# **ISIGNABANK**2023 ANNUAL REPORT

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#### I. CORPORATE POLICY

The vision, mission and Core Values of Signabank were revisited in 2019 during its strategic planning seminar. The Board of Directors and all officers were present to see the strategic direction of the bank. The following vision, mission, values are the result of the revised Vision, Mission and Core Values (VMCV):

#### **VISION:**

A dynamic bank committed to the development of its community.

#### MISSION:

To provide principled quality banking services that will uplift the lives of the people it serves.

#### **CORE VALUES:**

- S service with bayanihan spirit
- I integrity
- G goodwill
- N nationhood and sense of community
- A accountability and professionalism

#### WHAT MAKES US DIFFERENT FROM OTHER RURAL BANKS:

- 1. Personalized Service.
- 2. A neighborhood bank providing quality banking services to its clientele with an end in view of uplifting the lives of the people in the community it serves.
- 3. Advocacy to act to the best interest of its clientele/customers
- 4. Convenience banking Wide network of 10 strategically located banking offices providing fast and efficient banking services.
- 5. Competitive interest rates for loans and deposit products.
- 6. Wide Choices of Loans and Deposit Products.
- 7. Remittance and payment/settlement services (Rural Net, Union Bank i2i, Pesonet, PhilPass Plus)
- 8. Point of Sale (POS) with LBP and BDO servicing Bancnet or Megalink affiliated ATM card disbursements and inquiries.
- 9. With existing credit lines/ tie-ups with:
  - a. Bangko Sentral ng Pilipinas (BSP);
  - b. Land Bank of the Philippines (LBP); and
  - c. Philippine Guarantee Corporation (AGFP, MCGF, HGC)
- 10. Partnership with Philippine Long Distance Telephone Co. (PLDT)

#### **OUR BUSINESS MODEL:**

SIGNABANK is a Rural Bank owned by private individuals from Tarlac. It is engaged in rural banking with a pivotal role of promoting the development of the countryside. It provides products and services including but not limited to deposit taking, agricultural loans to farmers, and commercial loans (micro, small, and medium enterprises). Through its valuable partnership with PLDT, Rural Net, Inc., UnionBank, Land Bank of the Philippines (LBP) and BDO Unibank, Inc., the bank also offers remittances, money transfer, bills payment, interbank fund transfer and Point-Of-Sale (POS).

SIGNABANK has now nine (9) branches strategically located in various towns of the province (Tarlac City, Camiling, San Jose, San Manuel, Capas, Gerona, Victoria, San Clemente, and Mayantoc), with Head Office address in Santa Ignacia, Tarlac. Likewise, as of the year ended 31 December 2023, the bank has recorded a total asset of 882,979,689.52.

# II. FINANCIAL SUMMARY/FINANCIAL HIGHLIGHTS

	CONSOLIDATED		
	December	December	Increase/
	2023	2022	Decrease
PROFITABILITY			
Total Net Interest Income	75,860,695.54	74,115,371.56	1,745,323.98
Total Non-Interest Income	6,706,548.25	7,250,158.91	(543,610.66)
Total Non-Interest Expenses	63,261,516.59	60,659,423.78	2,602,092.81
Pre-provision profit	18,361,502.55	18,874,036.87	(512,534.32)
Allowance for credit losses	2,456,181.78	3,919,640.17	(1,463,458.39)
Net Income	15,319,469.03	15,186,956.47	132,512.56
BALANCE SHEET DATA			
Liquid Assets	369,349,842.29	357,110,039.41	12,239,802.88
Gross Loans	459,813,597.33	472,862,981.91	(13,049,384.58)
Total Assets	882,979,689.52	888,625,758.01	(5,646,068.49)
Deposits	711,172,533.71	726,879,317.47	(15,706,783.76)
Total Equity	157,130,789.90	150,010,735.79	7,120,054.11
RATIOS			
Return on equity	9.75	10.12	(0.37)
Return on assets	1.73	1.71	0.02
Capital Adequacy Ratio	26.39	23.61	2.78
OTHERS			
Cash dividends declared	8,000,000.00	0	8,000,000.00
Headcount			
Officers	29	21	8
Staffs	52	60	(8)

### III. FINANCIAL CONDITION AND RESULTS OF OPERATIONS

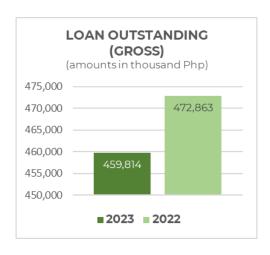
# **MESSAGE FROM THE PRESIDENT**

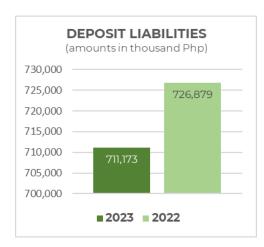
Dear Stockholders:

It is my pleasure to update you on SIGNABANK's financial performance for the years ending 2022 and 2023.

