loans
 - Personal Consumption Loan (secured/unsecured)
8. Loans to Individuals for Other Purposes

OTHER SERVICES OFFERED:

- a) Utility Bill Payments
- b) Point of Sale (POS) facility
- c) PESOnet Participating Bank



PRODUCTS & SERVICES

DEPOSIT PRODUCTS:

1. CURRENT ACCOUNT - Regular

- None- interest bearing deposit account for private individual/joint
- Opening amount is P 4,000.00
- Maintaining Balance is P 4,000.00
- Funds may be withdrawn at any time depositor pleases
- Evidenced by checkbook

2. CURRENT ACCOUNT - Combo

- None- interest bearing deposit account
- Opening amount is P 4,000.00
- Maintaining Balance is P 4,000.00
- Funds may be withdrawn at any time depositor pleases
- Evidenced by checkbook

3. SAVINGS ACCOUNT - Combo

- An interest – bearing deposit account for private individual/joint
- Opening amount is P 6,000.00
- Maintaining Balance is P 500.00
- Funds may be withdrawn at any time depositor pleases
- Evidenced by passbook

4. SAVINGS ACCOUNT - Individual

- An interest – bearing deposit account for private individual/joint
- Opening amount is P 500.00
- Maintaining Balance is P 500.00
- Funds may be withdrawn at any time depositor pleases
- Evidenced by passbook

5. SAVINGS ACCOUNT – Non - Individual

- An interest – bearing deposit account for corp./cooperatives/associations
- Opening amount is P 6,000.00
- Maintaining Balance is P 6,000.00
- Funds may be withdrawn at any time depositor pleases
- Evidenced by passbook

6. SAVINGS ACCOUNT – Individual (Pension)

- An interest – bearing deposit account for pensioners
- Opening amount is P 100.00
- Maintaining Balance is P 0.00
- Funds may be withdrawn at any time depositor pleases
- Evidenced by passbook

7. SAVINGS ACCOUNT – Individual (Micro)

- An interest – bearing deposit account for microfinance borrowers
- Opening amount is P 100.00
- Maintaining Balance is P 0.00
- No dormancy charges
- Funds may be withdrawn at any time depositor pleases
- Evidenced by passbook

8. BASIC DEPOSIT ACCOUNT (BDA)

- An interest – bearing deposit account for all accounts
- Opening amount is P 100.00
- Maintaining Balance is P 0.00
- No dormancy charges
- Maximum amount is not more than P50 thousand
- Funds may be withdrawn at any time depositor pleases
- Evidenced by passbook

9. CERTIFICATE OF TIME DEPOSIT ACCOUNT (CTD)

- An interest – bearing deposit with a fixed interest rate over a stipulated period of time
- Opening amount is P 1,000.00
- Maintaining Balance is P 1,000.00
- Evidenced by a certificate of time deposit

EMPLOYEE GROWTH



Rural Bank of Digos, Inc. exists to mold and transform its employees
Department set programs that would help employees grow and

AND DEVELOPMENT



to wholistic individuals. The Management, thru the Human Resource develop their skills, talents, expertise and competencies.



Haven of Hope Orphanage and
Balay ni Maria

Haven of Hope

CORPORATE SOCIAL RESPONSIBILITY

BAYANIHAN – it's the only Filipino word that is present in the Bank's Core Values; it has no exact English equivalent. Bayanihan – our care to the community we serve; the spirit of team effort to help Filipino brothers and sisters.





RBAP & DFRB ACTIVITIES

*Rural Bankers Association of the Philippines
Davao Federation of Rural Banks*



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

The management of **RURAL BANK OF DIGOS, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, 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.

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

The Board of Directors (Trustees) reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

Elises & Ciudadano (A Professional Firm of Certified Public Accountants), the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standard on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


ATTY. ISMAUROS B. GRAVADOR
Chairman of the Board


MR. GENE PHILIP D. DERQUITO
President


MRS. EMILYN D. TORREON
Treasurer

Signed this 15th day of March 2024



Branches:

58 } - Rizal Avenue, Digos City • (082) 553-2691 • (082) 553-3606
ALAN - J. Viacrusia Street, Bansalan • (082) 553-9253 • (082) 276-0700
A - Malita, Davao del Sur • (082) 270-0280

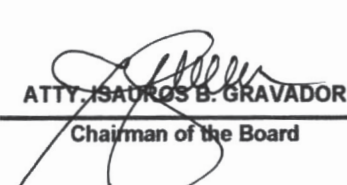
• KIDAPAWAN - Quezon Boulevard, Kidapawan • (064) 288-5145 • (064) 276-0513
• ANTIPAS - Antipas, North Cotabato • (064) 276-0514

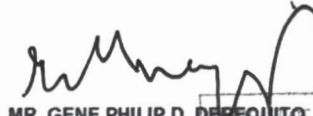
STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of **RURAL BANK OF DIGOS, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the years ended **December 31, 2023 and 2022**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the years ended **December 31, 2023 and 2022** and the accompanying Annual Income Tax Return are in accordance with the books and records of **RURAL BANK OF DIGOS, INC.**, complete and correct in all material respects. Management likewise affirms that:

- a.) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended and pertinent tax regulations and other issuances of the Department of Finance and Bureau of Internal Revenue;
- b.) any disparity of figures in the submitted report arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of relevant issuances;
- c.) **RURAL BANK OF DIGOS, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


ATTY. ISAIROS B. GRAVADOR
Chairman of the Board


MR. GENE PHILIP D. DEQUITO
President


MRS. EMILYN D. TORREON
Treasurer

BUREAU OF INTERNAL REVENUE
Large Taxpayers Division - Davao
Date **12 APR 2024**
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MANUEL G. AFARI

Branches:

• **DIGOS** - Rizal Avenue, Digos City • (082) 553-2691 • (082) 553-3606
• **BANSALAN** - J. Viacrusia Street, Bansalan • (082) 553-9253 • (082) 276-0700
• **MALITA** - Malita, Davao del Sur • (082) 270-0280

• **KIDAPAWAN** - Quezon Boulevard, Kidapawan • (064) 288-5145 • (064) 276-0513
• **ANTIPAS** - Antipas, North Cotabato • (064) 276-0514



Elises & Ciudadano
(A Professional Firm of Certified Public Accountants)

JOSE Q. ELISES

Unit 7 Rizal Memorial College
Building, F. Torres Street,
Davao City, Philippines

Telephone: (082) 221-9069

Fax: (6382) 221-9069

Email: jqelises@yahoo.com

THELMA S. CIUDADANO

3rd Flr. JRT Building,
104 V. Ilustre Street,
Davao City, Philippines

Telephone: (082) 282-2962

Fax: (6382) 221-2594

Email: thelmaciudadano@yahoo.com

"Dedicated to Excellence and Quality Service"

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rural Bank of Digos, Inc.
2964 Rizal Avenue, Digos City

Opinion

We have audited the financial statements of Rural Bank of Digos, Inc. (the Bank), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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 Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of 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.

BUREAU OF INTERNAL REVENUE
Large Taxpayers Service
Large Taxpayers Division - Davao

Date 12 APR 2024 127

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MANUEL G. ARAN...
[Signature]

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 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, misinterpretations, 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 to 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.

ELISES & CIUDADANO

(A Professional Firm of Certified Public Accountants)

(Formerly and successor to the practice of Ampil, Elises, Ciudadano & Co., CPAs)

SEC Accreditation No. 0161-SEC (Group A) valid for audit period 2023-2027

BOA / PRC Accreditation No. 0161 valid until November 18, 2024

BSP Accreditation No. 0161-BSP (Group C) valid for audit period 2021-2025

CDA CEA No. 032-AF valid until March 17, 2024 (On process)

By:



JOSE Q. ELISES

Partner

CPA Certificate No. 26425

TIN 102-445-457-000

SEC Accreditation No. 26425-SEC (Group A) valid for audit period 2023-2027

BIR Accreditation Number 19-001897-001-2023 valid until March 13, 2026

BSP Accreditation No. 26425-BSP (Group C) valid for audit period 2021-2025

PTR. No. 9487426 dated January 10, 2024

Davao City, Philippines
March 15, 2024





Elises & Ciudadano
(A Professional Firm of Certified Public Accountants)

JOSE Q. ELISES

Unit 7 Rizal Memorial College
Building, F. Torres Street,
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Telephone: (082) 221-9069
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104 V. Ilustre Street,
Davao City, Philippines

Telephone: (082) 282-2962
Fax (6382) 221-2594
Email : thelmaciudadano@yahoo.com

"Dedicated to Excellence and Quality Service"

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rural Bank of Digos, Inc.
2964 Rizal Avenue, Digos City

We have audited the financial statements of Rural Bank of Digos, Inc. for the year ended December 31, 2023 on which we have rendered the attached report dated March 15, 2024.

In compliance with SRC Rule 68, we are stating that the said Bank has a total number of one hundred sixty-two (162) stockholders owning one hundred (100) or more shares each.

ELISES & CIUDADANO

(A Professional Firm of Certified Public Accountants)
(Formerly and successor to the practice of Ampil, Elises, Ciudadano & Co., CPAs)
SEC Accreditation No. 0161-SEC (Group A) valid for audit period 2023-2027
BOA / PRC Accreditation No. 0161 valid until November 18, 2024
BSP Accreditation No. 0161-BSP (Group C) valid for audit period 2021-2025
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By:

JOSE Q. ELISES

Partner
CPA Certificate No. 26425
TIN 102-445-457-000
SEC Accreditation No. 26425-SEC (Group A) valid for audit period 2023-2027
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"Dedicated to Excellence and Quality Service"

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rural Bank of Digos, Inc.
2964 Rizal Avenue, Digos City

Report on Other Legal and Regulatory Requirements

We have audited, in accordance with Philippine Standards on Auditing, the accompanying financial statements of Rural Bank of Digos, Inc. as at December 31, 2023 and for the year then ended and have issued our report thereon dated March 15, 2024. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes paid and accrued (Note 25), reportorial requirements under BSP Circular No. 1074 (Note 24) and the schedule of retained earnings available for dividend declaration at the end of the reporting period are presented for the purpose of complying with the disclosure requirement of the Bureau of Internal Revenue, Bangko Sentral ng Pilipinas and the Securities and Exchange Commission and are not a required part of the basic financial statements. Such information and additional schedule are the responsibility of Management. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ELISES & CIUDADANO

(A Professional Firm of Certified Public Accountants)

(Formerly and successor to the practice of Ampil, Elises, Ciudadano & Co., CPAs)

SEC Accreditation No. 0161-SEC (Group A) valid for audit period 2023-2027

BOA / PRC Accreditation No. 0161 valid until November 18, 2024

BSP Accreditation No. 0161-BSP (Group C) valid for audit period 2021-2025

CDA CEA No. 032-AF valid until March 17, 2024 (On process)

By:

JOSE Q. ELISES

Partner

CPA Certificate No. 26425

TIN 102-445-457-000

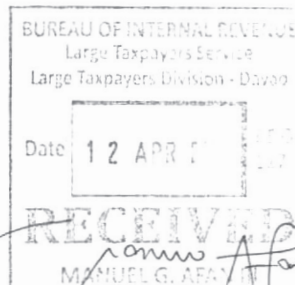
SEC Accreditation No. 26425-SEC (Group A) valid for audit period 2023-2027

BIR Accreditation Number 19-001897-001-2023 valid until March 13, 2026

BSP Accreditation No. 26425-BSP (Group C) valid for audit period 2021-2025

PTR. No. 9487426 dated January 10, 2024

Davao City, Philippines
March 15, 2024



RURAL BANK OF DIGOS, INC.
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2 0 2 3	2 0 2 2
A S S E T S			
Cash and other cash items	5	Ps. 32,893,013	Ps. 44,625,564
Due from Bangko Sentral Ng Pilipinas	5	31,496,418	34,125,159
Due from other banks	5	275,568,587	280,256,255
Loans and receivables, net	6	1,303,192,780	991,868,286
Bank premises, furniture, fixtures and equipment, net	7	26,126,178	29,321,563
Investment property, net	8	24,415,396	23,802,824
Deferred tax asset	9	12,249,000	9,224,090
Other resources	10	8,801,261	6,972,378
TOTAL A S S E T S		Ps.1,714,742,633	Ps. 1,420,196,119
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	11	Ps.1,126,960,991	Ps. 1,125,791,028
Bills payable	12	231,195,003	232,639
Retirement benefit obligations	13	1,339,384	55,094
Current income tax liability		4,576,172	4,272,088
Deferred tax liability	9	1,179,139	2,123,453
Other liabilities	14	54,426,806	39,431,778
Total Liabilities		1,419,677,495	1,171,906,079
Equity			
Capital stock	15	190,433,500	154,595,200
Retained earnings	16	102,759,107	91,669,692
Other reserves	16	1,872,531	2,025,148
Total Equity		295,065,138	248,290,040
TOTAL LIABILITIES AND EQUITY		Ps.1,714,742,633	Ps. 1,420,196,119



RURAL BANK OF DIGOS, INC.
STATEMENTS OF PROFIT OR LOSS

		Years Ended December 31	
	Note	2 0 2 3	2 0 2 2
INTEREST INCOME			
On loans	Ps.	162,094,916	Ps. 133,191,413
On investment securities		24,559	144,621
On deposit with banks		3,425,271	604,145
Total Interest Income		165,544,746	133,940,179
INTEREST EXPENSE			
On deposits		17,666,909	15,178,493
On bills payable and other borrowings		932,580	25,982
Interest expense - others		927,417	-
Interest expense on lease liabilities		269,975	269,975
Total Interest Expense		19,796,881	15,474,450
NET INTEREST INCOME		145,747,865	118,465,729
NON-INTEREST INCOME			
Service charge and commission		307,626	362,297
Miscellaneous	18	45,162,092	39,947,617
Total Non-Interest Income		45,469,718	40,309,914
PROFIT BEFORE PROVISION FOR FINANCIAL ASSET IMPAIRMENT			
Provision for financial asset impairment		21,705,716	11,255,548
PROFIT BEFORE NON-INTEREST EXPENSES		169,511,867	147,520,094
NON-INTEREST EXPENSES			
Salaries, wages and other benefits	19	75,453,938	71,839,609
Taxes and licenses		16,140,288	10,697,172
Depreciation and amortization	7/8	7,277,151	6,736,408
Insurance		3,495,838	3,315,360
Litigation/assets acquired expense		924,738	1,167,065
Other operating expenses	20	32,930,608	24,551,908
Total Non-Interest Expenses		136,222,561	118,307,523
PROFIT BEFORE INCOME TAX		33,289,306	29,212,571
Provision for income tax	21		
Current		(6,468,198)	(9,192,605)
Deferred		(182,173)	2,326,875
Total		(6,650,371)	(6,865,730)
PROFIT FOR THE YEAR	Ps.	26,638,935	Ps. 22,346,842
EARNINGS PER SHARE	Ps.	22.29	Ps. 18.70

See Accompanying Notes To Financial Statements

Audited Financial Statements
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RURAL BANK OF DIGOS, INC.

STATEMENTS OF COMPREHENSIVE INCOME

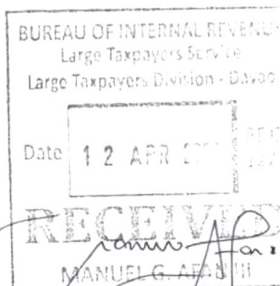
	Note	Years Ended December 31	
		2 0 2 3	2 0 2 2
PROFIT FOR THE YEAR		Ps. 26,638,935	Ps. 22,346,842
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligations	13	203,489	(1,197,270)
Income tax effects		(50,872)	299,318
Other Comprehensive Income (Loss), net of tax		152,618	(897,952)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		Ps. 26,791,553	Ps. 21,448,890



RURAL BANK OF DIGOS, INC.

STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2023 and 2022

Note	Capital Stock	Other reserves	Retained Earnings			Total
			Free	Reserves	Total	
Balance at January 1, 2022	Ps. 144,535,400	Ps. 1,127,195	Ps. 85,382,272	Ps. 21,700	Ps. 85,403,972	Ps. 231,066,567
Other comprehensive income	-	897,952	-	-	-	897,952
Prior period adjustments	-	-	-	-	-	-
Recognized ACL for ROPA accounts, as per BSP adjustment	-	-	(1,801,675)	-	(1,801,675)	(1,801,675)
Reclassify ACL for ROPA accounts, as per BSP adjustment	-	-	174,404	-	174,404	174,404
Profit for the year	-	-	22,346,842	-	22,346,842	22,346,842
Total comprehensive	-	897,952	20,719,571	-	20,719,571	21,617,523
Transactions with owners						
Issuance of new shares	15 10,059,800	-	-	-	-	10,059,800
Reversal of appropriation	-	-	21,700	(21,700)	-	-
Cash dividend declared relating to 2022 profit	16 -	-	(14,453,850)	-	(14,453,850)	(14,453,850)
Total transactions with owners	16 10,059,800	-	(14,432,150)	(21,700)	(14,453,850)	(4,394,050)
Balance at December 31, 2022	Ps. 154,595,200	Ps. 2,025,148	Ps. 91,669,692	Ps. -	Ps. 91,669,692	Ps. 248,290,040
Balance at January 1, 2023	Ps. 154,595,200	Ps. 2,025,148	Ps. 91,669,692	Ps. -	Ps. 91,669,692	Ps. 248,290,040
Other comprehensive loss	-	(152,618)	-	-	-	(152,618)
Profit for the year	-	-	26,638,935	-	26,638,935	26,638,935
Total	-	(152,618)	26,638,935	-	26,638,935	26,486,318
Transactions with owners						
Issuance of new shares	15 35,838,300	-	-	-	-	35,838,300
Reversal of appropriation	-	-	(90,000)	-	(90,000)	(90,000)
Cash dividend declared relating to 2023 profit	16 -	-	(15,459,520)	-	(15,459,520)	(15,459,520)
Total transactions with owners	16 35,838,300	-	(15,549,520)	-	(15,549,520)	20,288,780
Balance at December 31, 2023	Ps. 190,433,500	Ps. 1,872,531	Ps. 102,759,107	Ps. -	Ps. 102,759,107	Ps. 295,065,138



RURAL BANK OF DIGOS, INC.