Presented below are the financial highlights and key result areas:

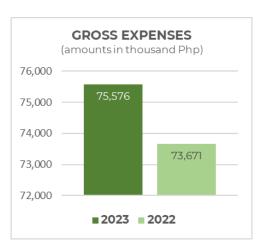


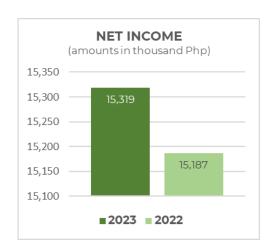












It will be noted that despite a decline in total resources by Php.5.646 million, the bank remains stable and financially healthy where most of its key result areas are far better than the rural banking industry and its peer banks.

The decrease in total resources was mainly brought about by the following:

- a. Deposit taking operation went down by Php.15.706 million; and
- b. Payment of Php. 8.000 million cash dividends.

Consequently, loans outstanding, which is the bank's main source of revenue slid by Php.13.049 million.

During the years under review, it's worth mentioning that SIGNABANK did not owe any outstanding obligations to its creditors, like LANDBANK and BSP. The bank's creditworthiness with these financial institutions remains strong as evidenced by the fact its credit line BSP (which is yet to be utilized) still stands at Php.15.000 million and with LANDBANK at Php. 50.000 million. Outstanding balances with other lenders/financial institutions like AGFP, MCGF and HGC which are all under the umbrella of Philippine Guarantee Corporation (PGC) are likewise being utilized particularly AGFP to finance agricultural loans.

On the other hand, despite the declaration of cash dividend of 8% or an equivalent of Php. 8.000 million, capital accounts still improved further to Php. 157.706 or an increase of Php.7.12 million due mainly to the retention of its earnings. In addition, a stock dividend of Php. 30.000 million has been declared which is still booked as "stock dividend distributable."

While SIGNABANK is already compliant with the minimum capital requirement of Php 120.000 million as provided under BSP Circular 1151, majority of its stockholders have decided and approved an increase in its authorized capital from Php. 100.000 million (fully subscribed and paid) to Php. 200.000 million to further reinforce/strengthen its capital base. Initial subscription shall be paid out of its declaration of Php. 30.000 million stock dividend as mentioned earlier. This decision reflects our commitment to maintain a strong and stable financial position, while also providing the shareholders with a solid return on their investment. The amended Articles of Incorporation (AOI) and By-Laws (BL) of the corporation was approved by the BSP on 09 November 2023 and was registered on 19 February 2024 with the Securities and Exchange Commission (SEC).

As provided in its capital build-up program, additional capital of Php.20.000 million (to be determined if in cash or stock dividend) will be infused by the stockholders at Php.5.000 million per year starting 2024 and every year thereafter until 2027.

The following are the **major activities** that made an impact to our operation:

- 1. Continuous sale of Real and Other Properties Acquired (ROPA).
- 2. Offering competitive rates on loans and deposits.
- 3. Regular visits in the community to market products and services.
- 4. Encouraging borrowers to open a savings/deposit account when availing loan products (basic deposit accounts now comprises about 0.27% of the savings deposit)

### Major strategic activities that the bank has taken in 2023:

- 1. Regarding financial stability, the bank focused on the following:
  - 1.1 Aggressive collection especially, past due accounts
  - 1.2 Deposits generation
  - 1.3 Aggressive marketing of loans
  - 1.4 Compliance of loan documentation to avoid putting up additional allowance for credit losses
- 2. Keeping abreast with technology. Signabank is now fully digital and have a new core banking system.
- 3. The HR Department has implemented various training to efficiently perform the tasks of employees.
- 4. Partnership with Tarlac Agricultural University for ecological and community projects.

# Challenges, opportunities and responses made in 2023:

- 1. Challenges
  - Due to high inflation rate, the purchasing power of peso has lowered, thus, affecting the interest rate of bank products not just in Signabank but across the other financial institutions in the country.
  - 2) Signabank's clientele are mostly farmers and entrepreneurs in the rural areas. Some of them have stopped availing loan due to stoppage or slow recovery of clients' businesses from the impact of the pandemic.
  - 3) Most of our AGFP loans were affected by pests (corn borers, rice field rats, and rice tungro)
  - 4) Strong competition with other banks, lending, and other financial institutions.
  - 5) Changing customer preferences and expectations, such as demand for digital banking services and contactless payments.

# 2. Opportunities

- 1) Green Projects
- 2) Branch lite
- 3) Technology
- 4) Website and social media platforms
- 5) Strategic location of branches
- 6) Community involvement

#### 3. Responses

- 1) Conducted strategic planning on February 4, 2023; reviewed the bank's operation and formulated new targets and goals for the next 5 years.
- 2) Created website to reach broader range of market.
- 3) Strengthened presence in the community by building partnership with local institutions like Tarlac Agricultural University
- 4) Transition from on-premise to cloud-based core banking system starting February 2023.
- 5) Adapted computerized book of accounts from manual looseleaf book of accounts.

Presently, SIGNABANK maintains ten (10) completely functional bank offices – the Head Office and 9 (nine) branches located in the different municipalities of Tarlac province. SIGNABANK will remain steadfast to deliver a strong and positive results in its operation as well as its commitment to serve its customers/clientele with excellence.

Finally, I would like to highlight the bank's ongoing success in reaching its objectives, marked by a significant milestone in the rural banking sector over the course of more than six decades.

(Sgd.)

ROMAN L. BELMONTE JR.

President/CEO

### IV. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework of Signabank is illustrated in the image below:



Signabank's risk management framework is designed to manage the bank's risk-taking in the context of achieving its **strategic goal** taking into account its risk appetite and risk limits. The following are the description of the framework.

# 1. Strategic Goal

Signabank always conduct Strategic Planning every 5 years and Operations Planning every year. The following is the bank's financial strategic goal for 2023-2027:

"To sustain financial stability with wider ownership base, higher resources, and increase levels of efficiency and profitable operations."

Signabank will focus on the following risk categories in implementing the its strategic goal:

- a. Credit Risk
- b. Market Risk
- c. Interest Risk
- d. Liquidity Risk
- e. Operations Risk
- f. Compliance Risk

# 2. Risk Appetite Statement

**A.** <u>Credit Risk</u> – risk of loss resulting from the failure of the Bank's borrower or other counterparty to fulfil their contractual obligations and that collateral provided does not cover the Bank's claims.

Risk Appetite Statement	Computation
To avoid risk of loss due to non-	

pa	yment of loans, SIGNABANK:		
1.	Manages systemic credit risk by adopting the following portfolio limits to reduce the impact of adverse external events on its capital:		
	Agri - Agra is up to 65% of total loan outstanding	Total Agri-Agra over the Total outstanding loans with an additional 10% ceiling.	
	• SME and other loans is at the maximum of 35%	Total SME over the total outstanding loans with an additional 10% ceiling.	
2.	Accepts Credit Risk Rating only with Low to Moderate Risk score	Based on Credit Risk Rating.	
3.	Maintains limit of Loan Loss Provisioning to:		
	<ul> <li>GLLP must be within 1% limit as required by BSP</li> </ul>	1% of the outstanding balance of current loans.	
	<ul> <li>SLLP must be equal or more than the computed allowance for credit losses</li> </ul>	_	
4.	Must keep Past Due to a maximum of 10% of the total loan outstanding balance.	Total Loan Outstanding X 10%	

**B.** <u>Market Risk</u> – risk of valuation loss or reduction in expected earnings stemming from adverse fluctuations in exchange rates interest rates, that affect the market value of both on and off-balance sheet instruments, products, and transactions.

Risk Appetite Statement	Computation
SIGNABANK maintains a small-size investment portfolio allocated to active position management for the purpose of achieving additional earnings and for monitoring market signals both in the local and international capital markets. The following limits is set for the following investments:	
1. 25% of the total capital accounts or 100M whichever is higher.	

**C.** <u>Interest Rate Risk</u>- risk arising from adverse movements in interest rates that affect banking book positions.

Risk Appetite Statement	Computation
SIGNABANK accepts moderate interest	
rate and credit spread risk arising from	
the investments in the liquidity	

fur he ea	rtfolio. Interest rate risks arising from adding and lending activities are dged with the objective of protecting rnings and the economic value of sets and liabilities.	
1.	Maturity matching Assets on demand to 5 years must be greater than liabilities	Putting investment match to loans maturity:  Total Assets Total Liabilities
2.	Determine prevailing rates in market & key rates of BSP not to exceed BSP key rate.	We do the market scan to nearby banks in the area (rural banks)

**D.** <u>Liquidity Risk</u> - risk arising from the bank's inability to meet its obligations when they become due without incurring unacceptable losses of costs.