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2 0 2 3	2 0 2 2
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		Ps. 33,289,306	Ps. 29,212,571
Adjustments to reconcile profit before income tax to net cash provided by (used in) operating activities:			
Depreciation and amortization	7	7,277,151	6,736,408
Provision for financial asset impairment	6	21,705,716	11,255,548
Retirement benefit cost		1,135,895	1,252,364
Reversal of allowance		(6,567,663)	(5,014,924)
Gain on sale of non-financial assets		(3,616,191)	(2,053,987)
Changes in working capital:			
Increase in loans and receivables	6	(320,128,457)	(198,441,758)
Increase in other resources	10	(1,828,883)	(2,618,335)
Increase in deposit liabilities	11	1,169,963	194,155,071
Increase in other liabilities	14	14,995,028	3,170,353
Interest paid		(3,449,830)	(8,942,423)
Income taxes paid		(6,772,282)	(6,519,202)
Net Cash Provided By (Used In) Operating Activities		(262,790,246)	22,191,686
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	7	(3,074,024)	(2,346,808)
Proceeds on disposal of furniture, fixture and transportation equipment		-	613,500
Proceeds on disposal of real and other properties acquired		-	1,440,487
Net Cash Provided By (Used In) Investing Activities		(3,074,024)	(292,821)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bills payable	12	230,962,364	-
Payments for bills payable	15	-	(697,916)
Proceeds from issuance of shares		35,838,300	10,059,800
Retirement benefit obligations	13	(55,094)	(1,495,101)
Lease payments		(4,470,740)	(3,628,257)
Cash dividends	15/16	(15,459,520)	(14,453,850)
Net Cash Provided By (Used In) Financing Activities		246,815,310	(10,215,324)
NET (DECREASE) INCREASE IN CASH AND OTHER CASH ITEMS		(19,048,960)	11,683,541
CASH AND OTHER CASH ITEMS, BEGINNING OF YEAR		359,006,978	347,323,437
CASH AND OTHER CASH ITEMS, END OF YEAR		Ps. 339,958,018	Ps. 359,006,978
Composed of:			
Cash and other cash items		Ps. 32,893,013	Ps. 44,625,564
Due from Bangko Sentral Ng Pilipinas		31,496,418	34,125,159
Due from other banks		275,568,587	280,256,255
Total		Ps. 339,958,018	Ps. 359,006,978

See Accompanying Notes To Financial Statements

Audited Financial Statements

RURAL BANK OF DIGOS, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE 1 - CORPORATE INFORMATION

The Rural Bank of Digos Inc. (the Bank) was organized and incorporated under the provisions of Republic Act No. 720, otherwise known as the Rural Bank Act, as amended. In 1992, Republic Act No. 7353, otherwise known as the Rural Bank Act of 1992, was enacted to provide for the creation, organization and operation of rural banks. The objective of the Act was to encourage and assist the establishment of rural banking system that would make credit readily available in the rural areas on reasonable terms. The Bank's primary purpose is to carry and engage in the business of accepting deposits and extending rural credit to small farmers and tenants and to deserving rural industries and enterprises, to have and exercise all authority and powers, to do and perform acts, and to transact all businesses which may be legally allowed rural banks organized under the aforementioned Republic Acts.

The Bank operates five (5) branches that provide broad range of products and services to its valued clientele namely: Digos, Bansalan, Kidapawan, Malita and Antipas. It also has five (5) branch lites, namely: Kapatagan, Arakan, Don Marcelino, Jose Abad Santos and Santa Maria.

The registered address of its principal office is at 2964 Rizal Avenue, Digos City, Davao del Sur, Philippines.

The financial statements have been authorized for issue by the Board of Directors on March 15, 2024.

NOTE 2 - SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information adopted are consistent with those of the previous financial year, except as indicated below.

a.) Statement of Compliance and Basis of Preparation

The financial statements of Rural Bank of Digos, Inc. (the Bank) have been prepared in accordance with the presentation, recognition and measurement bases specified by the Philippine Financial Reporting Standards adopted by the Philippine Financial Reporting Standards Council, which are in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) under the historical cost convention as modified by the liability for defined obligations recognized at present value of the defined benefit obligation less net total of the plan assets together with the adjustments for and changes in actuarial assumptions at the end of each reporting period, as explained in the accounting policies below.

The Bank presents its statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after reporting period (current), and more than 12 months after reporting period (noncurrent) is presented in Note 17. Current assets are: (a) expected to be realized or intended to be sold or consumed in normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within twelve months after the reporting period or (d) cash or cash equivalent (unless restricted). All other assets are non-current. Current liabilities are those: a.) expected to be settled within the entity's normal operating cycle b.) held for purposes of trading c.) due to be settled within twelve months d.) for which the entity does not have an unconditional right to defer settlement beyond twelve months. Other liabilities are non-current. When a long-term debt is expected to be refinanced under an existing loan facility, and the Bank has the discretion to do so, the debt is classified as non-current even if the liability would otherwise be due within twelve months.

The Bank prepares a third statement of financial position when it retrospectively applies an accounting policy, restates items, or reclassifies items, and those adjustments that had a material effect on the information in the statement of financial position at the beginning of the comparative period. The related notes to the third statement of financial position are not required.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

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

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

The preparation of financial statements in conformity with Philippine Financial Reporting Standards requires management to make certain critical estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The financial statements are presented in Philippine Pesos, which is the Bank's functional and presentation currency, and all values are rounded to the nearest peso except when otherwise indicated.

b.1) New and revised Philippine Financial Reporting Standards (PFRS)

In the current year, the Bank has applied the following new and revised standards issued by the International Accounting Standards Board (IASB) and adopted by the Philippine Financial Reporting Standards Council (PFRSC) for the first time that are mandatorily effective for annual reporting period commencing January 1, 2023.

Management believes that the new and revised standards did not have any impact on the Bank's accounting policies, did not require retrospective adjustment and are not expected to significantly affect the current and future periods.

1. PFRS 17 Insurance Contracts

PFRS 17 was issued in May 2017 as replacement for PFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and

- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

This was originally scheduled to be effective for annual periods beginning on or after January 1, 2021 but was extended to January 1, 2023.

2. Classification of Liabilities as Current or Non-current – Amendments to PAS 1

The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Effective for annual periods beginning on or after January 1, 2022 [possibly deferred to 1 January 2023]

3. Definition of Accounting Estimates – Amendments to PAS 8

In February 2021, the Board issued amendments to PAS 8, in which it introduces a new definition of 'accounting estimates'.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effect on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a changes in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

The amendments include two illustrative examples to help stakeholders understand how to apply the new definition of accounting estimates.

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

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

4. Disclosure of Accounting Policies – Amendments to PAS 1 and PFRS Practice Statement 2

In February 2021, the Board issued amendments to PAS 1 and PFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

In the absence of a definition of the term 'significant' in PFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in PFRS and is widely understood by the users of financial statements, according to the Board.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Although standardized information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardized accounting policy information may be added for users to understand other material information in the financial statements. In those situations, standardized accounting policy information is material, and should be disclosed.

The amendments to the PS also provide examples of situations when generic or standardized information summarizing or duplicating the requirements of PFRS may be considered material accounting policy information.

Earlier application of the amendments to PAS 1 is permitted as long as this fact is disclosed.

Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary.

The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard.

Entities should carefully consider whether 'standardized information, or information that only duplicates or summarizes the requirements of the PFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

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

5. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to PAS 12

In May 2021, the Board issued amendments to PAS 12, which narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with the leases and decommissioning obligations.

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

6. OECD Pillar Two Rules

In May 2023, the Board made narrow-scope amendments to IAS 12 (consequently PAS 12) which provide a temporary relief from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments also require affected companies to disclose:

- the fact that they have applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes
- their current tax expense (if any) related to Pillar Two income taxes, and
- during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.

The amendments must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors* (consequently PAS 8). However, the disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are only required for annual reporting period beginning on or after 1 January 2023 and do not need to be made in interim financial reports for interim periods ending on or before 31 December 2023.

b.2) New and revised Philippine Financial Reporting Standards (PFRS)

The Bank has not applied the following new and revised PFRS and Interpretations that have been issued but are not yet effective.

Management believes that adoption of those standard amendments will not have any material impact on the amounts to be recognized in the Bank's financial statements.

New Pronouncements	Effectivity
- Classification of Liabilities as Current or Non-current; Non-current Liabilities with Covenants – Amendments to PAS 1	Effective for annual periods beginning on or after January 1, 2024
- Lease Liability in a Sale and Leaseback - Amendments to PFRS 16	Effective for annual periods beginning on or after January 1, 2024.
- Supplier finance arrangements - Amendments to PAS 7 and PFRS 7	Effective for annual periods beginning or after January 1, 2024.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to PFRS 10 and PAS 28	In December 2015, the IASB postponed the effective date of this amendment indefinitely pending outcome of its research project on the equity method of accounting.

1. Classification of Liabilities as Current or Non-current; Non-current Liabilities with Covenants – Amendments to PAS 1

Amendments made to PAS 1 *Presentation of Financial Statements* in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan agreements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what PAS 1 means when it refers to the 'settlement' of liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8 *Accounting Policies, Changes in Accounting Estimated and Errors*. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

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

2. Lease Liability in a Sale and Leaseback – Amendments to PFRS 16

In September 2022, the Board finalized narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 *Leases* (consequently PFRS 16) which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

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

3. Supplier finance arrangements – Amendments to PAS 7 and PFRS 7

The Board has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 *Statement of Cash Flows* (consequently PAS 7) and IFRS 7 *Financial Instruments: Disclosures* (consequently PFRS 7) falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

The terms and conditions of SFAs.

- The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
- The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
- The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
- Non-cash changes in the carrying amounts of financial liabilities in (b).
- Access to SFA facilities and concentration of liquidity risk with finance providers.

The Board has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

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

4. Sale or contribution of assets between an investor and its associate or joint venture – Amendments to PFRS 10 and PAS 28

The Board has made limited scope amendments to IFRS 10 *Consolidated Financial Statements* (consequently PFRS 10) and IAS 28 *Investments in Associates and Joint Ventures* (consequently PAS 28).

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in PFRS 3 *Business Combinations*).

Where the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss

is recognized by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalized its research project on the equity method.

c.) Financial Instruments

The Bank's principal financial instruments comprise cash and other cash items, cash in banks, and loans and receivables. The main purpose of these financial instruments is to fund the Bank's operations and capital expenditures. The Bank has various other financial instruments such as employees' accounts and other financial assets, deposit liabilities, bills payable and other financial liabilities, excluding statutory obligations.

Recognition and initial measurement

The Bank initially recognizes financial instruments on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value, for an item not at FVPTL, plus transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss. (FVTPL)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the statements of profit or loss when the asset is derecognized, modified or impaired.

The Bank's financial assets at amortized cost are presented in the statement of financial position as cash and other cash items, cash in banks, loans and receivables and other financial assets.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPTL

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Bank has no financial assets measured at FVTPL and FVOCI as at December 31, 2023 and 2022.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported to the Bank's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition.

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Bank considers the contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Bank's claims to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Therefore, the contractual cash flows that are considered SPPI are consistent with basic lending arrangement where principal is the fair value of financial asset at initial recognition and the interest represents consideration for the time value of money, credit risk, profit margin, and other basic lending risk and costs associated with holding the financial assets for a particular period of time.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial Liabilities

The Bank classifies its financial liabilities and subsequently measured at amortized cost.

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at FVTPL, and financial liabilities carried at amortized cost, or as derivatives designated at hedging instruments, as appropriate.

Financial liabilities are recognized initially at fair value, net of directly attributable transaction costs.

The Bank's financial liabilities at amortized cost are shown in the statement of financial position as deposit liabilities, bills payable and other financial liabilities, excluding statutory obligations.

- Deposit liabilities are recognized at amounts these are to be settled or paid.
- Bills payable are various rediscounted supervised notes secured by deed of assignment on the said note. These are recognized initially at fair value (proceeds of the loan) and subsequently measured at amortized cost using the effective interest method; any difference between the loan proceeds, net of transaction costs and the settlement value is recognized in profit or loss over the period of borrowings using the effective interest method.
- Other financial liabilities are recorded initially at their fair value and subsequently measured at amortized cost less settlement amounts.

Other financial liabilities at amortized cost

After initial measurement, financial liabilities not qualified and not designated as at FVPTL are subsequently measured at amortized cost using the effective interest method.

Derecognition

Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire.

On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (1) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Financial Liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of financial assets are modified, the Bank evaluates whether the cash flows of the modified assets are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross

carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment. In other cases, it is presented as interest income.

Financial Liabilities

The Bank derecognizes a financial liability when its terms are modified and cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

The Bank has no modified liability as of December 31, 2023 and 2022.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of a borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured, as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial assets are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under PFRS, or for gains and losses arising from a group of similar transactions.

Impairment

The Bank assesses on a forward-looking basis the loss allowance for expected credit losses associated with its loans and receivable accounts. The loss allowance is based on the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

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

The Bank groups its loan and receivable accounts into stages based on the applied impairment methodology, as described below:

- Stage 1 - Performing - when loan accounts are first recognized, or classified as current, the Bank recognizes an allowance based on 12-month expected credit losses one (1) percent of the gross carrying amount of the receivable accounts.

- Stage 2 - Underperforming – when loan accounts show a significant increase in credit risk, the Bank records an allowance for the lifetime credit loss based on the following percentages shown below:

Classification	Minimum ACL
Especially mentioned	2% - 5%
Standard grade	10% - 25%

- Stage 3 – Non-performing - the Bank recognizes the lifetime expected credit losses for these loan accounts based on the following percentages shown below:

Classification	Minimum ACL
Substandard grade	10% - 25%
Doubtful	25% - 50%
Loss	50% - 100%

The Bank adopted the requirements of Attachments 3 of the BSP Circular 1011, which issues the basic guidelines in providing for allowance for credit losses on loans for financial institutions whose credit operation may not economically justify a more highly sophisticated loan loss estimation technique.

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

The Bank's detailed measurement as determined by Management is shown in Note 3.

Presentation

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the financial assets measured at amortized cost.

Write-off

Loans and receivable accounts are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for the recovery of amounts due.

d.) Cash and Cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amount due from Bangko Sentral ng Pilipinas (BSP) and other banks. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents wherein withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

e.) Bank Premises, (Including Leasehold Improvements) Furniture, Fixtures and Equipment

Land and buildings comprise mainly branch offices. All bank premises, furniture, fixtures and equipment are stated at historical cost less subsequent depreciation and any impairment losses in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Category	Number of years
Building and improvements	20 years
Leasehold improvements	12 years
Furniture, fixtures and equipment	3 – 5 years
Transportation equipment	4 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

At each reporting date, bank premises, furniture, fixtures and equipment is reviewed to determine whether there is any indication that the asset has suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss. (Note 2.h).

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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 (Note 2.g).

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future benefits are expected to arise from the continued use of the asset. Any gains and losses on disposals or retirement of an item of property and equipment are determined as difference between the sales proceeds and the carrying amount of the asset. These are included in the statement of income. The cost and the related accumulated depreciation and accumulated impairment losses, if any, are removed from the account.

f.) Investment property

In certain circumstances, real and other properties (ROPA) are acquired following the foreclosure on loans that are in default.

These are initially measured at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less allowance for credit losses) plus booked accrued interest less allowance for credit losses plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property). Where the booked amount of ROPA exceeds the appraised value of the acquired property, an allowance for credit losses equivalent to the excess of the amount booked over the appraised value is set up. Where the carrying amount of ROPA exceeds Ps. 5 million, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP. There were no assets acquired that were appraised by an independent appraiser as of 2023 and 2022.

The carrying amount of ROPA is allocated to land, building, other non-financial assets and financial assets based on their fair values which became their initial costs.

As of end of the reporting period, substantially all of the real and other properties acquired meet the criteria to be classified as investment property.

Property that is held either to earn rental income or for capital appreciation or for both and that is not significantly occupied by the Bank is classified as investment property. Investment property are measured initially at its cost plus any transaction costs, since its fair value cannot be measured reliably on an ongoing basis.

An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance, or (b) the fair value of neither the asset received nor the asset given up is reliably measurable in which case the investment property acquired is measured at the carrying amount of asset given up.

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dation in payment are classified under 'Investment property' upon:(1) entry of judgment in case of judicial foreclosure;(2) execution of the Sheriff's Certificate of Sale in case of extra judicial foreclosure; and (3) notarization of the Deed of Dacion in case of dation in payment(dacion en pago).

Subsequent to initial recognition, investment property, except for land, are stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed on the straight-line method using the estimated useful life of ten (10) years. Land is stated at cost less any impairment in value.

Investment property are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any resulting gain or loss from the retirement or disposal of an investment property is included in profit or loss in the period of retirement or disposal.

Expenditures incurred after the investment property have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Transfers are made to investment property when, and only 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.

g.) Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax.

Current Tax

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

Deferred Income Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences (principally relating to provisions for receivable impairment, unearned income and discount, retirement benefit cost and finance leases) and between financial reporting bases of assets and liabilities and their related tax bases.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The rates enacted at the end of the reporting period are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in transactions that affects neither the taxable profit nor the accounting profit.

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 that will be available to allow all or part of the asset to be recovered.

Current and Deferred Tax for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate 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.

h.) Impairment of Non-financial Assets

The carrying values of bank premises, furniture, fixture and equipment and other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of net selling price 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is charged to earnings.

i.) Other Comprehensive Income

Other comprehensive income refers to items of income and expenses that are not recognized as part of the profit and loss account as required or permitted by other PFRSs:

1. Foreign currency translation adjustments on foreign subsidiaries
2. Changes in the fair value of available-for-sale financial assets
3. Actuarial gains and losses arising on a defined benefit pension plan
4. Revaluation of property, plant and equipment
5. Changes in the fair value of a financial instrument in a cash flow hedge

The Bank's other comprehensive income pertains to the actual gains and losses from retirement benefits which are recognized in full in the financial year in which they occur.

The accumulated other comprehensive income is shown under other reserves in the Statement of Financial Position (Note 16).

j.) Revenue Recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. The Bank concluded that it is acting as a principal in all its revenue arrangements.

PFRS 15, 'Revenue From Contracts with Customers', establishes five-steps model (identify the contract, identify separate performance obligations, determine the transaction price, allocate transaction price to performance obligations and recognize revenue as or when each performance obligation is satisfied to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also requires the Bank to exercise judgement facts and circumstances when applying each step of the model and specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to a fulfilling a contract.

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

Revenues outside the scope of PFRS 15

Interest

Interest income and expense are recognized in profit and loss using the effective interest method. The effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross amount of the financial asset; or
- The amortized cost of financial liability

When calculating the effective interest rate for financial instrument other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, credit-adjusted effective interest rate is calculated using estimated future cash flows including expected losses.

The calculation of the effective interest rate includes transaction costs and fees that are integral part of the effective interest rate. Transaction cost includes incremental costs that are directly attribute to the acquisition of a financial asset or financial liability.

The "amortized cost" of financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and maturity amount and, for financial assets. Adjusted for any expected credit loss allowance.

The "gross carrying amount of financial assets" is the amortized cost of a financial asset before adjusting for any expected credit loss allowances.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to that gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Revenue within the scope of PRFRS 15

Services and other fees

Fees earned for the provision of services over a period of time are accrued over that period. These includes penalty fees, legal fees, credit-related fees, and other fees.

Rental Income

Rental income arising on leased premises is accounted for on a straight-line basis over the lease term on ongoing leases.

Reversal of allowance for doubtful accounts

Revenue is recognized upon assessment that the receivables provided with impairment loss is no longer impaired.

Recovery of charged-off financial assets

Revenue is recognized upon collection of previous receivables that have been written off.

Other income

Other income is recognized when earned at a point in time.

k.) Expense Recognition

Expenses are recognized in profit or loss upon utilization of goods and services or at the date such expenses are incurred, determined a.) on the basis of direct association between the expenses incurred and the earning of specific items of revenue; b.) on the basis of systematic and rational allocation produces when economic benefits are expected to arise over several reporting periods and association can only be broadly or indirectly determined; or, c.) immediately when 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 statement of financial statement position as an asset.

l.) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of the specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a.) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b.) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c.) There is a change in the determination of whether fulfillment is dependent on a specified asset;
- (d.) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above; and at the date of renewal or extension period for scenario b.

Bank as lessee

The Bank applies a single recognition and measurement approach for all leases except for short-term and low-value leases of assets. The Bank recognizes lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets.

Bank as lessor

Leases where the Bank does not transfer substantially all risks and benefits of ownership of the assets are classified as operating leases.

Rental income, shown under interest and other income in the statement of profit or loss, from operating leases is recognized on a straight –line basis over the term of the relevant lease. Properties leased out under operating leases are included in investment property in the statement of financial position.

Right-of-use-asset

The Bank recognizes right-of-use-asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use-asset is measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use-asset

includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less lease incentive received. The recognized right-of-use-asset is depreciated on a straight-line basis over the lease term of five years. Right-of-use asset is presented under "Bank premises, furniture, fixtures and equipment" in the statement of financial position.

Right-of-use-asset is subject to impairment.