Risk Appetite Statement	Computation
SIGNABANK maintains a robust liquidity portfolio where a large majority of the assets are of high quality to support the Bank's operations. Having a strong liquidity position enables the Bank to carry out its core activities even under severely stressed market conditions without access to new funding.	
1. The minimum liquidity ratio to be held by the bank is 20%.	Based on stress testing report.
2. The maximum non-performing loan must be 10% of the total loan portfolio	Based on FRP report

**E.** <u>Operational Risk</u> - risk arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information.

Risk Appetite Statement	Computation
SIGNABANK recognizes that all its activities are exposed to potential operational risk events. The Bank manages operational risk by promoting a culture of integrity and high ethical standards and by maintaining strong risk awareness. Operational risk is further mitigated by through its internal control activities.	
<ul> <li>Fraud and Conduct Risk:</li> <li>Fraud is Unacceptable. The bank has zero tolerance for fraud.</li> </ul>	Through audit findings

<ul> <li>Human Resources and Skills Risk:         <ul> <li>The bank can accept up to 20% turnover rate for optimal performance.</li> </ul> </li> </ul>	Total number of resigned employee/Total number of employees from the previous year	
<ol> <li>Information Technology/Security Risk: risk that confidentiality, integrity, accuracy and/or availability of a given information asset or system becomes compromised;</li> </ol>	To mitigate these risks, we implement various security measures, such as access controls, encryption, firewalls, intrusion detection and prevention systems, and security awareness trainings.	
<ul> <li>4. Legal Risk:</li> <li>The bank can take up to a maximum amount of P1M legal risk/losses.</li> <li>The bank can take up to a maximum of 10 legal cases</li> </ul>	Based on the submitted Status on Legal Cases by the Corporate Secretary/ Legal Counsel.	

**F. Compliance Risk:** – risk arising from violations of or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical practices.

Risk Appetite Statement	Risk Mechanism
SIGNABANK is committed to follow best practices and market standards in the areas of accountability, transparency and business ethics. The Bank has zero tolerance for misconduct and corruption.	
The Bank can accept monetary penalties up to 7,500/day;	Based on MORB Sec. 1102 on the imposition of monetary penalties.

#### 4. RISK MANAGEMENT PROCESS

Signabank will use five basic steps to manage risk. These steps are referred to as the risk management process.

- a. Risk Identification
- b. Risk Assessment
- c. Risk Mitigation
- d. Risk Monitoring
- e. Risk Review
- f. Risk Reporting

# Step 1 - Risk Identification

Signabank's initial step in the risk management process is to identify the risks that the business is exposed to in its operating environment. The primary risks Signabank is facing are common to most rural banks, which are as follows:

- a. Internal Risks
  - Credit Risk
  - Market Risk
  - Interest Rate Risk
  - Liquidity Risk
  - Operations Risk
  - Compliance Risk

#### b. External Risks

- Reputational Risk
- Regulatory Risk
- Economic Risk
- c. Signabank will focus on the following risk categories:
  - 1. Credit Risk
  - 2. Market Risk
  - 3. Interest
  - 4. Liquidity Risk
  - 5. Operational Risk
  - 6. Compliance

# Step 2 - Risk Assessment

Once a risk has been identified it needs to be analyzed. The scope of the risk must be determined. It is also important to understand the link between the risk and different factors within the organization.

Risk Assessment involves understanding the control environment, and making a decision on whether further treatment is required to manage the risk.

# SYSTEMS FOR MEASURING RISKS

#### Risk Measures

Signabank uses risk measures that provide information on either a specific risk exposure or an aggregate risk exposure and the probability of a loss occurring due to those exposures. Refer to **Table 1- Risk Measures** 

# 2. Stress Testing

Stress testing is a forward-looking risk management tool supporting the bank's risk identification, capital and liquidity adequacy assessments.

Signabank conducts a regular stress testing to assess the resilience of the Bank under different economic assumptions or scenarios.