Lease Liability

At the commencement date of the lease, the Bank recognizes lease liability measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments less lease incentives, variable lease payments that depend on an index or rate, amount expected to be paid under residual value guarantees and payments of penalties for terminating the lease.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification and a change in the lease term. Lease liability is presented under "Other Liabilities" in the statement of financial position.

Short-term leases and low value leases of assets

The Bank applies the recognition exemption on its short-term lease (those leases that have a lease term of 12 months or less) and low-value leases of assets (those below Ps. 250,000). Lease payments of these leases are recognized as expense on straight-line basis over the lease term.

m.) Employee Benefits

Short-term benefits

Employee entitlements to salaries and wages, annual vacation, and other benefits are recognized when they are accrued to employees. Annual vacation and other leaves have been calculated on an actual entitlement basis at current rates of pay. Unpaid benefits at the end of the reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

Retirement obligations

The Bank operates various post-employment schemes, including both defined contribution and defined benefit retirement plans.

A defined contribution plan is a pension plan under which the Bank pays contributions to publicly administered pension insurance plans on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plan defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets together with adjustments for and changes in actuarial assumptions. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows

using the interest rates of high-quality corporate bonds, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to asset ceiling, if applicable, and the return on plan assets, excluding interest, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings (other reserves) and will not be reclassified to profit or loss. Past – service costs are recognized immediately in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Bank presents the first two (2) components of defined costs in profit or loss in the line item personnel costs. Curtailment gains and losses are accounted for as past service costs.

n.) Earnings Per Share

Basic earnings per share were computed dividing net profit for the over the weighted average number of shares outstanding during the year. There are no potential common shares outstanding that would require disclosure of diluted earnings (loss) per share in the statements of income.

o.) Related Party Transactions

Related party transactions are transfers 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 relationship, attention is directed to the substance of the relationship and not merely on the legal form.

p.) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss, net of any reimbursement.

q.) Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

r.) Rounding of Amounts

All amount disclosed in the financial statements and notes have been rounded off to the nearest peso, unless otherwise indicated.

s.) Events After End of the Reporting Period

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

t.) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in current year's presentation.

NOTE 3 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1 Financial risk factors

The Bank's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in market, products and emerging best practice.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk, market risk and operational risk.

The Bank recognizes that risk management is the responsibility of the entire organization. Accordingly, all employees are expected to manage risks relating to their own responsibilities. There are, however, specialized group of individuals within the Bank that perform certain risk management functions.

The Board of Directors ultimately oversees and provides written principles for overall and specific risk management, such as credit risk, market interest risk and liquidity risk, upon the recommendations of various committees composed of BOD members and Senior Management.

Performing risk management functions on year-round basis

- Audit committee which examines the Bank's framework of risk management control and governance process to ensure that these are adequate and functional and responsible for the development and oversight of the Bank's risk management program; and
- Credit committee which recommends credit policies and evaluates credit applications.

Jointly performing risk management functions on a daily basis

- Treasury for funding and liquidity risk
- Compliance for regulatory and legal risk
- Credit committee for credit risk
- Internal audit for the evaluation of the adequacy of internal control systems, covering operational risk.

The Bank has revised its compliance manual to incorporate the provisions of BSP Circular 747. Among other things, the revised manual is designed to identify and mitigate business risk. Business risk refers to conditions which may be detrimental to a Bank's business model and its ability to generate returns from operations.

(a.) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the end of the reporting period. Credit risk is the most important risk for the Bank's business. Management therefore develops system of measurement and mitigating policies so that it can capture, and it can carefully manage, control and limit its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and receivables and transactions with other banks.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by branch are approved regularly by the Board of Directors.

Actual exposures against limits are monitored regularly. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The Bank employs a range of policies and practice to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and receivables are mortgages over residential properties, and business assets such as premises and inventory.

Longer-term finance and individual credit accommodations are generally secured. In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant loans and receivables.

The Bank's maximum exposure to credit risk before collateral held or other credit risk enhancements at end of the reporting period are shown below:

		December 31	
	Note	2023	2022
Loans and receivable			
Current			
Other microenterprise loan		Ps. 2,317,355	Ps. 2,799,037
Agricultural		34,823,541	39,531,762
Micro-finance		4,916,123	6,553,195
SME		184,509,196	184,710,413
Other Loans		1,074,387,522	749,012,324
Sales contract receivable		1,751,996	3,025,563
Unquoted debt securities classified as loans		591,208	823,158
Past due		28,731,432	30,094,995
Items in litigation		5,700,999	4,968,366
Total		1,337,729,372	1,021,518,813
Unearned income and discount		(320,926)	(626,107)
Allowance for probable losses		(34,215,666)	(29,024,420)
Loans and receivable, net	6	1,303,192,780	991,868,286
Cash and other cash items (excluding cash on hand)	5	5,887,281	18,984,035
Due from other banks	5	275,568,587	280,256,255
Other resources	10	4,183,258	4,520,083
Balance at December 31		Ps. 1,588,831,907	Ps. 1,295,628,659

The above table represents a worst case scenario of credit risk exposure to the Bank at December 31, 2023 and 2022 without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts as shown in the statement of financial position.

Proportion of the credit exposure is shown below:

	December 31	
	2023	2022
Loans and receivables, net	82%	77%
Cash and other cash items (excluding Cash on hand)	0%	1%
Due from other banks	17%	22%
Other resources	0%	0%
Total	100%	100%

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and receivables, other investment and due from other banks based on Management's evaluation, namely a) mortgage loans, which represents the biggest group in the portfolio are backed by collateral, b) 97.43% of the loans and receivable are considered to be neither past due nor impaired (96.57% in 2022) c) the Bank has introduced a more stringent process upon granting loans and receivables.

The following table shows the aging analysis of financial assets: The amount presented are gross of impairment allowance and unearned income and discount.

	Performing (Stage 1)	Underperforming (Stage 2)	Non-performing (Stage 3)	Total
December 31, 2023				
Agricultural	Ps. 34,823,541	Ps. 632,431	Ps. 300,000	Ps. 35,755,973
Other microenterprise loan	2,317,355	-	1,218,650	3,536,005
Micro-finance	4,916,123	-	1,530,231	6,446,354
SME	184,509,196	2,979,246	5,852,259	193,340,701
Other Loans	1,074,387,522	8,683,425	13,058,361	1,096,129,308
Sales contract receivable	1,751,996	-	177,827	1,929,823
Unquoted debt securities	591,208	-	-	591,208
Total	Ps. 1,303,296,942	Ps. 12,295,102	Ps. 22,137,328	Ps. 1,337,729,372
December 31, 2022				
Agricultural	Ps. 39,531,763	Ps. 5,078,196	Ps. 3,440,971	Ps. 48,050,930
Other microenterprise loan	2,799,037	-	1,276,480	4,075,517
Micro-finance	6,553,195	-	1,335,296	7,888,491
SME	184,710,413	1,078,036	7,112,470	192,900,919
Other Loans	749,012,324	5,316,641	10,111,638	764,440,603
Sales contract receivable	3,025,563	-	313,632	3,339,195
Unquoted debt securities	823,158	-	-	823,158
Total	Ps. 986,455,453	Ps. 11,472,873	Ps. 23,590,487	Ps. 1,021,518,813

The credit classifications used by the Bank in evaluating the credit quality of its loans and receivables which are in keeping with BSP Circular No. 855 are shown below:

- Unclassified/current – Loans and receivables that do not have a greater-than normal credit risk. The borrower has the apparent ability to satisfy his obligations in full and therefore no loss in ultimate collection is anticipated.
- Especially mentioned – Loans and receivables that have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized due to evidence of weakness in the borrower's financial condition.
- Substandard – Substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics; with well-defined weakness(es) that jeopardized their liquidation.

- Doubtful – With severe weaknesses similar to “substandard”, but with added characteristics that make liquidation highly improbable. However, the exact amount remains undeterminable as yet. Classification as “loss” is deferred because of specific pending factors which may strengthen the assets.
- Loss – Loans and receivable which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. Viewed as a transitional category for loans and receivables, which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based in the Bank's internal credit rating system.

	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Non-performing)	Total
December 31, 2023				
Unclassified/current	Ps. 1,287,203,450	Ps. 955,340	Ps. -	Ps. 1,288,158,790
Epecially mentioned	14,933,097	2,823,878	532,429	18,289,404
Substandard grade	1,082,252	6,262,806	3,763,916	11,108,974
Doubtful	23,990	1,820,288	792,251	2,636,530
Loss	54,153	432,790	17,048,732	17,535,674
Total	1,303,296,942	12,295,102	22,137,328	1,337,729,372
Less allowance for credit losses	(42,594,490)	(1,329,882)	9,708,706	(34,215,666)
Less unearned income and discount	(301,124)	-	(19,802)	(320,926)
Carrying amount	Ps. 1,260,401,328	Ps. 10,965,220	Ps. 31,826,232	Ps. 1,303,192,780

	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Non-performing)	Total
December 31, 2022				
Unclassified/current	Ps. 977,646,026	Ps. 6,022,775	Ps. -	Ps. 983,668,800
Epecially mentioned	8,379,928	672,243	142,898	9,195,069
Substandard grade	429,499	3,419,163	6,475,490	10,324,152
Doubtful	-	443,309	2,530,201	2,973,510
Loss	-	915,383	14,441,899	15,357,282
Total	986,455,453	11,472,873	23,590,488	1,021,518,813
Less allowance for credit losses	(31,333,477)	(707,542)	3,016,599	(29,024,420)
Less unearned income and discount	(575,321)	-	(50,786)	(626,107)
Carrying amount	Ps. 954,546,654	Ps. 10,765,331	Ps. 26,556,301	Ps. 991,868,286

Table showing the reconciliation from the opening to the closing balance of the allowance for credit losses by stage:

	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Non-performing)	Total
December 31, 2023				
Balance, beginning of year	Ps. 31,333,477	Ps. 707,542	(Ps. 3,016,599)	Ps. 29,024,420
Transfers to:				
Stage 1	-	-	-	-
Stage 2	19,862,928	-	-	19,862,927
Stage 3	39,479	622,340	63,678	725,497
Impairment losses	-	-	-	-
Recoveries	(8,641,394)	-	(188,121)	(8,829,515)
Write-off of accounts	-	-	(6,567,663)	(6,567,663)
Balance, end of year	Ps. 42,594,490	Ps. 1,329,882	(Ps. 9,708,706)	Ps. 34,215,666

	Stage 1 (Performing)	Stage 2 (Underperforming)	Stage 3 (Non-performing)	Total
December 31, 2022				
Balance, beginning of year	Ps. 17,367,262	Ps. 370,363	Ps. 7,432,471	Ps. 25,170,096
Transfers to:				
Stage 1	-	-	-	-
Stage 2	19,544,885	-	-	19,544,885
Stage 3	72,066	337,179	96,713	505,958
Impairment losses	-	-	-	-
Recoveries	(5,650,736)	-	(5,706,933)	(11,357,669)
Write-off of accounts	-	-	(4,838,850)	(4,838,850)
Balance, end of year	Ps. 31,333,477	Ps. 707,542	(Ps. 3,016,599)	Ps. 29,024,420

Shown below is the estimate of the fair value of collateral and other security enhancements held by the Bank on loans and receivables as at December 31, 2023 and 2022:

	December 31	
	2 0 2 3	2 0 2 2
On past due and non-performing Current/unclassified	Ps. 4,995,429 182,054,806	Ps. 11,881,902 177,362,278
Total	Ps. 187,050,235	Ps. 189,244,180

An analysis of properties acquired (and disposed of) through foreclosures on loans are summarized below:

	December 31	
	2 0 2 3	2 0 2 2
Beginning balances	Ps. 23,802,824	Ps. 22,795,802
Additions	4,166,364	6,552,368
Disposal	(3,553,793)	(5,545,346)
Ending balances	Ps. 24,415,396	Ps. 23,802,824

	December 31	
	2 0 2 3	2 0 2 2
Fair values		
Land	Ps. 52,595,284	Ps. 50,263,294
Building	20,243,043	15,031,378
Total	Ps. 72,838,327	Ps. 65,294,672

It is Bank's policy to dispose the collateral for past-due and non-performing loans and receivables through foreclosure proceedings.

The following summarizes the Bank's main credit exposure at their net carrying amounts, as categorized by geographical locations, at the end of the reporting period.

	December 31	
	2 0 2 3	2 0 2 2
Digos	Ps. 375,659,271	Ps. 312,024,334
Bansalan	147,541,935	112,879,662
Kidapawan	177,544,980	119,984,679
Malita	436,047,434	318,573,100
Antipas	165,807,952	127,583,353
Central office	591,208	823,158
Total	Ps. 1,303,192,780	Ps. 991,868,286

(b.) Market and Interest rate risk

Cash flow interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a

financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. Bank policy is to maintain borrowings and sets limits on the level of mismatch of interest rate risk that may be undertaken, which is monitored regularly by the central treasury department.

Expected repricing and maturity dates do not differ significantly from the contract dates.

The Bank's exposure to market risk for changes in interest rates is not significant to the financial statements. The financial instruments of the Bank has minimal interest rate exposure as most of its financial instruments have fixed rates.

The table below summarizes the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts at the end of the reporting periods.

	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years & over	Total
At 31 December 2023						
Cash and other cash items	Ps. 32,893,013	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 32,893,013
- Due from BSP and other banks	163,212,034	23,000,000	43,000,000	46,356,553	31,496,418	307,065,005
Loans and receivables, net	(9,938,602)	8,479,209	139,720,694	1,162,998,993	1,932,487	1,303,192,780
Other Resources	2,907,832	-	-	-	-	2,907,832
TOTAL FINANCIAL ASSETS	189,074,277	31,479,209	182,720,694	1,209,355,546	33,428,905	1,646,058,630
Deposit liabilities	172,731,032	36,971,444	297,730,391	619,528,124	-	1,126,960,991
Bills payable	-	-	56,357,442	174,837,561	-	231,195,003
Other liabilities	-	-	6,380,005	839,174	-	7,219,179
TOTAL FINANCIAL LIABILITIES	172,731,032	36,971,444	360,467,838	795,204,858	-	1,365,375,173
NET INTEREST SENSITIVITY GAP	Ps. 16,343,244	(Ps. 5,492,235)	(Ps. 177,747,144)	Ps. 414,150,687	Ps. 33,428,905	Ps. 280,663,457

	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years & over	Total
At 31 December 2022						
Cash and other cash items	Ps. 44,625,584	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 44,625,584
Due from BSP and other banks	213,239,532	23,000,000	44,016,723	-	34,125,159	314,381,414
Loans and receivables, net	8,242,765	11,499,114	249,360,246	720,748,718	2,017,443	991,868,286
Other resources	2,362,006	-	-	-	-	2,362,006
TOTAL FINANCIAL ASSETS	268,469,887	34,499,114	293,376,969	720,748,718	36,142,602	1,353,237,290
Deposit liabilities	10,226,976	27,582,265	224,327,278	863,654,509	-	1,125,791,028
Bills payable	-	-	-	232,639	-	232,639
Other liabilities	-	-	2,546,312	-	-	2,546,312
TOTAL FINANCIAL LIABILITIES	10,226,976	27,582,265	226,873,590	863,887,148	-	1,128,569,979
NET INTEREST SENSITIVITY GAP	Ps. 258,242,911	Ps. 6,916,849	Ps. 66,503,379	(Ps. 143,138,429)	Ps. 36,142,602	Ps. 224,667,311

(c.) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, which would deplete available cash resources for client lending. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sale of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution - specific and market-wide events. The Bank's liquidity management process, as carried out and monitored by the central treasury department, includes day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met, maintaining a sizeable amount of deposits with other banks and monitoring liquidity ratios of the statement of financial position against internal and regulatory requirements.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts and maturing deposits. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from Bangko Sentral ng Pilipinas (BSP) and other banks, items in the course of collection and treasury and other eligible bills and loans, advances to customers, credit lines and other assets. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, portion of loans and receivables have been pledged to secure liabilities.

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows of financial assets.

	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years & over	Total
At 31 December 2023						
Deposit liabilities	Ps.172,731,032	Ps. 36,971,444	Ps.297,730,391	Ps.619,528,124	Ps. -	Ps. 1,126,960,991
Bills payable	-	-	56,357,442	174,837,561	-	231,195,003
Other liabilities	-	-	6,380,005	839,174	-	7,219,179
Total Liabilities (contractual maturity dates)	172,731,032	36,971,444	360,467,838	795,204,858	-	1,365,375,173
Cash and other cash items	32,893,013	-	-	-	-	32,893,013
Due from BSP and other banks	163,212,034	23,000,000	43,000,000	46,356,553	31,496,418	307,065,005
Loans and receivables, net	(9,938,602)	8,479,209	139,720,694	1,162,998,993	1,932,487	1,303,192,780
Other resources	2,907,832	-	-	-	-	2,907,832
Assets held for managing liquidity risk (contractual maturity dates)	189,074,277	31,479,209	182,720,694	1,209,355,546	33,428,905	1,646,058,630
NET LIQUIDITY GAP	Ps. 16,343,244	(Ps. 5,492,235)	(Ps.177,747,144)	Ps.414,150,687	33,428,905	Ps. 280,683,457
	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years & over	Total
At 31 December 2022						
Deposit liabilities	Ps. 10,226,976	Ps. 27,582,285	Ps.224,327,278	Ps.863,654,509	Ps. -	Ps.1,125,791,028
Bills payable	-	-	-	232,639	-	232,639
Other liabilities	-	-	2,546,313	-	-	2,546,313
Total Liabilities (contractual maturity dates)	10,226,976	27,582,285	226,873,590	863,867,148	-	1,128,569,979
Cash and other cash items	44,625,584	-	-	-	-	44,625,584
Due from BSP and other banks	213,239,532	23,000,000	44,016,723	-	34,125,159	314,381,414
Loans and receivables, net	8,242,764	11,499,114	249,360,246	720,748,718	2,017,443	991,868,286
Other resources	2,362,006	-	-	-	-	2,362,006
Assets held for managing liquidity risk (contractual maturity dates)	268,469,867	34,499,114	293,376,969	720,748,718	36,142,602	1,353,237,290
NET LIQUIDITY GAP	Ps.258,242,891	Ps.6,916,849	Ps.66,503,379	(Ps.143,138,429)	Ps.36,142,602	Ps.224,667,311

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in market interest rates.

(d.) Operational risks

Operational risk is the risk of direct or indirect loss arising from wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit market and liquidity risks such those from legal and regulatory requirements and generally accepted standards of corporate behavior or governance.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Bank

standards (and independent review by the internal audit) for the Management of operational risk in the following areas:

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

Fair Values of Financial Assets and Liabilities

Fair value measurement hierarchy

PFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level1);
- 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) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into one of the three levels.

The following table summarizes the carrying amounts and estimated fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair values. As of December 31, 2023 and 2022 the bank does not have financial instruments that are measured at fair value.

		Fair Value				Carrying Amount Approximates Fair Value
	Carrying Value	1	2	3		
At 31 December 2023						
FINANCIAL ASSETS						
Cash and other cash items	Ps. 5,887,281	Ps. -	Ps. -	Ps. -	Ps. 5,887,281	
Due from BSP and other banks	307,065,005	-	-	-	307,065,005	
Loans and receivables, net	1,303,192,780	-	-	793,163,359	-	
Other financial assets	4,183,258	-	-	-	4,183,258	
Total	Ps.1,620,328,325	Ps. -	Ps. -	Ps. 793,163,359	Ps. 317,135,544	
FINANCIAL LIABILITIES						
Deposit liabilities	Ps.1,126,960,991	Ps. -	Ps. -	422,467,189	Ps. 768,182,524	
Bills payable	231,195,003	-	-	242,529,204	-	
Other financial liabilities	24,767,477	-	-	-	24,767,477	
Total	Ps.1,382,923,471	Ps. -	Ps. -	Ps. 664,996,393	Ps. 792,950,002	

At 31 December 2022

FINANCIAL ASSETS							
Cash and other cash items	Ps. 18,984,035	Ps.	-	Ps.	-	Ps.	18,984,035
Due from BSP and other banks	314,381,414		-		-		314,381,414
Loans and receivables, net	991,868,286		-		603,681,660		-
Other financial assets	4,520,083		-		-		4,520,083
Total	Ps. 1,329,753,818	Ps.	-	Ps.	-	Ps. 603,681,660	Ps. 337,885,532
FINANCIAL LIABILITIES							
Deposit liabilities	Ps. 1,125,791,028	Ps.	-	Ps.	-	Ps. 358,124,459	Ps. 768,182,524
Bills payable	232,639		-		244,044		-
Other financial liabilities	18,437,027		-		-		18,437,027
Total	Ps. 1,444,460,694	Ps.	-	Ps.	-	Ps. 358,368,503	Ps. 786,619,551

1) Cash and Other Cash Items and Due From BSP and Other Banks

The carrying values approximate their fair values due to the short-term maturity of these financial assets.

2) Loans and Receivables

Loans and receivables are net of provisions for impairment and unearned discounts. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3) Other Financial Assets

The carrying values of other financial assets approximate their fair values due to the short-term maturity of these financial assets.

4) Deposits Liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and without quoted market price is based on discounted cash flows using interest rates with similar remaining maturity.

5) Bills Payable

The estimated fair values of these liabilities represent the present value of the estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

6) Other Financial Liabilities

The carrying values of other financial liabilities (excluding statutory obligation), approximate their fair values due to the short-term maturity of these financial liabilities.

3.2 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the Bangko Sentral ng Pilipinas (BSP)
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank is covered by a separate risk-based capital adequacy framework referred by BSP as the Basel 1.5 Framework, which is the simplified version of Basel II in view of the simple operations of the Bank. The implementing guidelines of Basel 1.5 are contained in BSP Circular No. 688 dated May 28, 2010 which took effect on January 1, 2012. Salient features of the new requirements are a.) the increase in capital charge on real and other properties acquired (ROPA) to 15% to encourage faster disposition, b.) a capital charge on operational risk of 4% by 2012, 8% by 2013, and 12% by 2014 of average gross income to take into account other normal bank operating risks and c.) more transparency in periodic reports.

Bank's capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the BSP, for supervisory purposes. The required information is filed with the BSP on a regular basis. BSP requires each bank or banking group to: (a) hold the minimum level of the regulatory capital and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the 10% minimum. The Bank's regulatory capital as managed by its Management is divided into two tiers:

- Tier 1 (core plus Hybrid) capital: share capital (net of any book values of the treasury shares), retained earnings, undivided profits and reserves created by appropriations of retained earnings, less deferred income tax.
- Tier 2 (supplementary) capital: redeemable preferred stock, general loan loss provision and deposit for common stock subscription.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the years ended December 31. The Bank strictly observed the BSP imposed capital requirements during the two (2) years period.

	December 31	
	2 0 2 3	2 0 2 2
Tier 1 (core plus Hybrid) capital		
Paid up common stock	Ps. 190,433,500	Ps. 154,595,200
Paid up perpetual and non-cumulative preferred stock	-	-
Common stock dividends distributable	-	-
Retained earnings	77,992,703	69,322,850
Undivided profits	26,638,935	22,346,842
Total	295,065,138	246,264,892
Deduction from tier 1		
Deferred income tax	(11,069,861)	(7,100,637)
Tier 2 (supplementary) capital		
Upper tier 2 capital		
Limited life redeemable preferred stock	-	-
Sinking fund for redemption of limited life redeemable preferred stock	-	-
General loan loss provision	12,824,274	9,566,093
TOTAL QUALIFYING CAPITAL	Ps. 296,819,551	Ps. 248,730,348
Risk-weighted assets		
Total Risk-weighted on-balance sheet assets	Ps. 1,664,176,030	Ps. 1,359,749,056
Total operational risk-weighted assets	206,503,873	189,764,146
TOTAL RISK-WEIGHTED ASSETS	Ps. 1,870,679,903	Ps. 1,549,513,202
TIER 1 CAPITAL ADEQUACY RATIO	15.18%	15.43%
RISK-BASED CAPITAL ADEQUACY RATIO	15.87%	16.05%

Regulatory Capital

The BSP requires the bank with minimum capitalization of fifty million pesos (P50,000,000) for Rural Bank of Digos, Inc. having five (5) branches excluding branch lite units under Manual of Regulation for Banks.

The Bank had complied with all externally imposed capital requirements throughout the year.

NOTE 4 – CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumption that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgment in applying accounting policies

Below is the critical judgment apart from those involving estimations, that Management has made in the process of applying Bank's accounting policies and that has the most significant effect on the amounts recognized in the financial statements.

Evaluation of business model in managing financial assets and testing the cash flow characteristics

BSP Circular No. 1011 defines business model as the manner by which a portfolio of financial assets is managed to generate cash flows such as by collecting contractual cash flows or by both collecting contractual cash flows and selling the financial assets, among others.

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

The Bank upon adoption of PFRS 9, developed business model which reflect how it manages its portfolio of financial assets. The Bank's business model is not assessed at the Bank-wide level or as a whole but applied at the level of a portfolio of financial assets and not on an instrument-by-instrument basis.

In classifying financial assets under PFRS 9, the Bank evaluates in which business model a financial asset or a portfolio of financial asset belongs to taking into consideration the objectives of the business model established by the Bank as those relating to Bank's investment and lending strategies.

The Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest time value of money and credit risk associated with the principal amount outstanding.

Estimating the incremental borrowing rate in measuring lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank should have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects an estimation where no observable rates are available or when they need to be adjusted to reflect the terms and condition of the lease.

In determining a reasonable IBR, Bank management considers the term of the lease, the underlying asset and economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

The Bank measures its lease liabilities at the present value of the lease payments that are unpaid at the start date of the lease contract. The lease payments were discounted using the Bank's IBR.

Classification of financial instruments

The Bank classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument under PFRS 9. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

The classification of financial assets and financial liabilities is presented in Note 2.c.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded as at financial reporting date cannot be derived from active markets, they 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, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Disclosures of fair values of the Bank's financial assets and financial liabilities in a way that permit it to be compared with its carrying amounts are shown in Note 3.

Financial assets not quoted in an active market

The Bank classifies financial assets by evaluating, among other things, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value of ROPA classified as investment property

The Bank determines the fair value of ROPA classified as investment property through independent and/or in-house appraisers on the basis of recent sales of similar properties in the same area as the investment property. It also takes into account the economic conditions prevailing at the time the valuations were made as well as the physical condition of the properties.

The carrying amounts and fair values of investment property as at December 31, 2023 are disclosed in Note 8.

Classification of acquired properties

The Bank classifies its acquired properties as bank premises, furniture, fixtures, and equipment if used in operations, as assets held for sale if expected that the properties will be recovered through sale rather than use, as investment property if intended to be held for capital appreciation, for rental or for currently undetermined future use, or financial assets, if qualified as such in accordance with PFRS 9.

Leases

Bank as lessor under operating lease

The Bank has entered into property leases and has determined, based on an evaluation of the terms and conditions of the arrangement that it retains all the significant risks and rewards of ownership of those properties, thus, the leases are classified as operating leases.

Bank as lessee under finance lease

The Bank has entered into commercial property lease on the premises for its branches and has determined based on an evaluation of the terms and condition of the arrangements that the lessor retains

all the significant risks and rewards of ownership of these properties, thus, the lease is qualified as in scope of and accounted for in accordance with PFRS 16,"Leases".

Key sources of estimating uncertainty

Following are the key assumptions concerning the future and other key sources of estimating uncertainty 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.

Estimation of allowance for credit losses

Allowance for credit losses, which consists of both specific and general loan loss provision, represents management's estimate for impairment losses inherent in the loan portfolio after consideration of prevailing and anticipated economic conditions, prior loss experience and evaluations made by the BSP.

The Bank observes the BSP criteria and guidelines, including the adoption and implementation of an internal credit risk rating system. One component of which is the borrower's risk rating which requires an assessment of the creditworthiness of the borrower, focusing on the outlook for loan repayment without considering the type or amount of the facility, or its security arrangements.

Recoverability of specific receivables is evaluated based on the borrower's risk rating focusing on the borrower's credit quality based on factors such as the borrower's: a) stability, b) access to financial markets, c) ability to service debt, d) financial position strength, and e) external rating by agencies, where applicable.

The Bank complied with the requirements of Attachment 3 of the BSP Circular No. 1011, which sets out the basic guidelines in setting up allowance for credit losses on loans for financial institutions with credit operation that may not economically justify a more sophisticated loan loss estimation methodology. Management believes that the allowance for credit losses on loans and receivables computed using the Appendix 15 of BSP Circular No. 1011 would not result in an amount that is materially misstated had PFRS 9's ECL methodology been used and implemented for the loan portfolio.

The allowance for credit losses is established through provision for impairment losses charged to current operations. Loans are written off against the allowance for credit losses when management believes that the collectability of the principal is unlikely.

The total allowances for credit losses on loans and receivables amounted to Ps. 34,512,666 as at December 31, 2023; Ps. 29,024,420 as at December 31, 2022 (Note 6).

Impairment of non-financial assets

The Bank assesses at each financial reporting date whether there is an indication that the carrying amount of non-financial assets may be impaired. If any such indications exist, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. At the financial reporting date, the Bank assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Based on management's assessment, the carrying amounts of its non-financial assets are recoverable as of the financial reporting date. The net book values of investment property, bank premises, furniture, fixtures and equipment and other assets are disclosed in Notes 7, 8 and 10, respectively.

Recognition and determination realizable amount of deferred income tax

The Bank reviews the carrying amounts of deferred income tax at each financial reporting date and reduces them to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax to be utilized. Significant management judgment is required to determine the amount of deferred income tax that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimates of future taxable income indicate that temporary differences will be realized in the future. Deferred tax assets recognized in the statements of financial position amounted to Ps. 12,249,000 in 2023 (Ps. 9,224,090 in 2022), while deferred tax liability recognized amounted to Ps. 1,179,139 in 2023 (Ps. 2,123,453 in 2022) (Note 10).

Useful lives of bank premises, furniture, fixtures and equipment

The Bank estimates the useful lives of its property and equipment based on the period over which its assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the 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 property and equipment would increase recorded operating expenses and decrease non-current assets. Total carrying values of bank premises, furniture, fixtures and equipment amounted to Ps. 26,126,178 in 2023 (Ps. 29,321,563 in 2022).

Retirement cost

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement include the discount rate. Any changes in those assumptions will impact the carrying amount of retirement obligations.

The actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the interest rates of high-quality corporate bonds and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 13.

Income tax

The Bank makes significant judgment in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period.

The Bank reviews the carrying amounts of deferred income tax at the end of each reporting period and reduces the amounts to the extent that it is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

NOTE 5 – CASH AND OTHER CASH ITEMS / DUE FROM BANGKO SENTRAL NG PILIPINAS / DUE FROM OTHER BANKS

These consist of:

	December 31	
	2 0 2 3	2 0 2 2
Cash and other cash items	Ps. 32,893,013	Ps. 44,625,564
Due from Bangko Sentral Ng Pilipinas	31,496,418	34,125,159
Due from other banks	275,568,587	280,256,255
Total	Ps. 339,958,018	Ps. 359,006,978

Cash and other cash items include the Bank's cash in vault and check and other cash items in local currency received after banking hours. Due from Bangko Sentral Ng Pilipinas represents the balance of the Bank's demand deposit account to meet its reserve requirement. Due from other banks generally earn interest at rates based on daily bank rates maintained for the immediate cash requirements of the Bank. These deposits earn effective monthly interest ranging from 0% to 0.25% (0% to 0.25% in 2022).

NOTE 6 – LOANS AND RECEIVABLES, NET

Loans and receivables consist of:

	December 31	
	2 0 2 3	2 0 2 2
Current		
Other microenterprise loan	Ps. 2,317,355	Ps. 2,799,037
Agricultural	34,823,541	39,531,762
Micro-finance	4,916,123	6,553,195
Small-Medium Enterprise	184,509,196	184,710,413
Other Loans	1,074,387,522	749,012,324
Sales contract receivable	1,751,996	3,025,563
Unquoted debt securities classified as loans	591,208	823,158
Total Current	1,303,296,942	986,455,452
Past due		
Performing	12,295,102	11,472,873
Non-Performing	16,436,330	18,622,122
Items in litigation	5,700,999	4,968,366
Total	1,337,729,372	1,021,518,813
Unearned income and discount	(320,926)	(626,107)
Allowance for probable losses	(34,215,666)	(29,024,420)
Loans and Receivables – Net	Ps. 1,303,192,780	Ps. 991,868,286
Current	Ps. 1,303,296,942	Ps. 986,455,452
Non-current	34,432,431	35,063,361
Total	Ps. 1,337,729,372	Ps. 1,021,518,813

The credit arrangement with the borrowers mainly set out the operational terms of the loan accommodation, such as the amount borrowed, repayment schedule (usually monthly payable on installments or at maturity dates), interest rate (ranges from 5% to 30% per month, based on outstanding balance), service and handling fees (3.3% - 5.7% per month on unpaid amount).

The following are the brief description of the Bank's loan facilities:

- Other microenterprise loan refers to the amortized cost of loans granted to private corporations, which include partnerships, single proprietorship and cooperatives.
- Agricultural loans include Agrarian Reform Loans and Other Agricultural Credit Loans. Agrarian Reform Loans refer to the amortized cost of production and other types of loans granted to beneficiaries of agrarian reform, namely: tillers, tenant farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers, cooperatives and compact farms, as provided

for in Presidential Decree (P.D.) 717. While Other Agricultural Credit Loans refer to the amortized cost of loans granted to borrowers who are not beneficiaries of agrarian reform to finance activities relating to agricultural and processing, marketing, storage and distribution of products resulting from these activities.

- Microfinance loans refer to the amortized cost of small loans granted to the basic sectors, as defined in the Social Reform and Poverty Alleviation Act of 1997 (Republic Act 8425), and other loans granted to the poor and low-income households for their microenterprises and small businesses so as to enable them to raise their income levels and improve their living standards.
- Small and Medium Enterprises Loans refer to the amortized cost of loans granted to any business activity or enterprises engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have a value falling under the following categories: i.) Small Scale Enterprises: Ps. 3,000,000.00 – Ps. 15,000,000.00; Medium Scale Enterprises: Ps. 15,000,000.00 – Ps. 100,000,000.00.
- Other loans include 1.) Loans to Individual for Housing Purposes, 2.) Loans to Individual for Consumption and 3.) Loans to Individual for Other Purposes. Loans to Individual for Housing Purposes refer to the amortized cost of loans granted to individuals for housing purposes, which may be for the acquisition, construction or improvement of a residential unit other than those categorized under Socialized and Low-Cost Housing. Loans to Individual for Consumption refer to the amortized cost of loans for a broad range of consumption purposes, granted to individuals mainly on the basis of regular salary, pension or other fixed compensation, where repayment would come from such future cash flows, either through salary deductions, debits from the borrower's deposits account, mobile payments, pay-through collections, over-the-counter payments or other type of payment arrangement agreed upon by the borrower and lender. Loans to Individual for Other Purposes refer to the amortized cost of other loans granted to individuals that cannot be classified under any of the foregoing classifications.
- Sales contract receivables refer to the amortized cost of assets acquired in settlement of loans through foreclosure or dation 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.
- Unquoted debt securities classified as loans consist of 10-year agrarian reform bonds issued by the Land Bank of the Philippines that is bearing a market rates of interest based on the average 91-day Treasury Bill rates that will mature in various years up to 2026. Interest income for the period amounted to Ps. 24,559 (Ps. 10,319 in 2022).

Loans amounting to Ps. 294,543,535 in both years are pledged as collateral to the Land Bank of the Philippines to secure loans under rediscounting privilege amounting to Ps. 231,195,003 (Ps. 232,639 in 2022).

Credit facilities were extended to the following sectors: agricultural, 3% (5% in 2022) and commercial, 15% (40% in 2022).

DOSRI loans comprised 0.71% in 2023 (1.23% in 2022) of the total loans and receivables. Details of the DOSRI loans are shown in Note 22.

Details of total loan portfolio are shown below:

	December 31	
	2 0 2 3	2 0 2 2
Secured by:		
REM/Chattel Mortgage	Ps. 255,918,227	Ps. 260,779,500
Hold-out deposits	3,608,897	2,703,641
Unsecured loans	1,075,681,217	753,873,319
Unsecured sales contract receivable	1,929,823	3,339,195
Unsecured unquoted debt securities classified as loans/HTM	591,208	823,158
Total	Ps.1,337,729,372	Ps.1,021,518,813

Details of secured loans are shown below:

Types of Loans	Security	December 31	
		2 0 2 3	2 0 2 2
Current			
Agricultural	REM	Ps. 28,065,953	Ps. 33,865,826
SME	REM	147,059,966	142,500,811
Other microenterprise loan	REM / Chattel	-	-
Other Loans	REM / Chattel	73,391,361	68,091,832
Past Due Loans	REM / Chattel	6,993,600	16,321,031
Items in Litigation	REM / Chattel	-	-
Total Loans secured by REM/Chattel		255,510,880	260,779,500
Other Loans	Hold out deposit	4,016,244	2,703,641
Agricultural	AGFP		
Total		Ps. 259,527,125	Ps. 263,483,141

Movement in allowance for probable losses follows:

	December 31	
	2 0 2 3	2 0 2 2
Balance, January 1	Ps. 29,024,420	Ps. 25,170,096
Provision for loan impairment	20,588,424	20,050,843
Loans written off during the year as uncollectible	(6,567,663)	(4,838,850)
Amounts recovered during the year	(8,829,515)	(11,357,669)
Balance, December 31	Ps. 34,215,666	Ps. 29,024,420

Details of allowance for probable losses are shown below:

	December 31	
	2 0 2 3	2 0 2 2
Individually assessed loans	Ps. 2,940,566	Ps. 8,129,242
Collectively assessed loans	31,275,100	20,895,178
Total	Ps. 34,215,666	Ps. 29,024,420

Details of Individually assessed loans and receivables and the allowance for probable loan loss are shown below:

December 31, 2023	Current	Especially Mentioned	Substandard	Doubtful	Loss	Total
Agricultural	Ps. 19,528,654	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 19,528,654
Other microenterprise loan	-	-	-	-	-	-
SME	151,648,439	-	-	-	-	151,648,439
Micro-finance	-	-	-	-	-	-
Other	59,069,050	-	2,826,838	-	-	61,895,888
Sales contract receivable	1,388,313	-	177,827	-	-	1,566,140
Unquoted deb securities	591,208	-	-	-	-	591,208
Total	Ps. 232,225,664	Ps. -	Ps. 3,004,664	Ps. -	Ps. -	Ps. 235,230,328
Provision	Ps. 2,293,793	Ps. -	Ps. 646,772	Ps. -	Ps. -	Ps. 2,940,566