Table 1 - Risk Measures

Risk Category	Risk Metrics/ Sources	Risk Measures	Monitoring	Risk Owners
Credit Risk	1. Credit exposure	<ul> <li>Check if: <ul> <li>SBL is up to 15% of the total unimpaired capital</li> <li>Agri - Agra is up to 65% of total loan outstanding</li> <li>SME and other loans is at the minimum 35%</li> </ul> </li> </ul>	1. Quarterly	<ul><li>Credit     Officers/Asso     ciates</li><li>Business</li></ul>
	Allowance for credit losses	<ul> <li>Check if the bank has in place a reliable credit classification system to promptly identify deteriorating credit exposures and determine appropriate allowance for credit losses.</li> <li>GLLP must be within 1% limit as required by BSP</li> </ul>	2. Monthly	Relations Officers/Specialists Accounting Head
	3. Credit Risk Rating	- SLLP must be within the required limit of BSP		
	4. Agriculture – Agrarian Reform Credit computation of required allocation	<ul> <li>3. Review the risk rating of loans granted if majority are low to moderate</li> <li>4. Check computation of the required allocation if the bank is compliant with the twenty-five percent (25%) of its total loanable funds to be made available for agriculture and agrarian reform credit in general.</li> </ul>	3. Upon application 4. Monthly	
	5. MSME computation of mandatory allocation	5. Check computation of the prescribed portions of loan portfolio if the bank is compliant with the allocation of eight percent (8%) for MSEs and at least two percent (2%) for MEs of its total loan portfolio.	5. Monthly	
	6. Past Due	6. Check if Past Due is maximum of 10% of the total loan outstanding balance.	6. Monthly	
Market Risk	Corporate Bonds/Deposits	Check if corporate bonds/deposits from depository banks is 25% of the total capital accounts or 100M whichever is higher.	Monthly	• Treasury Head
Interest Rate Risk	1. Maturity Matching	Check and review the maturity and gap analysis of Assets against Liabilities. Putting investment match to loans maturity:     Total Assets	Monthly	Treasury Head

			Total Liabilities		
	Prevailing Interest     Rates in Market	2.	Market scan to nearby banks in the area		
Liquidity Risk	1. Liquidity Risk Management (LRM)	1.	Stock of Liquid Assets divided by Qualifying Liabilities. Check if the bank has complied with the sixteen percent (16%) Minimum Liquidity Ratio requirement.  - Check if the bank has conducted its own stress testing that identifies the risk drivers that may lead to drastic fluctuations in its liquidity positions.	Monthly	<ul><li>Cashiers</li><li>Treasury Head</li><li>Accounting Head</li></ul>
	Non-Performing     Loan	2.	Check if the maximum non-performing loan does not exceed 10% of the total loan portfolio		
Operational Risk					
1. Fraud and Conduct	1. Audit Report	1.	Check if there are any reported unsafe and/or erroneous banking practices. e.g. Internal and external fraud, misuse of confidential customer information, employment practices, damage to physical assets, business disruption and system failure.	Monthly	Internal Audit
2. Human Resources	2. Turn-over rate	2.	Check Turn-over rate - Total number of resigned employee/Total number of employees from the previous year	Monthly	HR Officer
3. Information Technology/ Security	3. Security Measures	3.	Check if security measures are in place such as access controls, encryption, firewalls, intrusion detection and prevention systems.	Monthly	IT Officer
4. Legal	4. Status of Legal Cases	4.	Check if the bank has a maximum amount of P1M legal risk/losses; maximum of 10 legal cases	Quarterly	Compliance
Compliance Risk	Compliance     Report	1.	Compliance Test	Annually	• Department Heads

# Step 3 - Risk Mitigation

Based on the assessment of each risk, Risk Owners decide the appropriate treatment to apply, including: Avoidance, Acceptance, Removal of the particular element that generates the risk. Risk owners may choose a number of options to effectively manage each risk.

Table 2 – Risk Mitigation

Risk Category	Risk Mitigation
1. Credit Risk  This is the risk to earnings or capital arising from borrowers' failure to pay principal and/or interest at maturity date.	To mitigate credit risk, the bank shall always require complete loan documents and follows proper process for loan approval.  It will not grant loans to borrowers:  a. with doubtful capacity to pay  b. belonging to a distressed industry  c. in excess of credit limits of individual borrowers or of the loan value of borrower's submitted collaterals  d. having unrealistic repayment plan, i.e., schedule of payments not aligned with borrower's cash flow
2. Market Risk  This is the risk to earnings or capital arising from possible deterioration in value of acquired assets and decline in value of investments in equities and debt instruments.	In order to prevent market and investment risk, the bank shall make sure to avoid the following:  a. Risk of decline in value of investments due to investment decisions which fail to take into account:  1. Marketability of investment instrument. If a bank cannot wait to hold on investment until maturity, there must be many buyers in the market willing to pay at a price that is close to bank's acquisition cost so that the bank will not incur a loss.  2. Diversification of investment outlets  3. Maturity and rate of return  4. Type of issuer (to ensure payment on maturity)  5. BSP regulations on limits and ceilings
3. Interest Rate Risk This is the risk that capital and investments can lose value due to changing interest rates.	In order to mitigate interest rate risk, the bank shall:  a. Diversify by adding securities that are less vulnerable to interest rate fluctuations.  b. Set up investments that hedge against the possibility that the bonds could lose value. This is a defensive investment strategy that's designed to minimise losses, rather than maximise profits.
4. Liquidity Risk  This is the risk to earnings or capital resulting from failure to meet cash flow obligations as they fall due.	In order to prevent liquidity risk, the bank shall make sure to avoid the following:  a. Mismatches in cash flows. b. Borrowing short-term and lending long-term c. Lack of or insufficient provisions for reserves (primary and secondary) d. No contingency plan to cover unexpected fund withdrawals during financial stress e. Absence or non-compliance with maturity gap