December 31, 2022	Current	Especially Mentioned	Substandard	Doubtful	Loss	Total
Agricultural	Ps. 15,741,670	Ps. 8,395,949	Ps. 900,000	Ps. -	Ps. 2,047,000	Ps.27,084,619
Other microenterprise loan	-	-	-	-	-	-
SME	134,796,249	11,410,612	3,537,215	-	661,207	150,405,283
Micro-finance	-	-	-	-	-	-
Other	161,381,605	759,292	990,000	-	-	163,130,897
Sales contract receivable	2,537,937	-	313,632	-	-	2,851,569
Unquoted deb securities	823,158	-	-	-	-	823,158
Total	Ps. 315,280,619	Ps. 20,565,853	Ps. 5,740,847	Ps. -	Ps. 2,708,207	Ps.344,295,526
Provision	Ps. 3,139,575	Ps. 1,028,293	Ps. 1,253,167	Ps. -	Ps. 2,708,207	Ps. 8,129,242

Details of collectively assessed loans and receivables and the allowance for probable loan loss are shown below:

December 31, 2023	Current	Especially Mentioned	Substandard	Doubtful	Loss	Total
Agricultural	Ps. 15,437,841	Ps. 187,962	Ps. 301,515	Ps. -	Ps. 300,000	Ps. 16,227,319
Other microenterprise loan	2,317,355	-	-	-	1,218,650	3,536,005
SME	32,860,758	1,196,743	1,497,816	284,687	5,852,259	41,692,263
Micro-finance	4,906,821	372,027	262,641	87,741	817,124	6,446,354
Other	1,000,065,208	16,514,132	6,042,337	2,264,102	9,347,641	1,034,233,420
Sales contract receivable	363,683	-	-	-	-	363,683
Total	Ps. 1,055,951,667	Ps. 18,270,863	Ps. 8,104,310	Ps. 2,636,530	Ps. 17,535,674	Ps.1,102,499,044
Provision	Ps. 10,548,000	Ps. 365,417	Ps. 1,683,871	Ps.1,142,137	Ps. 17,535,674	Ps. 31,275,100

December 31, 2022	Current	Especially Mentioned	Substandard	Doubtful	Loss	Total
Agricultural	Ps. 19,347,339	Ps. 225,000	Ps. 468,971	Ps. 907,000	Ps. 18,000	Ps. 20,966,310
Other						
microenterprise loan	2,799,037	-	-	-	1,276,480	4,075,517
SME	38,503,551	153,039	404,091	-	3,434,953	42,495,635
Micro-finance	6,530,550	165,544	56,774	115,914	1,019,709	7,888,491
Other	580,154,224	8,651,487	3,653,467	1,950,596	6,899,932	601,309,705
Sales contract receivable	487,625	-	-	-	-	487,625
Total	Ps. 647,822,326	Ps. 9,195,070	Ps. 4,583,303	Ps. 2,973,510	Ps.12,649,074	Ps.677,223,283
Provision	Ps. 6,456,774	Ps. 183,901	Ps. 434,484	Ps.1,170,585	Ps.12,649,074	Ps. 20,895,178

NOTE 7 – BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, NET

Bank premises, furniture, fixtures and equipment consist of:

	C O S T			ACCUMULATED DEPRECIATION			Net book Value
	12-31-22	Addition (disposal)	12-31-23	12-31-22	Depreciation (retirement)	12-31-23	
2023							
Land	Ps. 8,810,262	Ps. -	Ps. 8,810,262	Ps. -	Ps. -	Ps. -	Ps. 8,810,262
Building	11,219,093	-	11,219,093	6,326,627	10,118	6,336,745	4,882,348
Building under Construction							
Leasehold rights and improvements	3,192,922	383,794	3,576,716	3,036,940	109,169	3,146,109	430,607
Furniture, and fixtures	8,371,579	69,880	8,441,459	7,595,499	248,769	7,844,268	597,191
Transportation equipment	8,652,212	1,245,900	9,898,112	5,028,873	954,263	5,983,136	3,914,976
Right-of-use asset	15,688,264	-	15,688,264	6,892,671	3,472,074	10,364,745	5,323,519
Other Equipment and Information technology	16,617,707	1,374,450	17,992,157	14,349,866	1,475,016	15,824,882	2,167,275
Total	Ps. 72,552,039	Ps. 3,074,024	Ps. 75,626,063	Ps. 37,230,476	Ps. 6,269,409	Ps. 49,499,885	Ps. 26,126,178
	C O S T			ACCUMULATED DEPRECIATION			Net book Value
	12-31-21	Addition (disposal)	12-31-22	12-31-21	Depreciation (retirement)	12-31-22	
2022							
Land	Ps. 8,810,262	Ps. -	Ps. 8,810,262	Ps. -	Ps. -	Ps. -	Ps. 8,810,262
Building	11,219,093	-	11,219,093	6,164,893	161,734	6,326,627	4,892,466
Building under Construction							
Leasehold rights and improvements	3,189,793	3,129	3,192,922	2,951,615	85,325	3,036,940	155,982
Furniture, and fixtures	8,071,673	299,906	8,371,579	7,371,290	224,209	7,595,499	776,080
Transportation equipment	7,006,492	1,645,720	8,652,212	6,405,953	(1,377,080)	5,028,873	3,623,339
Right-of-use asset	14,658,709	1,029,555	15,688,264	3,420,597	3,472,074	6,892,671	8,795,593
Other Equipment and Information technology	16,219,654	398,053	16,617,707	12,845,928	1,503,938	14,349,866	2,267,841
Total	Ps.69,175,676	Ps. 3,376,363	Ps. 72,552,039	Ps.39,160,276	Ps. 4,070,200	Ps. 37,230,476	Ps. 29,321,563

Details of the addition and depreciation follows:

	December 31	
	2 0 2 3	2 0 2 2
Cost		
Addition	Ps. 3,074,024	Ps. 4,618,590
Disposal	-	(2,271,782)
Addition – net of disposal	Ps. 3,074,024	Ps. 2,346,808
Accumulated depreciation		
Depreciation	Ps. 2,797,335	Ps. 2,707,948
Retirement	-	(2,109,822)
Provision – net of retirement	Ps. 2,797,335	Ps. 598,126

An analysis of the right-of-use asset is shown below:

	2 0 2 3	2 0 2 2
Right-of-use asset:		
Balance at January 1	Ps. 8,795,593	Ps. 11,238,112
Discounted using the Bank's incremental borrowing rate of 3%		1,029,555
Less: Depreciation	(3,472,074)	(3,472,074)
Right-of-use asset recognized as at December 31	Ps. 5,323,519	Ps. 8,795,593

NOTE 8 – INVESTMENT PROPERTY, NET

Investment property acquired consist of:

	December 31			
	2 0 2 2	Addition	Disposal	2 0 2 3
Land and building	Ps. 25,476,982	Ps. 4,322,130	Ps. 3,949,954	Ps. 25,849,160
Accumulated depreciation – building	(1,092,366)	(155,765)	(16,703)	1,231,430
Allowance for losses	(581,792)	-	(379,458)	202,334
NET	Ps. 23,802,824	Ps. 4,166,364	Ps. 3,553,793	Ps. 24,415,396
Fair values				
Land	Ps. 50,263,294	Ps. -	Ps. -	Ps. 52,595,284
Building	15,031,378	-	-	20,243,043
Total	Ps. 65,294,672	Ps. -	Ps. -	Ps. 72,838,327
	2 0 2 1	Addition	Disposal	2 0 2 2
Land and building	Ps. 25,583,494	Ps. 7,108,733	Ps. 7,215,245	Ps. 25,476,982
Accumulated depreciation – building	(857,437)	(556,364)	(321,435)	(1,092,366)
Allowance for losses	(1,930,255)	-	(1,348,463)	(581,792)
NET	Ps. 22,795,802	Ps. 6,552,369	Ps. 5,545,347	Ps. 23,802,824
Fair values				
Land	Ps. 36,300,683	Ps. -	Ps. -	Ps. 50,263,294
Building	10,879,858	-	-	15,031,378
Total	Ps. 47,180,541	Ps. -	Ps. -	Ps. 65,294,672

Substantially all of the real and other properties acquired meet the criteria to be classified as investment property, except its fair value cannot be measured reliably on an ongoing basis. They are measured initially at its cost plus any transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless (a) the exchange transaction lacks commercial

substance, or (b) the fair value of neither the asset received nor the asset given up is reliably measurable in which case the investment property acquired is measured at the carrying amount of asset given up.

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dation in payment are classified under 'Investment property' upon: (1) entry of judgment in case of judicial foreclosure; (2) execution of the Sheriff's Certificate of Sale in case of extrajudicial foreclosure; and (3) notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

Subsequent to initial recognition, investment property, except for land, are stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed on the straight-line method using the remaining useful life of the asset but shall not exceed ten years. Land is stated at cost less any impairment in value.

Investment property are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any resulting gain or loss from the retirement or disposal of an investment property is included in profit or loss in the period of retirement or disposal.

Expenditures incurred after the investment property have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Transfers are made to investment property when, and only 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.

NOTE 9 – DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	December 31	
	2023	2022
Deferred tax asset	Ps. 12,249,000	Ps. 9,224,090
Deferred tax liability	(1,179,139)	(2,123,453)
Total	Ps. 11,069,861	Ps. 7,100,637

The gross movement on the deferred tax assets account is as follows:

	Deferred tax assets				Deferred tax liabilities	Right-of-use asset	Grand Total
	Provision for probable losses	Retirement benefit obligations	Lease liability	Total			
Balance at December 31, 2021	Ps. 3,695,639	Ps. 1,560,535	Ps. 2,757,613	Ps. 8,013,787	(Ps. 131,180)	(Ps. 2,809,528)	Ps. 5,073,079
Provisions during the year	2,357,558	-	-	2,357,558	-	-	2,357,558
Remeasurement on RBO	-	(299,318)	-	(299,318)	-	-	(299,318)
Depreciation of RUA	-	-	-	-	-	868,019	868,019
Rental expense of lease liability	-	-	(847,937)	(847,937)	-	-	(847,937)
Unamortized discounts	-	-	-	-	(50,764)	-	(50,764)
Balance at December 31, 2022	Ps. 6,053,197	Ps. 1,261,217	Ps. 1,909,676	Ps. 9,224,090	(Ps. 181,944)	(Ps. 1,941,509)	Ps. 7,100,637

	Deferred tax assets				Deferred tax liabilities	Right-of-use asset	Grand Total
	Provision for probable losses	Retirement benefit obligations	Lease liability	Total			
Balance at December 31, 2022	Ps. 6,053,197	Ps. 1,261,217	Ps. 1,909,676	Ps. 9,224,090	(Ps. 181,944)	(Ps. 1,941,509)	Ps. 7,100,637
Provisions during the year	4,024,229	-	-	4,024,229	-	-	4,024,229
Remeasurement on RBO	-	50,872	-	50,872	-	-	50,872
Depreciation of RUA	-	-	-	-	-	868,019	868,019
Rental expense of lease liability	-	-	(1,117,685)	(1,117,685)	-	-	(1,117,685)
Interest expense on lease liability	-	-	67,494	67,494	-	-	67,494
Unamortized discounts	-	-	-	-	76,295	-	76,295
Balance at December 31, 2023	Ps. 10,077,426	Ps. 1,312,089	Ps. 859,485	Ps. 12,249,000	(Ps. 105,649)	(Ps. 1,073,490)	Ps. 11,069,861

NOTE 10 – OTHER RESOURCES

Other resources consist of:

Brief Description	December 31			
	2023	2022	2023	2022
Receivables, net	Ps. 2,854,832		Ps. 2,310,006	
Accrued interest income from financial assets, net	1,328,427		2,210,077	
Stationery and supplies	1,408,897		1,423,595	
Prepaid expenses	2,051,624		872,219	
Petty cash fund	53,000		52,000	
Miscellaneous assets	1,104,481		104,481	
Total	Ps. 8,801,261		Ps. 6,972,378	

The major increase in receivables, net are the POS withdrawals during last working days of the month due from Land Bank of the Philippines.

Prepaid expenses are expenses paid in advance and recorded as asset. They are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred.

Unused office stationaries and supplies are valued at the lower of cost or net realizable value, in conformity with PAS 2 (Revised 2003), "Inventories".

The carrying amount of the other resources account approximates its fair values.

NOTE 11 – DEPOSIT LIABILITIES

Deposit liabilities consist of:

	December 31	
	2 0 2 3	2 0 2 2
Demand	Ps. 29,349,283	Ps. 38,770,685
Savings	776,498,725	729,411,839
Time	321,112,983	357,608,504
Total	Ps. 1,126,960,991	Ps. 1,125,791,028
Current	Ps. 507,432,867	Ps. 262,136,519
Non-current	619,528,124	863,654,509
Total	Ps. 1,126,960,991	Ps. 1,125,791,028

Deposits held by DOSRI clients comprised 50.22% in 2023 (50.42% in 2022) of the total deposit liabilities. Details of the DOSRI deposits are shown in Note 22.

Savings and time deposits have fixed interest rates.

NOTE 12 – BILLS PAYABLE

This is payable to Land Bank of the Philippines representing various rediscounted supervised notes secured by deed of assignment on the said notes (see Note 6). The loan will mature in 2023 with interest rates of 5% per annum in 2022; while in 2021, the loan will mature in various dates in 2022, 2023 and 2024 with interest rates ranging from 3.75% to 7.25% per annum.

Interest paid on bills payable amounted to Ps. 932,580 in 2023 and Ps. 25,982 in 2022.

NOTE 13 – RETIREMENT BENEFIT OBLIGATIONS

Defined Contribution Plan

The employees of the Bank are members of a contributory social insurance program operated by a government controlled agency that provides retirement and health benefits. The Bank is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Bank with respect to the retirement benefit plans is to make the specified contributions.

The total expense recognized in profit or loss of Ps. 1,135,895 (Ps.1,252,364 in 2022) represents contributions payable to this plan by the Bank at rates specified in the rules of the plan. As at December 31, 2023, contributions of Ps. 55,094 (Ps. 1,495,101 in 2022) due in respects of the 2023 and 2022 reporting period had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

Defined Benefit Plan

The Bank sponsors a non-contributory funded defined benefit plan for its qualifying employees. The plan is administered by separate fund that is legally separated from the Bank. The Committee of the retirement plan is composed of an equal number of representatives from the employer and employees. The Committee is required by the retirement plan agreement to act in the interest of the fund and of all relevant stakeholders in the scheme. The Committee of the retirement plan is responsible for the investment policy with regard to the assets of the fund. The Committee has appointed a Trustee to assist in the general administration and the management of the retirement fund. The Trustee may seek the advice of counsel and appoint investment manager or managers to manage the retirement fund, an independent accountant to audit the fund and an actuary to value the retirement fund.

Under the plan, the employees are entitled to a lump sum retirement benefit equal to one-half (1/2) month's final salary for every year of service until the retirement age of sixty (60), where one-half (1/2) month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and cash equivalent of not more than five (5) days service incentive leaves.

The plan typically exposes the Bank to number of risks, the most significant of which are detailed below:

1. Investment risk or asset volatility

The present value of the defined benefit plan liability is calculated using the discount rate determined based on the PDEx (Philippine Dealing Exchange PDST-R2) benchmark market yields on government bonds as of valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation. If the return on plan asset is below the discount rate, it will create a plan deficit. Currently, the plan has a relatively balanced investment in debt instruments and cash and cash equivalents. Due to the long-term nature of the plan liability, the Committee of the retirement plan considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and other long-term securities to leverage the return generated by the fund.

2. Interest risk

A decrease in bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt instruments and in the value of the plan's bond holdings.

3. Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of the plan participants. As such, an increase in the future salary of the plan participants will increase the plans' liabilities.

4. Longevity risk

The present values of the defined benefit obligation are calculated by reference to the best estimate of the mortality of the plan participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2023 by independent actuaries.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The Bank, in consultation with the Trustee, is developing an asset-liability matching (ALM) framework to achieve long-term investments that are in line with the obligations under the retirement plan. Within this framework, the Bank's ALM's objective is to match assets to the retirement obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due.

There are no expected future contributions for the year ended December 31, 2023.

The weighted average duration of the defined benefit obligation is 6 years.

The expected maturity analysis of undiscounted future benefit payments are shown below:

Financial Year	December 31	
	2 0 2 3	2 0 2 2
Year 1	Ps. 4,225,993	Ps. 2,901,876
Year 2	3,830,280	2,836,365
Year 3	3,465,025	2,819,850
Year 4	3,124,125	2,716,196
Year 5	3,044,497	2,601,134
Year 6 – Year 10	10,733,999	11,711,935
Total	Ps. 28,423,919	Ps. 25,587,356

The net defined liability / (asset) recognized in the statement of financial position is shown below:

	December 31	
	2 0 2 3	2 0 2 2
Defined benefit obligation, ending	Ps. 19,198,353	Ps. 16,389,962
Fair value of plan assets, ending	(17,858,969)	(16,334,868)
Funded status - Deficit / (surplus)	1,339,384	55,094
Effect of asset ceiling		-
Net defined benefit liability to be recognized (Note 10)	Ps. 1,339,384	Ps. 55,094

Changes in the present value of the defined benefit obligation are as follows:

	December 31	
	2 0 2 3	2 0 2 2
Defined benefit obligation, beginning	Ps. 16,389,962	Ps. 17,776,782
Interest expense	1,183,355	904,838
Current service cost	1,133,906	1,182,665
Benefits paid from plan assets	-	(1,243,577)
Actuarial (gain) / loss – changes in financial assumptions	906,268	(1,982,214)
Actuarial (gain) / loss – changes in demographic assumptions	(267,237)	(724,562)
Actuarial (gain) / loss – experience	(147,901)	476,030
Defined benefit obligation, ending	Ps. 19,198,353	Ps. 16,389,962

Changes in the present value of plan assets are as follows:

	December 31	
	2 0 2 3	2 0 2 2
Fair value of plan assets, beginning	Ps. 16,334,868	Ps. 16,281,681
Interest income	1,181,366	835,139
Contributions	55,094	1,495,101
Benefits paid from plan assets	-	(1,243,577)
Remeasurement gain / (loss) – Return on Plan Assets	287,641	(1,033,476)
Fair value of plan assets, ending	Ps. 17,858,969	Ps. 16,334,868

The fair value of the plan assets at the end of the reporting period for each of the category are as follows:

	December 31	
	2 0 2 3	2 0 2 2
Cash and cash equivalents	Ps. 3,600,504	Ps. 3,443,019
Debt instruments		
Government Bonds	17,778,200	12,891,849
Others	-	-
Total	Ps. 21,378,704	Ps. 16,334,868

The fair values of the above assets are determined based on mark-to-market valuation. While no significant changes in asset allocation that are expected in the next financial year, the Trustee may make changes at any time.