	limits f. High incidence of past due loans which put pressure on bank's liquidity position (funds are tied-up in uncollected accounts).
5. Operational Risk  This is the risk to earnings or capital that may arise as a result of weaknesses in organizational structure, process, and system.	<ul> <li>In order to prevent operations risk, the bank shall make sure to avoid the following:</li> <li>a. Transaction risk – risk of loss due to some failures in processing of transactions or problems in the delivery of bank services.</li> <li>b. Documentation risk – risk of loss arising from incomplete or incorrect documentation of the transactions.</li> <li>c. Processing risk – risk of loss due to failings or errors in manual processes usually associated with the quality of back-office staff.</li> </ul>
6. Compliance Risk  This is the risk posed to a company's financial, or reputational standing resulting from violation of laws, regulations, code of conduct or organizational standards of practice.	<ol> <li>In order to prevent compliance risk, the bank shall:</li> <li>Implement policies and procedures to assure that they comply with applicable laws and regulations.</li> <li>Conduct regular monitoring and testing to detect and address potential compliance issues.</li> </ol>

# Step 4 - Risk Monitoring

The business activity against the risk appetite shall be tracked by the **risk owners** on a regular day-to-day basis. Preparation of the reports and metrics are done by the **Department Heads.** 

#### 1. Credit Risk

- a. Credit Officers/Associates, and Business Relations Officer day to day tracking of risks
- b. Accounting Head Preparation of monthly reports

#### 2. Market Risk

- a. Cashiers/Treasurer day to day tracking of risks
- b. Treasurer- Preparation of monthly reports

#### 3. Interest Rate Risk

**a.** Treasurer – Preparation of maturity matching and prevailing interest rates in the market every month

# 4. Liquidity Risk

- a. Cashiers/Treasurer day to day tracking of risks
- b. Treasurer Preparation of monthly reports

# 5. Operational Risk

- a. Business and Support Services Units day to day tracking of risks
- b. Branch Services Head, Accounting Head Preparation of monthly reports

#### 6. Compliance Risk

a. Chief Compliance Officer - Preparation of quarterly Compliance Report

## Step 5 - Risk Review

The Risk Management Policy is reviewed annually or more frequently by the **Risk Management Team** to determine if there is a major change to the bank's risk management framework. Policy revision must be approved by the **Board of Directors**.

#### Step 6 - Risk Reporting

Reports are usually prepared by the **Accounting Department** and submitted to the **Risk Management Team** on a regular monthly basis or as required. It is important to report regularly to the **Board of Directors** on specific and aggregate risk measures in order to ensure that risk levels remain at an optimal level.

#### 5. RISK GOVERNANCE STRUCTURE

### a. Risk Governance Structure

Risk governance is the process that ensures all employees perform their duties in accordance with the risk management framework. The Risk Management/Governance Structure of Signabank is composed of the following:

- 1. Board of Directors
- 2. Risk Management Team Chief Executive Officer (CEO), Chief Operating Officer (COO), Head of Branches and Area Heads
- 3. Risk Compliance Team Compliance Department
- 4. Risks Examiner Team Internal Auditors

**Table 3 - Risk Governance Structure** 

Risk Management Group	Roles and Responsibilities
Board of Directors	<ul> <li>Review and approve as appropriate the Risk Appetite based on the recommendation of the Risk Management Team</li> <li>Approve the risk management framework and policies, including maximum limits for exposure to the main types of risk</li> </ul>
Risk Management Team	<ul> <li>Oversee the implementation of the bank's risk management system.</li> <li>Review and endorse the risk management framework including the risk appetite statement for consideration and approval of the Board of Directors</li> <li>Management of the bank's risk exposures, and ensure that the bank's aggregate risk is consistent with its financial resources and willingness to take risk.</li> <li>Provide appropriate oversight of risk management activities</li> <li>Generate and submit the Risk Reports for discussion at the Board Meeting</li> </ul>
Risk Compliance Team	<ul> <li>Control the risk positions of the bank.</li> <li>Implement the bank's risk management related policies, guidelines and frameworks as approved by the Board of Directors.</li> <li>Responsible for identifying, measuring, assessing,</li> </ul>

	monitoring and reporting on risks across risk types and organizational units.
Risk Examiner Team	Provide independent review and assurance of the effectiveness of the risk management framework Liaise with the Risk Management Team on findings of Audits.

#### **B.** Three Lines of Defense

Signabank will manage risk based on the three-lines-of-defense.

#### 1. First line of defense - All Branch Services Units

The business functions are responsible for day-to-day risk management within their business units and are required to comply with the relevant internal policies, regulations and procedures.

The business and support services units' reports to the Risk Management Team on matters relating to key risk category related to their unit.

# 2. Second line of defense - Compliance Department

The compliance function belongs to the second line of defense and oversees, coordinates and reports on matters relating to compliance and integrity risks.

The Chief Compliance Officer reports to the Chief Operating Officer (COO), on matters at hand and to the Board of Directors every month.

#### 3. Third line of defense - Internal Audit

The internal audit belongs to the third line of defense and provides oversight, monitoring, and conduct independent evaluations.

The Internal Auditor reports to the Audit Committee on the adequacy of the bank's internal control environment.

# c. AML Governance and Culture

Signabank shall maintain a system of verifying the true identity of their customers and, in case of corporate and juridical entities, require a system of verifying their legal existence and organizational structure as well as the authority and identification of all persons purporting to act on their behalf.

In all instances, the bank shall document how a specific customer was profiled (low, normal or high) and what standard of CDD (reduced, average or enhanced) was applied.

The Cash Department shall use a tool to categorize its clients into low, medium or high risk based on the following factors:

- Residence
- Source of funds
- Profession
- Nature/Kind of Business
- Citizenship
- Services

### V. CORPORATE GOVERNANCE

The corporate governance of the bank is as follows:

#### 1. THE BOARD OF DIRECTORS

The Board of Directors is the highest governing body of the bank. The Directors are responsible for providing direction to the banks in terms of policies, general affairs and decision points affecting the bank's system of operation.

#### 2. THE BOARD COMMITTEES

#### THE AUDIT COMMITTEE

The Audit Committee is composed of four (4) members of the Board Directors. Majority shall be Independent Directors including the Chairman. The rest of the members shall be Non-Executive Directors.

#### 3. THE SENIOR MANAGEMENT

The Board of Directors is represented in the bank operation through its President (as Chief Executive Officer) and Executive Vice President (as Chief Operating Officer).

### A. Selection Process for the Board and Management

# 1. Selection Process for the Board and Senior Management (executive director)

The Board of Directors of the Signabank is composed of (11) directors, where (2) are Executive Directors, (7) are Non-Executive Directors, and (2) are Independent Directors.

The following are the selection process to fill the vacancies in the Board.

#### a. Non-Executive Director

- 1. The vacant post is opened for qualified candidates during the annual stockholders' meeting where nomination is made.
- 2. The vacant position is filled-up by the elected person.
- 3. The Chairman of the Board is selected from the members of the Non-Executive Directors.

### b. Executive Director/Senior Management

- 1. The following positions are determined by the Board of Directors:
  - 1. President and Chief Executive Officer
  - 2. Vice President and Chief Operating Officer.,
- 2. The Board of Directors look for potential candidates and screen their credentials and qualifications.
- 3. The Executive Directors/Senior Management are selected from the shortlisted candidate and appointed by the Board based on their leadership and management skills to run the bank operations.
- c. **Independent Director** The vacant post shall be determined by the Board of Directors through the following selection process:

- 1. The Board of Directors look for potential candidates and screen their credentials and qualifications to satisfy the nomination criteria or requirements.
- 2. The names of shortlisted candidates are presented to the Board of Directors.
- 3. Shortlisted candidates are now scheduled for interview by the Board representative/s.
- 4. Successful candidates are nominated during the annual Stockholder's meeting.
- d. An elected director has the burden to prove that she/he possesses all the foregoing minimum qualifications and none of the cases mentioned under Sec. 138 (*Persons disqualified to become directors*) of the BSP-MORB
- e. A director shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications within twenty (20) banking days from the date of election. Non-submission of complete documentary requirements or their equivalent within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the board of directors.
- f. The Bangko Sentral shall also consider its own records in determining the qualifications of a director.