The plan deficit / (surplus) is shown below:

	December 31	
	2 0 2 3	2 0 2 2
Defined benefit obligation, ending	Ps. 19,198,353	Ps. 16,389,962
Fair value of plan assets, ending	(17,858,969)	(16,334,868)
Funded status - Deficit / (surplus)	Ps. 1,339,384	Ps. 55,094

The asset ceiling is shown below:

	December 31	
	2 0 2 3	2 0 2 2
Present value of reductions in future contributions	N/A	N/A
Asset ceiling limit	N/A	N/A

The defined benefit cost recognized in other comprehensive income is shown below:

	December 31	
	2 0 2 3	2 0 2 2
Accumulated other comprehensive income, beginning	(Ps. 2,324,465)	(Ps. 1,127,195)
Deferred tax effect	-	-
Effect of change in tax rate	-	-
Net Accumulated other comprehensive income, beginning	(2,324,465)	(1,127,195)
Actuarial (gains) / losses - DBO	491,130	(2,230,746)
Remeasurement (gain) / loss – plan assets	(287,641)	1,033,476
Remeasurement (gain) / loss – changes in the effect of the asset ceiling	-	-
Defined benefit cost in OCI – Expense / (Income)	203,489	(1,197,270)
Deferred tax effect	-	-
Net Defined benefit cost in OCI – Expense / (Income)	203,489	(1,197,270)
Net Accumulated other comprehensive income, ending	(Ps. 2,120,976)	(Ps. 2,324,465)

The movement in the liability recognized in the statements of financial position is as follows:

	December 31	
	2 0 2 3	2 0 2 2
Beginning net defined benefit liability / (asset)	Ps. 55,094	Ps. 1,495,101
Defined benefit cost recognized in P&L – expense / (income)	1,135,895	1,252,364
Defined benefit cost recognized in OCI – expense / (income)	203,489	(1,197,270)
Contributions	(55,094)	(1,495,101)
Benefits paid directly from book reserve	-	-
Closing net defined benefit liability / (asset)	Ps. 1,339,384	Ps. 55,094

The amounts recognized in the profit or loss are as follows:

	December 31	
	2 0 2 3	2 0 2 2
Current service cost	Ps. 1,133,906	Ps. 1,182,665
Past service cost - curtailment	-	-
Service cost	1,133,906	1,182,665
Interest expense	1,183,355	904,838
Interest income on plan assets	(1,181,366)	(835,139)
Interest on the effect of the asset ceiling	-	-
Net interest on the defined benefit liability / (asset)	1,989	69,699
Defined benefit cost in profit and loss – expense / (income)	Ps. 1,135,895	Ps. 1,252,364

Actual return on plan assets is shown below:

	December 31	
	2 0 2 3	2 0 2 2
Interest income	Ps. 1,181,366	Ps. 835,139
Remeasurement gain / (loss)	287,641	(1,033,476)
Actual return	Ps. 1,469,007	(Ps. 198,377)

The principal annual actuarial assumptions used are as follows:

	December 31	
	2 0 2 3	2 0 2 2
Discount rate	6.10%	7.22%
Salary increase rate	8.00%	8.00%

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and attrition rates. The sensitivity analysis below has been determined based on reasonable changes of the respective assumptions occurring at the end of the reporting period while holding other assumptions constant.

	December 31, 2023		December 31, 2022	
Decrease in DBO due to 100 bps increase in discount rate	(Ps. 812,979)	4.20%	(Ps. 803,647)	4.90%
Increase in DBO due to 100 bps decrease in discount rate	882,176	4.60%	880,788	5.40%
Increase in DBO due to 100 bps increase in salary increase rate	Ps. 857,730	4.50%	Ps. 865,723	5.30%
Decrease in DBO due to 100 bps decrease in salary increase rate	(806,415)	4.20%	(805,218)	4.90%
Increase in DBO, no attrition rates	Ps. 8,083,680	42.10%	Ps. 4,412,490	26.90%

The sensitivity analysis above may not be representative of the actual change in the defined benefit obligation as the changes assumed to reasonably possible at the valuation date are open to subjectivity and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

Moreover, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

NOTE 14 – OTHER LIABILITIES

Other liabilities consist of:

		December 31	
Brief Description		2 0 2 3	2 0 2 2
Accrued expenses	Accrued expenses are mainly composed of accrued salaries and wages	Ps. 11,562,641	Ps. 10,982,903
Accounts payable	Accounts payable are mainly composed of SSS pensions, deposits for redemption, insurance payments collected and documentary stamps payable.	2,956,735	2,317,412
Accrued interest payable	Interest incurred/due but not yet paid on time deposits and bills payable	7,219,179	2,546,313
Accrued taxes payable	Gross receipts tax payable	3,028,922	2,590,399
Dividend payable	Unpaid cash dividends to stockholders	772,077	873,216
Lease liability	Represents long-term lease contracts	5,068,383	9,269,147
Others	Consist of unclaimed balance due to the treasurer of the Philippines, EWT and other miscellaneous	23,818,869	10,852,388
Total		Ps. 54,426,806	Ps. 39,431,778

An analysis of the lease liability is shown below:

	2 0 2 3	2 0 2 2
Lease liability:		
Balance at January 1	Ps. 9,269,147	Ps. 11,361,366
Discounted using the Bank's incremental borrowing rate of 3%		1,029,555
Add: Interest expense	269,975	269,975
Less: Lease payments	(4,470,740)	(3,391,749)
Lease liability recognized as at December 31	Ps. 5,068,383	Ps. 9,269,147

NOTE 15 – CAPITAL STOCK

Capital stock consists of:

	December 31, 2023		December 31, 2022	
	Number of shares	Amount	Number of shares	Amount
Authorized capital stock				
Common shares	2,000,000	Ps. 200,000,000	1,941,813	Ps. 194,181,300
Preferred shares	-	-	58,187	5,818,700
Total	2,000,000	Ps. 200,000,000	2,000,000	Ps. 200,000,000

Analysis of capital stock is shown below:

	Number of shares				Amount		
	Preferred shares	Common Shares	Total		Preferred Shares	Common shares	Total
<u>Issued and outstanding</u>							
Balance at							
December 31, 2021	217	1,445,354	1,445,571	Ps.	21,700	Ps.144,535,400	Ps. 144,557,100
Issuance of shares	-	100,598	100,598		-	10,059,800	10,059,800
Subscribed shares	-	-	-		-	-	-
Subscription							
receivable	-	-	-		-	-	-
Redemption	(217)	-	(217)		(21,700)	-	(21,700)
Balance at							
December 31, 2022	-	1,545,952	1,545,952	Ps.	-	Ps. 154,595,200	Ps. 154,595,200
Issuance of shares	-	358,383	358,383		-	35,838,300	35,838,300
Subscribed shares	-	-	-		-	-	-
Subscription							
receivable	-	-	-		-	-	-
Redemption	-	-	-		-	-	-
Balance at							
December 31, 2023	-	1,904,335	1,904,335	Ps.	-	Ps. 190,433,500	Ps. 190,433,500

Analysis of capital stock in number of shares is shown below:

	PREFERRED SHARES			COMMON SHARES		
	Subscribed	Outstanding Shares	Total	Subscribed	Outstanding Shares	Total
Balance at						
December 31, 2021	217	217	217	1,355,046	1,445,354	1,445,354
Issuance of stocks	-	-	-	-	100,598	100,598
Subscribed Shares	-	-	-	-	-	-
Redemption	(217)	(217)	(217)	-	-	-
Balance at						
December 31, 2022	-	-	-	1,355,046	1,545,952	1,545,952
Issuance of stocks	-	-	-	-	358,383	358,383
Subscribed Shares	-	-	-	-	-	-
Redemption	-	-	-	-	-	-
Balance at						
December 31, 2023	-	-	-	1,355,046	1,904,335	1,904,335

NOTE 16 – RETAINED EARNINGS, APPROPRIATED AND OTHER RESERVE

Retained earnings represent accumulated earnings of the Bank. Free retained earnings represent accumulated earnings available for dividend declaration subject to certain adjustments and conditions set by regulators, while appropriated retained earnings represent portion allocated by the Bank's Board of Directors for the retirement of employees.

Retained earnings and other reserve

Movements in retained earnings and other reserve:

	OTHER RESERVE	RETAINED EARNINGS			GRAND TOTAL
		Free	Appropriated	Total	
Balance at January 1, 2022	Ps. 1,127,195	Ps. 85,382,272	Ps. 21,700	Ps. 85,403,972	Ps. 86,530,917
Other comprehensive income, net	897,952	-	-	-	897,952
Recognized ACL for ROPA accounts, as per BSP adjustment	-	(1,801,675)	-	(1,801,675)	(1,801,675)
Reclassify ACL for ROPA accounts, as per BSP adjustment	-	174,404	-	174,404	174,404
Profit for the year	-	22,346,842	-	22,346,842	22,346,842
Total	897,952	20,719,571	-	20,719,571	21,617,523
Transactions with owners					
Reversal of appropriation	-	21,700	(21,700)	-	-
Cash dividend relating to 2022	-	(14,453,850)	-	(14,453,850)	(14,453,850)
Total transaction with owners	-	(14,432,150)	(21,700)	(14,453,850)	(14,453,850)
Balance at December 31, 2022	Ps. 2,025,148	Ps. 91,669,692	Ps. -	Ps. 91,669,692	Ps. 93,694,840
	OTHER RESERVE	RETAINED EARNINGS			GRAND TOTAL
		Free	Appropriated	Total	
Balance at January 1, 2023	Ps. 2,025,148	Ps. 91,669,692	Ps. -	Ps. 91,669,692	Ps. 93,694,840
Other comprehensive income, net	(152,618)	-	-	-	(152,618)
Profit for the year	-	26,638,935	-	26,638,935	26,638,935
Total	(152,618)	26,638,935	-	26,638,935	26,486,318
Transactions with owners					
Reversal of appropriation	-	(90,000)	-	(90,000)	(90,000)
Cash dividend relating to 2023	-	(15,459,520)	-	(15,459,520)	(15,459,520)
Total transaction with owners	-	(15,549,520)	-	(15,549,520)	(15,549,520)
Balance at December 31, 2023	Ps. 1,872,531	Ps. 102,759,107	Ps. -	Ps. 102,759,107	Ps. 104,631,638

On February 21, 2023, the Bank's Board of Directors, with the concurrence of the stockholders, declared cash dividend of Ps. 15,459,520 or Ps. 10 per share for common shares and 1.43% per share for common shares to stockholders of record as of December 31, 2022.

On February 15, 2022, the Bank's Board of Directors, with the concurrence of the stockholders, declared cash dividend of Ps. 14,453,850 or Ps.10 per share for common shares and 1.43% per share for common shares to stockholders of record as of December 31, 2021.

Other reserve

Other reserves pertains to the remeasurement of retirement benefit obligation. This reserve account is used to recognize changes in the Bank's non-contributory defined benefit plan due to:

- change in demographic assumptions
- changes in financial assumptions
- deviation of experience from assumptions

The cumulative amount is not reclassified to profit or loss.

NOTE 17 – MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities grouped according to when they are expected to be recovered or settled. With regard to loans and receivable, the Bank uses the same basis of expected repayment behavior as used for estimating the effective interest rate.

As at December 31, 2023	Within 12 months (Current)	After 12 months (Non-Current)	Total
Assets			
Cash and other cash items	Ps. 32,893,013	Ps. -	32,893,013
Due from Bangko Sentral Ng Pilipinas	-	31,496,418	31,496,418
Due from other banks	275,568,587	-	275,568,587
Loans and receivables, net	138,261,300	1,164,931,480	1,303,192,780
Bank premises, furniture, fixtures and equipment, net	-	26,126,178	26,126,178
Real and other properties acquired	-	24,415,396	24,415,396
Deferred tax asset	-	12,249,000	12,249,000
Other resources	-	8,801,261	8,801,261
Total Assets	446,722,900	1,268,019,733	1,714,742,633
Liabilities			
Deposit liabilities	507,432,867	619,528,124	1,126,960,991
Bills payable	-	231,195,003	231,195,003
Retirement benefit obligation	1,339,384	-	1,339,384
Current income tax liability	4,576,172	-	4,576,172
Deferred tax liability	-	1,179,139	1,179,139
Other liabilities	54,426,806	-	54,426,806
Total Liabilities	567,775,229	851,902,266	1,419,677,495
Net	(Ps.121,052,329)	Ps.416,117,467	Ps.295,065,138
As at December 31, 2022	Within 12 months	After 12 months	Total
Assets			
Cash and other cash items	Ps. 44,625,564	Ps. -	Ps.44,625,564
Due from Bangko Sentral Ng Pilipinas	-	34,125,159	34,125,159
Due from other banks	280,256,255	-	280,256,255
Loans and receivables, net	273,666,866	718,201,420	991,868,286
Bank premises, furniture, fixtures and equipment, net	-	29,321,563	29,321,563
Real and other properties acquired	-	23,802,824	23,802,824
Deferred tax asset	-	9,224,090	9,224,090
Other resources	-	6,972,378	6,972,378
Total Assets	598,548,685	821,647,434	1,420,196,119
Liabilities			
Deposit liabilities	262,136,519	863,654,509	1,125,791,028
Bills payable	-	232,639	232,639
Retirement benefit obligation	55,094	-	55,094
Current income tax liability	4,272,088	-	4,272,088
Deferred tax liability	-	2,123,453	2,123,453
Other liabilities	39,431,778	-	39,431,778
Total Liabilities	305,895,479	866,010,601	1,171,906,080
Net	Ps.292,653,206	(Ps.44,363,167)	Ps.248,290,039

The Bank presents and classifies assets and liabilities above based on whether it is current and non-current. Current assets are: (a) expected to be realized or intended to be sold or consumed in normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within twelve months after the reporting period or (d) cash or cash equivalent (unless restricted). All other assets are non-current.

Current liabilities are those: a.) expected to be settled within the entity's normal operating cycle b.) held for purposes of trading c.) due to be settled within twelve months d.) for which the entity does not have an unconditional right to defer settlement beyond twelve months. Other liabilities are non-current. When a long-term debt is expected to be refinanced under an existing loan facility, and the Bank has the discretion to do so, the debt is classified as non-current even if the liability would otherwise be due within twelve months.

Deferred income taxes are classified as non-current.

NOTE 18 – MISCELLANEOUS INCOME

Miscellaneous income consists of:

	December 31	
	2 0 2 3	2 0 2 2
Processing fee on loans	Ps. 26,086,530	Ps. 30,820,683
Reversal of allowance for doubtful accounts	6,907,133	
Gain on sale of non-financial assets	3,616,191	2,053,987
Loan penalties	784,307	680,655
Filing fee	-	1,115,775
Bank charges	2,522,063	2,026,923
Rent income	1,087,534	992,933
Recovery of charged-off assets	3,204,499	1,149,824
Income from checkbook and passbook	372,034	401,488
Inspection fee	362,764	236,000
Share on lawyer's fees	44,602	79,583
Others	174,435	389,766
Grand Total	Ps. 45,162,092	Ps. 39,947,617

NOTE 19 – SALARIES, WAGES AND OTHER BENEFITS

Salaries, wages and other benefits consist of:

	December 31	
	2 0 2 3	2 0 2 2
Salaries and wages	Ps. 66,623,048	Ps. 62,213,375
Other benefits		
Post-employment benefits		
Defined contribution plan	-	1,867,260
Defined benefit plan	1,135,895	1,252,364
Total post-employment benefits	1,135,895	3,119,624
Other employee benefits	7,694,995	6,506,610
Total other benefits	8,830,890	9,626,234
Grand Total	Ps. 75,453,938	Ps. 71,839,609

NOTE 20 – OTHER OPERATING EXPENSES

Other operating expenses consist of:

	December 31	
	2 0 2 3	2 0 2 2
Security, messengerial and janitorial services	Ps. 5,656,171	Ps. 4,729,812
Transportation and travel	2,978,125	2,155,297
Rental	-	686,495
Representation and entertainment	2,482,719	1,217,641
Fuel and lubricants	1,392,160	1,367,286
Power, light and water	3,008,611	3,085,003
Information technology	3,514,491	1,243,281
Stationeries and office supplies	995,921	1,424,712
Advertisement and publicity	2,916,558	2,128,015
Repairs and maintenance	667,676	627,440
Management and other professional fees	995,364	918,300
Postage, telephone and telegraph	430,886	542,801
Donation	220,040	231,477
Membership fees and dues	537,290	31,680
Fees and commission	787,637	431,411
Miscellaneous	6,346,959	3,731,257
Total	Ps. 32,930,608	Ps. 24,551,908

NOTE 21 – INCOME TAX EXPENSE

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	December 31	
	2 0 2 3	2 0 2 2
Current tax	(Ps. 6,468,198)	(Ps. 9,192,605)
Deferred income tax (Note 9)	(182,173)	2,326,875
Total	(Ps. 6,650,371)	(Ps. 6,865,730)

The tax on the Bank's profit before income tax follows:

	December 31	
	2 0 2 3	2 0 2 2
Profit before income tax	Ps. 33,289,306	Ps. 29,212,571
Income tax calculated at tax rates applicable to the following periods:		
January 1 to December 31	(8,322,327)	(7,303,143)
Income not subject to income tax	862,458	1,035,128
Income (Expenses) not deductible for income tax purposes	991,671	(2,924,590)
Deferred income tax	(182,173)	2,326,875
Total	(Ps. 6,650,371)	(Ps. 6,865,730)

NOTE 22 – RELATED PARTY TRANSACTIONS

Parties (individuals or corporate entities) are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Moreover, the parties are subject to common control or significant influence.

- a.) Compensation of key management personnel (persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including all directors, whether executive or otherwise):

	December 31	
	2 0 2 3	2 0 2 2
Salaries and wages	Ps. 18,246,502	Ps. 16,890,028
Other benefits		
Post-employment benefits		
Defined contribution plan	362,116	313,952
Defined benefit plan	-	339,999
Total post-employment benefits		
Other employee benefits	1,925,512	3,581,171
Total other benefits	2,287,628	4,235,122
Grand Total	Ps. 20,534,130	Ps. 21,125,150

b.) Other related party transactions

- DOSRI Loans

Information relating to DOSRI loans are shown below:

	December 31	
	2 0 2 3	2 0 2 2
Total Outstanding DOSRI Loans secured by REM	Ps. 9,541,931	Ps. 12,558,731
Percent of DOSRI loans to total loans	0.71%	1.23%
Percent of unsecured DOSRI loan to total DOSRI loans	0%	0%
Percent of past due DOSRI loan to total DOSRI loans	0%	0%
Percent of non-performing DOSRI loan to total DOSRI loans	0%	0%

All DOSRI loans are current and performing.

- DOSRI Deposits

Information relating to deposits held by DOSRI clients are shown below:

	December 31	
	2 0 2 3	2 0 2 2
Total deposits held by DOSRI clients	Ps. 565,907,602	Ps. 567,590,365
Interest Expense	6,569,460	7,419,527
Percent of deposits held by DOSRI clients to total deposit liabilities	50.22%	50.42%

- Defined benefit Obligation

The retirement fund of the Bank's employees amounted to Ps. 17,990,804 (Ps. 16,366,075 in 2022), see Note 13. This includes benefits paid to employees amounting to Ps. 1,135,895 (1,243,577 in 2022). The fund is being managed by the Land Bank of the Philippines.

Contributions and interest earned were Ps. 55,094 (Ps. 1,495,101 in 2022) and Ps. 1,457,526 (Ps. 428,685 in 2022), respectively.

NOTE 23 – OTHER MATTERS

a.) Leases

The Bank leases the land and premises occupied by a number of its branches, renewable and cancellable at the lessee's option under certain terms and conditions. The rentals under these lease contracts amounted to Ps. 4,470,740 (Ps. 3,790,871 in 2022).

Shown below is the maturity analysis of the undiscounted lease payments:

	2023	2022
Within one year	Ps. 4,470,740	Ps. 3,790,871
After one year but not more than 5 years	5,852,851	10,323,591
Balance at December 31	Ps. 10,323,591	Ps. 14,114,462

b.) CREATE Law

On March 26, 2021, President Rodrigo R. Duterte signed into law Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE retroactive July 1, 2020. Among other things, the law reduced the income tax rates on the Corporation's regular income, on certain passive income, including additional allowable deductions from gross income of persons engaged in business or practice of profession and rationalized the current fiscal incentives by making them time-bound, targeted and performance based.

Applying the provisions of the Create Law, the Bank computed its tax liability for the December 31, 2023 and 2022 using the 25% or 1.00%, whichever was higher.

c.) Changes in Liabilities Arising from Financing Liabilities

Changes in the Bank's liabilities from financing activities are shown below:

	2023			
	Retirement Benefit Obligation	Lease liability	Bills payable	Dividends Payable
Balances, beginning of the year	Ps. 55,094	Ps. 9,269,147	Ps. 232,639	Ps. 873,216
Additional set up	-	-	-	-
Cash dividend declared	-	-	-	15,459,520
Cash dividend claimed	-	-	-	(15,560,659)
Remeasurement	1,284,290	-	-	-
Proceeds	-	-	230,962,364	-
Interest	-	269,975	-	-
Payments	-	(4,470,740)	-	-
Balances, end of year	Ps. 1,339,384	Ps. 5,068,382	Ps. 231,195,003	Ps. 772,077

	2022			
	Retirement Benefit Obligation	Lease liability	Bills payable	Dividends Payable
Balances, beginning of the year	Ps. 1,495,101	Ps. 11,361,366	Ps. 930,555	Ps. 990,500
Additional set up	-	1,029,555	-	-
Cash dividend declared	-	-	-	13,008,465
Cash dividend claimed	-	-	-	(13,125,750)
Remeasurement	(1,440,007)	-	-	-
Interest	-	269,975	-	-
Payments	-	(3,391,749)	(697,916)	-
Balances, end of year	Ps. 55,094	Ps. 9,269,147	Ps. 232,639	Ps. 873,216

- d.) Principal non-cash investing transactions pertain to the collection from borrowers' loans and receivables amounting to none in 2023 (Ps. 231,525 in 2022), respectively, through foreclosures of real properties lodged under "Investment Property".

NOTE 24 – SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On February 7, 2020, the BSP issued Circular No. 1074 amending certain provisions of the MORB. The Circular provides for new and amended disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.

Pursuant to the requirements set forth by Section 174 (Appendix 55) of the MORB, hereunder are the supplementary information:

- Financial performance indicators

	December 31	
	2 0 2 3	2 0 2 2
Return on average equity	9.81%	9.32%
Return on average assets	1.70%	1.70%
Net interest margin on average interest assets	9.74%	9.02%

The following formulas were used to compute the financial indicators:

Performance Indicator	BSP Prescribed Formula
Return on average equity	$\frac{\text{Net Income after Income Tax} \times 100}{\text{Average Total Capital Accounts}^*}$
Return on average assets	$\frac{\text{Net Income after Income Tax} \times 100}{\text{Average Total Assets}}$
Net interest margin	$\frac{\text{Net Interest Income} \times 100}{\text{Average Interest Earning Assets}^*}$

*Average amount is calculated based on current year-end and previous year-end balances

- Capital instruments

As of December 31, 2023 and 2022, the Bank has outstanding capital stock as shown below:

	Number of shares				Amount		
	Preferred shares	Common Shares	Total		Preferred Shares	Common shares	Total
<u>Issued and outstanding</u>							
Balance at							
December 31, 2021	217	1,445,354	1,445,571	Ps.	21,700	Ps. 144,535,400	Ps. 144,557,100
Issuance of shares	-	100,598	100,598		-	10,059,800	10,059,800
Subscribed shares	-	-	-		-	-	-
Subscription							
receivable	-	-	-		-	-	-
Redemption	(217)	-	(217)		(21,700)	-	(21,700)
Balance at							
December 31, 2022	-	1,545,952	1,545,952	Ps.	-	Ps. 154,595,200	Ps. 154,595,200
Issuance of shares	-	358,383	358,383		-	35,838,300	35,838,300
Subscribed shares	-	-	-		-	-	-
Subscription							
receivable	-	-	-		-	-	-
Redemption	-	-	-		-	-	-
Balance at							
December 31, 2023	-	1,904,335	1,904,335	Ps.	-	Ps. 190,433,500	Ps. 190,433,500

	PREFERRED SHARES			COMMON SHARES		
	Subscribed	Outstanding Shares	Total	Subscribed	Outstanding Shares	Total
Balance at						
December 31, 2021	217	217	217	1,355,046	1,445,354	1,445,354
Issuance of stocks	-	-	-	-	100,598	100,598
Subscribed Shares	-	-	-	-	-	-
Redemption	(217)	(217)	(217)	-	-	-
Balance at						
December 31, 2022	-	-	-	1,355,046	1,545,952	1,545,952
Issuance of stocks	-	-	-	-	358,383	358,383
Subscribed Shares	-	-	-	-	-	-
Redemption	-	-	-	-	-	-
Balance at						
December 31, 2023	-	-	-	1,355,046	1,904,335	1,904,335

- Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2023 and 2022:

	2 0 2 3		2 0 2 2	
	Amount	%	Amount	%
Secured:				
Real estate mortgage	Ps. 254,410,880	19.06%	Ps. 260,409,349	25.60%
Chattel mortgage	1,000,000	0.07%	370,151	0.03%
Other securities	4,016,244	0.30%	2,703,641	0.27%
Unsecured	1,075,681,217	80.56%	753,873,319	74.10%
Total	Ps. 1,335,208,341	100%	Ps. 1,017,356,460	100%

As of December 31, 2022 and 2021, details of status of loans follow:

	Performing	Non-performing	Total loan portfolio
December 31, 2023			
Agriculture	Ps. 34,823,541	Ps. 932,431	Ps. 35,755,973
Other microenterprise loan	2,317,355	1,218,650	3,536,005
Micro-finance	4,916,123	1,530,231	6,446,354
SME	184,509,196	8,831,505	193,340,701
Other loans	1,074,387,522	21,741,786	1,096,129,308
Sales contract receivable	1,751,996	177,827	1,929,823
Unquoted debt securities	591,208	-	591,208
Balance, end of year	Ps. 1,303,296,942	Ps. 34,432,431	Ps. 1,337,729,372
	Performing	Non-performing	Total loan portfolio
December 31, 2022			
Agriculture	Ps. 39,531,762	Ps. 8,519,167	Ps. 48,050,930
Other microenterprise loan	2,799,037	1,276,480	4,075,517
Micro-finance	6,553,195	1,335,296	7,888,491
SME	184,710,413	8,190,506	192,900,919
Other loans	749,012,324	15,428,279	764,440,603
Sales contract receivable	3,025,562	313,632	3,339,195
Unquoted debt securities	823,158	-	823,158
Balance, end of year	Ps. 986,455,452	Ps. 35,063,360	Ps. 1,021,518,812

Under banking regulations, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any 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, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

The Bank classifies its loans and receivables as NPL in compliance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans and receivables are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations and future payments appear assured.

	December 31	
	2 0 2 3	2 0 2 2
Secured	Ps. 6,993,600	Ps. 10,298,256
Unsecured	27,261,004	24,765,104
Total	Ps. 34,254,604	Ps. 35,063,360

- Significant credit exposures as to industry/economic sector

As of December 31, 2023 and 2022, information on the concentration of credit as to industry as follows:

	2 0 2 3		2 0 2 2	
	Amount	%	Amount	%
Other microenterprise loan	Ps. 2,317,355	0.17%	Ps. 2,799,037	0.27%
Agricultural	34,823,541	2.60%	39,531,762	3.87%
Micro-finance	4,916,123	0.37%	6,553,195	0.64%
SME	184,509,196	13.79%	184,710,413	18.08%
Other loans	1,074,387,522	80.31%	749,012,324	73.32%
Sales contract receivable	1,751,996	0.13%	3,025,563	0.30%
Unquoted debt securities classified as loans	591,208	0.04%	823,158	0.08%
Past due	28,731,432	2.15%	30,094,995	2.95%
Items in litigation	5,700,999	0.43%	4,968,366	0.49%
	Ps. 1,337,729,372	100%	Ps. 1,021,518,813	100%

- Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks, which provide guidance on and prescribes the prudential requirements for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e. both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The Minimum Liquidity Ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019.

The Bank's MLR as of December 31, 2023 and 2022 are analyzed below:

	December 31	
	2 0 2 3	2 0 2 2
Eligible stock of liquid assets	Ps. 334,070,737	Ps. 340,022,943
Total qualifying liabilities	1,019,956,260	1,000,449,088
Minimum liquidity ratio	32.75%	33.99%

**NOTE 25 – SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR)
NOS. 15-2010 AND 19-2011**

- Amount of VAT output tax declared and input tax claimed during the year

The Bank is exempt from the payment of value-added tax as it is required under Sec. 121 of the NIRC, as amended, to pay percentage tax on gross receipts. Total gross receipts tax paid amounted to Ps. 11,598,135 (Ps.9,535,030 in 2022).

- Taxes and licenses

	December 31	
	2 0 2 3	2 0 2 2
Gross receipts tax	Ps. 11,598,135	Ps. 9,535,030
Local business taxes and permits	1,083,793	1,023,427
Documentary stamps on loan instruments, shares of stocks and others	5,500,486	3,727,910
Real estate tax	129,254	73,473
Others	3,329,106	60,967
Total	Ps. 21,640,774	Ps. 14,420,807

- Amount of withholding taxes

	December 31	
	2 0 2 3	2 0 2 2
Taxes on compensation	Ps. 4,933,115	Ps. 5,001,764
Creditable taxes withheld/expanded tax	1,053,746	817,956
Final taxes	3,158,658	3,734,021
Total	Ps. 9,145,518	Ps. 9,553,741

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below and in the succeeding page are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the statement of profit or loss.

1) Taxable Revenues

The composition of the Bank's taxable revenues subject to regular tax rate for the period ended December 31, 2023 is presented below:

INTEREST INCOME	
On loans	Ps. 162,094,916
NON-INTEREST INCOME	
Service charge and commission	307,626
Miscellaneous	45,162,092
Total Taxable Revenue	Ps. 207,564,634

2) Itemized Deductions

The amounts of itemized deductions for the period ended December 31, 2023 are as follows:

INTEREST EXPENSE	
On deposits	Ps. 17,666,909
On bills payable and other borrowings	1,859,997
Total Interest Expense	19,526,906
NON-INTEREST EXPENSE	
Salaries, wages and other benefits	74,318,043
Taxes and licenses	13,028,054
Depreciation and amortization	3,805,077
Insurance	3,495,838
Litigation/assets acquired expenses	924,738
Accounts written off	6,567,663
Provision for financial asset impairment	6,907,132
Other operating expenses	36,716,294
Total	Ps. 165,289,745

RURAL BANK OF DIGOS, INC.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

	Note	December 31	
		2 0 2 3	2 0 2 2
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING	Ps.	91,669,692	Ps. 85,382,272
NET INCOME ACTUALLY EARNED / REALIZED DURING THE PERIOD			
Net income during the period closed to retained earnings		26,638,935	22,346,842
Non-actual/Unrealized income of tax			
Equity in income of associate/joint venture		-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)			
Changes in revaluation increment earned through additional depreciation charge		-	-
Deferred income tax pertaining to property sold		-	-
Reclassify ACL for ROPA accounts, as per BSP adjustme		-	174,404
Recognized ACL for ROPA accounts, as per BSP adjustr		-	(1,801,675)
Prior period adjustment			-
Fair value adjustment of property resulting to gain			
Adjustment due to deviation from PFRS/GAAP gain		-	-
Other unrealized gains or adjustment to the retained earnings as a result of certain transactions accounted for under PFRS		-	-
Total Non-Actual/Unrealized Income Net of Tax		26,638,935	20,719,571
Non-actual losses			
Depreciation on revaluation increment (after tax)			
Adjustment due to deviation from PFRS/GAAP - loss			-
Loss on fair value adjustment of investment property (after tax)			-
Net income actually earned during the period		26,638,935	20,719,571
TOTAL UNAPPROPRIATED RETAINED EARNINGS		118,308,627	106,101,843
Dividend declarations during the period		(15,549,520)	(14,453,850)
Appropriations of retained earnings during the period		-	21,700
Reversals of appropriations		-	
Effects of prior period adjustments			
Treasury shares			
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDENDS	Ps.	102,759,107	Ps. 91,669,692
RECONCILIATION			
Appropriated per financial statements	Ps.	-	Ps. -
Less appropriation for dividends			-
Adjusted appropriated retained earnings		-	-
Unappropriated per financial statements		102,759,107	91,669,692
Add appropriation for dividends		-	-
Adjusted unappropriated retained earnings available for dividends		102,759,107	91,669,692
TOTAL RETAINED EARNINGS PER FINANCIAL STATEMENTS	Ps.	102,759,107	Ps. 91,669,692

RURAL BANK OF DIGOS, INC.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

	Note	December 31	
		2 0 2 3	2 0 2 2
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING	Ps.	91,669,692	Ps. 85,382,272
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Non-actual/Unrealized income of tax			
Equity in income of associate/joint venture		-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)			
Changes in revaluation increment earned through additional depreciation charge		-	-
Deferred income tax pertaining to property sold		-	-
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Recognized ACL for ROPA accounts, as per BSP adjustr		-	(1,801,675)
Prior period adjustment			-
Fair value adjustment of property resulting to gain			
Adjustment due to deviation from PFRS/GAAP gain		-	-
Other unrealized gains or adjustment to the retained earnings as a result of certain transactions accounted for under PFRS		-	-
Total Non-Actual/Unrealized Income Net of Tax		26,638,935	20,719,571
Non-actual losses			
Depreciation on revaluation increment (after tax)			
Adjustment due to deviation from PFRS/GAAP - loss			-
Loss on fair value adjustment of investment property (after tax)			-
Net income actually earned during the period		26,638,935	20,719,571
TOTAL UNAPPROPRIATED RETAINED EARNINGS		118,308,627	106,101,843
Dividend declarations during the period		(15,549,520)	(14,453,850)
Appropriations of retained earnings during the period		-	21,700
Reversals of appropriations		-	
Effects of prior period adjustments			
Treasury shares			
TOTAL RETAINED EARNINGS, END : AVAILABLE FOR DIVIDENDS	Ps.	102,759,107	Ps. 91,669,692
RECONCILIATION			
Appropriated per financial statements	Ps.	-	Ps. -
Less appropriation for dividends			-
Adjusted appropriated retained earnings		-	-
Unappropriated per financial statements		102,759,107	91,669,692
Add appropriation for dividends		-	-
Adjusted unappropriated retained earnings available for dividends		102,759,107	91,669,692
TOTAL RETAINED EARNINGS PER FINANCIAL STATEMENTS	Ps.	102,759,107	Ps. 91,669,692

RURAL BANK OF DIGOS, INC.
LIST OF STOCKHOLDERS
As of 31 December 2023

A. COMMON STOCKS

N a m e s

ABAJERO	, Joel E.	BAUTISTA	, Claude Benjamin II D.
ABALLE	, Abundio L.	BAUTISTA	, Claudine Diana D.
ABASOLO	, Aris D.	BAUTISTA	, Claude P.
ABASOLO	, Mimosa D.	BAUTISTA	, Genelyd D.
ABAY-ABAY	, Ludovico M.	BIÑAN	, Lorenzo N.
ABAY-ABAY	, Marqueza V.	BUENAVENTURA	, Jose Jerome U.
AGUINALDO	, Ludwig A.	BUENO	, Mildred B.
AGUITON	, Christine Mae F.	CABIBIHAN	, Dominador F.
AGUITON	, Geddie Jhon F.	CABIBIHAN	, Nora G.
AGUITON	, Gemma F.	CABIBIHAN	, Vilma L.
AGUITON	, Maeline Joy F.	CABUYAO	, Amelyn T.
AGUITON	, Nathaniel F.	CALAMBA	, Ann Domili B.
ALANA - PEÑAFIEL	, Jasper Joy A.	CALAMBA	, Dominador VII N.
ALBANO	, Artemio B.	CALAMBA	, Jan Stephen B.
ALIÑO	, Ma. Ana A.	CALAMBA	, Lilia B.
ALQUEZA	, Orlan Q.	CALATRAVA	, Isidrita T.
AMPARO	, Fidel C.	CALIT	, Claudio M.
ANDUYAN	, Fredizminda J.	CAMBANGAY	, Emily J.
ANG	, Arturo S.	CAMEROS	, Luciano G.
ANGALA	, Maxine Raphelle D.	CAMEROS	, Teodoro G.
ANGALA	, Samantha Lydia D.	CANENCIA	, Exequiel H.
ANGALA	, Miguel Eugenio D.	CANO	, Ignacio B.
ANGALA	, Xavier Matteu D.	CAÑOS	, Adela J.
ANTINERO - DELOS REYES	, Ruby C.	CAÑOS	, Humberto C.
ARANTE	, Melvin O.	CAPANGPANGAN	, Pepito P.
AVES	, Gloria V.	CARBONELL	, Hermogenes B.
AVES	, Gregorio Amelito Jr. V.	CARRILLO	, Dominador F.
AVILA	, Serafin D.	CARRILLO	, Dominador Maphilindo I.
BACAMANTE	, Adelina C.	CASIANO	, Inocencio III N.
BACAMANTE	, Malvin O.	CASIANO	, Riocille T.
BACAMANTE	, Renato Jr. C.	CASTRO	, Carmelita L.
BACUS	, Christian Val C.	CASTRO de	, Miguel J.
BACUS	, Godwin Benedict C.	CATALAN	, Lorenzo A.
BACUS	, Gwyneth Beatx C.	CATALAN	, Tomas P.
BACUS	, Ma. Fe C.	CHIONGSON	, Ricardo G.
BANZON	, Cecille A.	CO	, Antonio K.
BARBA	, Rogelio A.	COLE	, Cherry Mae S.
BARILLO	, Agustina G.	COLE	, Merlita S.
BARSALOTE	, Kathryn L.	COLE	, Patrick Henry S.
BAUTISTA	, Celine Sarah D.	COLE	, Santo P.
BAUTISTA	, Claude Benjamin D.	COMETA	, Ingrid G.

CORRAL	, Carlo O.	DUÑO- CAMAÑAN	, Rachel M.
COSCOS	, Randy N.	DURBAN	, Virgilio O.
COSSID	, Jose C.	EDULLANTES	, Hermoso M.
CRAUSOS	, Alejandra L.	EDULLANTES	, Ma. Mae N.
CRAUSOS	, Johnnel L.	ELTAGONDE	, Christine T.
CUISON	, Abraham J.	EROJO	, Morsida B.
CUISON	, Christian J.	ESPEJO	, Maximo P.
CUISON	, Corazon E.	ESPEJO	, Socorro P.
CUISON	, Evelyn G.	ESPINA	, Earl L.
CUISON	, Liza B.	ESPINA	, Lord L.
CUISON	, Michael J.	ESPINA	, Lord II C.
CUISON	, Rizaldy J.	ESPINA	, Lord III C.
CUISON	, Roman, Jr. J.	ESPINA	, Princess Freelez C.
CUISON	, Roman Aldrich G.	ESPINA	, Princess Lorlenn S.
CUISON	, Roman Jacob G.	ESPIRITU	, Armi Geralyn G.
CUISON	, Roman Jordan G.	ESTOQUE	, Dominador Q.
CUISON	, Romina Jahanna G.	ESTOQUE	, Jeanette D.
CUISON- FERNANDEZ	, Mary Joy J.	ESTOQUE	, Linda D.
CUISON - GO	, Nilda J.	ESTOQUE	, Ronald D.
CUISON- SIPACO	, Diana J.	ESTOQUE	, Roy D.
DABON	, Reynaldo P.	ESTOQUE	, Russell D.
DACUDAO	, Eduardo M.	ESTRADA	, Francisco R.
DANAO	, Benny Carrol C.	FARAON	, Linda S.
DECREPITO	, Zacarias D.	FERNANDEZ	, Benjamin P.
DEFENSOR	, Jesse Q.	FERNANDEZ	, Marvin C.
DEMANDANTE-VALENCIA	, Mary Jane D.	FERRARIZ	, Ariel C.
DEREQUITO	, Elbea R.	FERRARIZ	, Leslie Joy D.
DEREQUITO	, Eugenio D.	FLORES	, Arnel C.
DEREQUITO	, Gene Patrick G.	GABRIENTO	, Gamaliel D.
DEREQUITO	, Gene Philip D.	GABRIENTO	, Giovanni D.
DEREQUITO	, Gene Philip II G.	GALVEZ	, Alan Raymond S.
DEREQUITO	, Gina Lynn D.	GALVEZ	, Ananias T.
DEREQUITO	, Jillian Bernadette G.	GALVEZ - TRABADO	, Ma. Gracia S.
DEREQUITO	, Joanna Felicidad R.	GAMAD	, Fernando T.
DIANCO	, Ma. Luisa N.	GANAL	, Myra Lou T.
DIANCO	, Plamin R.	GARCIA	, Marissa B.
DIGOS SHELL STATION		GECAIN	, George C.
DILAG	, Alma N.	GECAIN	, Marquin C.
DILAG	, Jerecho N.	GECAIN	, Shaniah Quinne S.
DILAG	, Jose Carlo N.	GENTUGAYA	, Jose G.
DINEROS	, Gaudencio D.	GERALDE	, Primitivo O.
DINEROS	, Tomas J.	GERODIAS	, Janice S.
DIONES	, Cynthia L.	GERODIAS	, Mario Jr. D.
DOBLE	, Dominador S.	GO	, Charles C.
DOLOTINA	, Olive Grace S.	GO	, Jesus Roman C.
DONDOYANO-TORREON	, Emilyn R.	GOMEZ	, Bianca Maria G.
DRILON	, Virginia J.	GOMEZ	, Ma. Sonia G.
DULDULAO	, Lourdes A.	GONZALES	, Abraham G.
DUMOGHO	, Concepcion L.	GONZALES	, Esther G.
		GRAJO	, Napoleon A.

GRAJO-DANTON	, Rosemarie D.	LEMENTILLO	, Nestor A.
GRAVADOR	, Jose Antonio V.	LEMENTILLO	, Joanna A.
GRAVADOR	, Daylinda J.	LEMENTILLO	, Vivian A.
GRAVADOR	, Isauros B.	LEON de	, Arturo S.
GRAVADOR	, Jordan David A.	LIBRE	, Immanuel G.
GRAVADOR	, Stephanie Joy A.	LIBRE	, Marysol G.
GREGORIO	, Marilyn A.	LIBRE - DEGALA	, Leneth G.
GUTIERREZ	, Joselito P.	LIBRE - RAZOTE	, Michelle Angeli G.
GUTIERREZ	, Ma. Josie	LIBRE - VIRTUDAZO	, Karlene G.
HABARADAS	, Expectacion J.	LIM	, Anthony Ben O.
HABARADAS	, Mariano S.	LOYOLA	, Angel A.
HARESCO - ANONAS	, Maricel B.	MABUNGA	, Ernesto A.
HECHANOVA	, Edgar V.	MACARAEG - RAYOS	, Imelda B.
HERNANDO	, Tyrone V.	MACASAET	, Benjamin, Jr. B.
HERRERA	, Chanille G.	MACASAET	, Felisa C.
INFESTAN	, Dionisio T.	MACIAS	, Teresita M.
JAKOSALEM	, Zosimo A.	MADRAZO	, Oswaldo N.
JALIPA	, Marina S.	MAGABILEN	, Dominador, Jr. P.
JAMILI	, Caren P.	MAGABILEN	, Imelda S.
JAMILI	, Gloria P.	MAGABILEN	, Franklin P.
JAO	, Delfin Y.	MAGRIÑO	, Doris L.
JAVELONA	, Rodolfo Z.	MALEMIT	, Willa Mae T.
JAVIER	, Cesario J.	MAMON	, Altair G.
JAVINES	, Jay O.	MAMON	, Lolita J.
JAVINES	, Julita O.	MARAÑON	, Anthony Gerald Y.
JAVINES	, Siegfred Jr. O.	MARAÑON	, Ferdinand, Jr. Y.
JAVINES	, Siegfred Sr. L.	MARAÑON	, Ferdinand, Sr. S.
JOSE de	, Christine C.	MARAÑON	, Gregory Y.
JOSE de	, Japril C.	MARIANO	, Tom M.
JOSE de	, Luisa R.	MARISCAL	, Sarah C.
JOSE de	, Maurine Charlotte C.	MARQUEZ	, Marvin E.
JOSE de	, Maurice Charles C.	MARTINEZ	, Araceli E.
JOSE de	, Michael Gerald C.	MARTINEZ	, Aris Nathaniel C.
JOSE de	, Michelle Christie C.	MARTINEZ	, Napoleon Jr. C.
JOSE de	, Stephen C.	MELCA	, Maricar O.
JOSE de	, Vicente R.	MELENDEZ	, Emetria V.
JUNSAY	, Arthur P.	MELENDEZ - BUENAFLORES	, Virginia V.
JUNSAY	, Dorotea B.	MELENDEZ - FORTUGALEZA	, Luzminda V.
JUNSAY	, Federico, Jr. D.	MELENDEZ - FRANCISCO	, Carmencita V.
JUNSAY	, Federico, Sr. A.	MELENDEZ - GRAVADOR	, May Zenaida V.
JUNSAY	, Leonilo P.	MELENDEZ - LAGAHIT	, Ophelia V.
JUNSAY	, Pio B.	MERCADO	, Elena W.
JUNSAY	, Alvin D.	MOLINA	, Esther C.
JUNSAY	, Roxqueos J.	MONARCA	, Elpidio S.
KINTANAR	, Adan S.	MONTEVERDE	, Ivy P.
LABAD	, Blas B.	MOSQUEDA	, Jean Paul D.
LANZADERAS	, Arlene M.	NAVIDAD	, Rosario T.
LEI	, Wilson L.	NICART	, Jossie D.
LEMENTILLO	, Cleofe L.	OCAMPO	, Leonora D.
LEMENTILLO	, Constancio P.	OCCEÑA	, Jesus V.

OCCEÑA	, Samuel C.	SALAZAR	, Elizabeth M.
OLINO	, Dario R.	SALUTILLO	, Alfredo L.
OLINO	, Evelyn D.	SANCHEZ	, Ernie G.
OLINO	, Quinn Carlos D.	SAPLAGIO- ALCULAR	, Divina S.
OTORDOS	, Janet F F.	SARMIENTO	, Roberto L.
PALACAY, JR.	, Clovencio G.	SAYON	, Laarni D.
PALAMOS	, Gonzalo E.	SIPACO	, Dayenne Therese C.
PALERMO	, Don Mitchell D.	SIPACO-CASTRO	, Daisy Anne C.
PANAL	, Ninfa D.	SONZA,	, Ma. Theresa G.
PAREJA	, Wilfredo C.	SORIANO	, Evelyn P.
PAREL	, Evelyn J.	SORIANO	, Maria P.
PASCUAL	, Ricky Wilson L.	SUICO	, Sergio M.
PAULINO	, Alberto C.	SUMERA	, Lawrence V.
PAURILLO	, Eduardo D.	SUMERA	, Rosario V.
PE	, Evalynn M.	SUNGA	, Antonio S.
PEÑA de la	, Eden G.	TAMPIPI	, Faustino L.
PEÑA de la	, Renato H. G.	TAMPOS	, Fritzi C.
PRADO	, Godofredo V.	TAMPOS	, Ogie C.
PUTONG	, Bert Jayson P.	TAMPUS	, Cesar Antonio D.
PUTONG	, Dioselin P.	TANUAN	, Eric E.
PUTONG	, Gilbert P.	TICONG	, Patrocinio S.
PUTONG	, Gillyn May P.	TORREON	, Andrew Paul S.
PUTONG	, Joebert Paul P.	TORREON	, Andrew Paul Jr. D.
QUIBAN	, Patricio I.	TORREON	, Emy Angelo D.
QUIPIT	, Bernardo, Jr. Q.	TORRES	, Janet Carolyn D.
QUIPIT	, Jovita P.	TORRES	, Shanna Gale A.
RAMOS	, Carlos A.	TUASON	, Cecilia II F.
RAMOS	, Greg S.	TUASON	, Manuel F.
RAMOS	, Ivy B.	USPD MARKETING COOP.	
RAMOS	, Santos C.	VALENCIA	, Larry S.
RAMOS	, Victoriano C.	VARELA- CAÑADA	, Marissa V.
REPUELA	, Glocel Mae S. S.	VENERACION	, Erman Joseph D.
REPUELA	, Jayne S.	VENERACION	, Gil O.
REPUELA	, Nicolas D.	VENERACION	, Prisca D.
REQUIZA	, Bienvenida J.	VENERACION	, Jan Rafael C.
RESURRECCION	, Angel C.	VENERACION	, Roberto, Jr. O.
REYES	, Stephanie S.	VICTORIA de la	, Alexander D.
REYES, de Los	, William F.	VICTORIA de la	, Cesar U.
REZANE	, Junnie M. M.	VICTORIA de la	, Jocelyn D.
RICO	, Catalina U.	VICTORIA de la	, Julius D.
RODERO	, Reymario R.	VICTORIA de la	, Lalaine Lilibeth D.
RODRIGUEZ	, Concepcion M.	VICTORIA de la	, Phoebe D.
RODRIGUEZ	, Walter M.	VICTORIA de la	, Voltaire D.
ROJO	, Charlotte B.	YAGAO	, Patricia F.
ROSALES	, Felisa K.	YAP	, Rosalinda L.
RUELAN	, Wilmar P.	YOUNG	, April Mark
SABIO	, Edgar P.	YOUNG	, Elizabeth C.
SAGAYNO	, Rosalita S.	YOUNG	, Romeo M.
SALAZAR	, Andro Laurence L.	YULO	, Emilio D.



OPERATIONS GROUP



ADMINISTRATION SUPPORT GROUP



HEAD OFFICE



DIGOS | MAIN BRANCH



BANSALAN BRANCH



MALITA BRANCH



KIDAPAWAN BRANCH



ANTIPAS BRANCH



ARAKAN BRANCH LITE



M'LANG BRANCH LITE



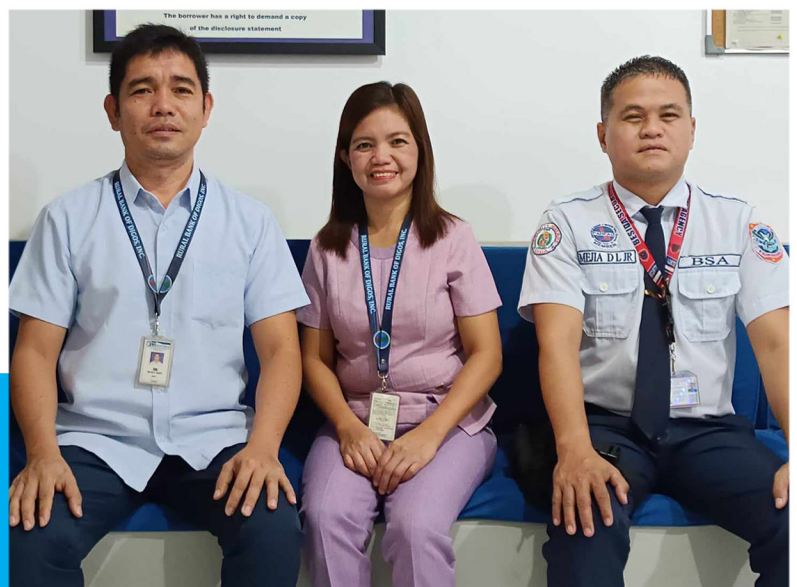
DON MARCELINO
BRANCH LITE



KAPATAGAN
BRANCH LITE



STA. MARIA
BRANCH LITE



JOSE ABAD SABTOS
BRANCH LITE

RURAL BANK OF DIGOS, INC.

as of December 31, 2023

NAMES

POSITION

Board of Directors

MR. GENE PHILIP D. DEREQUITO	President
ATTY. ISAUROS B. GRAVADOR	Chairperson
MRS. NILDA CUISON-GO	Vice Chairperson
MRS. GENELYD D. BAUTISTA	Senior Vice President
ATTY. LUCIANO G. CAMEROS, CPA	Director
MR. TEODORO G. CAMEROS, CPA	Director
MR. JOSELITO P. GUTIERREZ, CPA	Independent Director

Principal Officers

GENE PHILIP D. DEREQUITO	President
GENELYD D. BAUTISTA	SVP
GIOVANNI D. GABRIENTO, MBA	EVP – Administration Group Head
SAMANTHA LYDIA D. ANGALA	Corporate Secretary
IVY P. MONTEVERDE	General Manager
LAARNI S. MAQUILING	Compliance Officer
JUNELAN M. BACOMO, MBA	Internal Auditor
EMILYN D. TORREON	Treasury Manager
LESLIE JOY D. FERARRIZ	HO Accountant
EMILYN TORREON	Treasury/Finance Manager

Head Office

GIOVANNI D. GABRIENTO, MBA	EVP – Administration Group Head
IVY P. MONTEVERDE	General Manager
EMILYN D. TORREON	Treasury Manager
LAARNI S. MAQUILING	Compliance Officer
JUNELAN M. BACOMO, MBA	Internal Auditor
LESLIE JOY D. FERARRIZ	HO Accountant
GREG S. RAMOS	HO Loan Officer
ROMEO M. YOUNG	Security Officer
RENIEL D. TABORADA, CPA	ICT in Charge
RACHELLE D. CAMAÑAN	Junior Treasury Manager
IMELDA R. MACARAEG	Admin Specialist
APRIL JOY R. SAN MIGUEL	HR Specialist
MARQUIN C. GECAIN	Operations Clerk
MICHAEL ROSS D. DELUAO	Operations Clerk
MARIE JOY D. CARIO	Operations Clerk
ALEXANDER M. ALBORES	Loan Specialist - Credit Appraisal
PHABS BYZARRE S. SALANG	Loan Specialist - Credit Appraisal
ELIZABETH S. MARISCAL	Loan Specialist - Credit Review
DENNIS I. FLORES	Compliance Specialist
SANTOS G. CUSILIT II	Audit Specialist
RAFAEL L. SANCHEZ III	Audit Specialist
MARK RYAN S. ORDANEZA	ICT Specialist
RAE CHRISTINE D. CALUMPONG	Accounting Clerk
CRISALLIE B. CLIMACOSA	Accounting Clerk
EMILYN TORREON	Treasury/Finance Manager

DIGOS Branch

RANDY N. COSCOS
CHERRY MAE C. UY
JESTER U. TOLEDO
OLIVE GRACE S. DOLOTINA
RUBY A. DELOS REYES
RAYMINA IRISH M. JAVIER
MERY JOY B. COBOL
CHRISTINE T. ELTAGONDE
ANA MARIE D. CORDOVA
ARJON N. LAYSON
JEANY BETH D. PACATANG
MARK ANTHONY S. CASPE
LENNON JOHN P. LANTACO
CASTRO C. SERENIO, JR
LAZAR REE C. HERNANDEZ
EMMANUEL E. CALDERON
MARIBETH R. TIN-AO
JAYNE S. REPUELA
MARICAR O. MELCA
ALONDRA P. GEONZON
GARDELY MAE E. PANTOJAN

Manager
Cashier
Loan Officer
Accountant
Teller
Teller
Teller
Customer Relations Associate
Customer Relations Associate
Savings Solicitor
Accountant Trainee
Account Officer
Account Officer
Account Officer
Account Officer
Pension Account Officer
Loans Clerk
Loans Clerk
Loans Clerk
Loans Clerk
Loans Clerk

BANSALAN Branch

IRES GLADYS P. MAATA, CPA
MARICEL H. ANONAS
ARNOPHER R. BACAMANTE
JUNAFE M. COLE
RIOCILLE C. FLORES
ANN GLENN O. ESPANO
AIZA B. COLATA
GEORGE C. GECAIN
RICKY WILSON P. PASCUAL
CRISTINA M. BASTATAS
FERLAN L. CAPUNO
MARILOU V. DALUMPINES
CHANIVIE C. LABANON

Manager
Cashier
Loan Officer
Accountant
Teller
Teller
Customer Relations Associate
Savings Solicitor
Account Officer
Account Officer
Account Officer
Loans Clerk
Loans Clerk

KIDAPAWAN Branch

ANA MARIA A. BARBAS
MITOS P. VILLABITO
TEODY F. DALAPO
TETCHIE M. PIGON
MYRA LOU G. GANAL
SEPTHER JOHN C. CASTOR
ERNIE G. SANCHEZ
DARYL JAY A. LIGTAS
MARVIN M. GUTIERREZ
MARLOWE E. CELAB
JOHANNA ROSE M. ZAMORA

Manager
Cashier
Loan Officer
OIC Accountant
Teller
Savings Solicitor
Account Officer
Account Officer
Account Officer
Account Officer
Loans Clerk

MALITA Branch

MARVIN E. MARQUEZ	Manager
JANICE S. GERODIAS	Cashier
MARISSA V. CAÑADA	Accountant
JEAN PAUL C. MOSQUEDA	Loan Officer
NINFA D. PANAL	Teller
IVY B. RAMOS	Teller
DIANNE P. CUBIO	Customer Relations Associate
ANA ANGELIQUE P. ANG	Account Officer
FAMER JAY A. TAMPIPI	Account Officer
AIME ROSE E. SAYADI	Account Officer
JEMROSE B. POLAYAO	Loans Clerk
MA. ERIKA S. FAMOR	Loans Clerk

ANTIPAS Branch

GILBERT T. TABLATIN	Manager
AYRENE D. CUANAN	Cashier
JONA M. VILLAFLOR	Accountant
SIDNEY S. ALMENDRAL	Loan Officer
CHARLENE L. CONSTANTINO	Teller
MARICEL C. NALAM	Customer Relations Associate
KENT BRYLLE P. CATIPAY	Account Officer
FRANCIS A. REVILLAS	Account Officer
SHARLENE MAE D. PENARANDA	Loans Clerk
SARAH JOY B. MISSION	Loans Clerk

ARAKAN Branch Lite:

GINALYN M. BOSQUE	Teller
DARIUS C. AMPATIN	Account Officer
JONA MAE V. MONTALES	Loans Clerk

DON MARCELINO Branch Lite:

WILFREDO C. PAREJA	Account Officer
APRILYN P. AGUILAR	Teller

JOSE ABAD SANTOS Branch Lite:

MELVIN O. ARANTE	Account Officer
SUSANA S. MANLANGIT	Teller

KAPATAGAN Branch Lite:

LAIREN R. JARANILLA	Teller
ESON P. ELESTERIO	Account Officer

MLANG Branch Lite:

KELVIN KIM C. PORRAS	Teller
JOSEPH N. CABUDOL	Account Officer

STA. MARIA Branch Lite:

TEDDY ROY M. ABELLEJA	Account Officer
AMELYN C. ELIZAGA	Teller



RBDI SONG

To be the Best

To live is to dream
With faith in our hearts set our eyes
Into the vast horizon
The journey has just begun
We will get very far
Our strength is in each other when we unite
All the love we can give
To be the best, we'll be the best

Chorus:

In our hearts, we know we're gonna make it
In our minds, we'll realize this dream
Spread our wings together we will
Conquer the skies
As we fly over the heights

Back up 1:

Let us fly above the heights

Back up 2:

Let us fly above the skies (3x) Let us fly.....



RURAL BANK OF DIGOS, INC.

The Pioneer Bank



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Human Resource Department
(082) 553-9792

Treasury Department
(082) 553-4641

Accounting Department
(082) 553-1411

BRANCHES

DIGOS MAIN

Rizal Avenue
Digos City
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(082) 553-3606

BANSALAN

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Bansalan Davao del Sur
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(082) 276-0700

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Antipas
North Cotabato
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BRANCH LITES

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Kinanga, Don Marcelino
Davao Occidental
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JOSE ABAD SANTOS

Caburan Big. JAS
Davao Occidental
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STA. MARIA

Poblacion Sta Maria,
Davao Occidental
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KAPATAGAN

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ARAKAN

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