# 2. Qualifications of the Board of Directors

- a. The Board of Directors of Signabank shall possess the foregoing qualifications:
  - 1) Integrity
  - 2) Physical and mental fitness
  - 3) Education and financial literacy training
  - 4) Possession of competencies relevant to the job
  - 5) Diligence and independence of mind
  - 6) Willingness to fully carry out responsibilities
- b. She/He must have attended a seminar on corporate governance for board of directors. A director shall submit to the Bangko Sentral a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first-time directors and documentary proof of such compliance

# B. Board's overall responsibility.

The Board of Directors overall responsibility is to meet regularly, every 3<sup>rd</sup> Wednesday of the month to:

- a. Review the bank performance every month
- b. Set strategies and overall direction
- c. Establish policies and guidelines to ensure compliance with relevant laws, regulations and sound business practices
- d. Decide on important matters at the Board level

# C. Below is the major role and contribution of the Chairman of the Board of Signabank:

The Chairman of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. He shall:

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

#### D. Board composition

Name of Directors	Type of Directorship	Principal stockholder represented If nominee	Number of years served as director	Number of direct & indirect shares held	Percentage of share
Roman L. Belmonte, Jr	Executive	N/A	40 years	120,296	12.03%
Philip Chistopher T. Tongol	Executive	N/A	7 years	27,000	2.70%
Filomeno R. Salvador, Jr.	Non- Executive	N/A	36 years	88,255	8.83%
Roman T. Belmonte, III	Non- Executive	N/A	12 years	27,474	2.75%
Mary Rose T. Tongol	Non- Executive	N/A	12 years	30,783	3.08%
Kristina Victoria T. Belmonte	Non- Executive	N/A	10 years	5,241	0.52%
Mr. Runel G. Aitenza	Non- Executive	N/A	9 years	53,253	5.33%
Josephine Crisella T. Atienza	Non- Executive	N/A	4 years	707	0.07%
Carolina U. Daria	Non-Executive	N/A	11 years	956	0.10%
Jose Angelo D. Flores	Independent	N/A	9 years	6,720	0.67%
Philip B. Ibarra	Independent	N/A	3 years	150	0.02%

## E. Board of Directors Profile

The Board of Directors considers the relevant qualifications of every candidate being nominated for election. The criteria include competence and integrity as key factors, physical/mental fitness, relevant education and financial literacy trainings, personal credentials, experiences, skills, diligence and independence of mind and willingness to fully carry out responsibilities. Below presents the relevant qualifications and experiences of each member of the board of directors:

#### 1. ROMAN T. BELMONTE, III

53, Filipino, has been a member of the Board of Directors of Signabank since 2012 and presently serves as Chairman of the Board. He is, concurrently, a Director of CRT Medical and Technological Services Corporation and of the Tarlac Imaging Center Inc.

Mr. Belmonte has attended corporate governance seminar and annual management conferences conducted by Confederation of Central Luzon Rural Banks (CCLRB) and Annual National Convention. He has also joined seminar on product development for

retail and SME banking service digital banking walkthrough conducted by Rural Bankers Association of the Philippines (RBAP), and greening the banks virtual dialogue conducted by BSP. Further, he holds a degree in Bachelor of Science in Microbiology from University of Sto. Tomas (UST).

# 2. ROMAN L. BELMONTE, JR.

84, Filipino, currently serves as President and Chief Executive Officer (CEO) of Signabank. Dr. Belmonte has been a member of the Board of Directors since 1984. Concurrently, he works as Medical Doctor at Ramos General Hospital, and President and Chairman of the Board of CRT Medical and Technological Services Corporation and of the Tarlac Imaging Center Inc.

In addition, he attended seminar on corporate governance and has attended several management conferences, national conventions, financial education expo for working sector by Financial Consumers Affairs Group, credit risk management for rural banks directors, capacity building activities on sustainable finance, Greening the banks virtual dialogue, briefing on the implementing guidelines of the rural banks strengthening program (RBSP), digital banking walkthrough, among others. Dr. Belmonte is a graduate of University of the Philippines (UP) with a degree of Bachelor of Science in Medicine and Doctor of Medicine (MD). He also completed a surgery residency program at Greighton University-Affiliated Hospitals.

#### 3. PHILIP CHRISTOPHER T. TONGOL

50, Filipino, is the current Chief Operating Officer (COO) of Rural Bank of Sta. Ignacia, Inc. He has been a member of the Board of Directors since 2017. Prior to this, he was the Head of the Credit Support Department of Corporate Banking Group of Rizal Commercial Banking Corporation (RCBC).

His banking career spans for more than two (2) decades. With this, he brings to the Board his expertise in branch banking, credit review/support and corporate banking as he attended various seminars such as corporate governance, non-life insurance accounting, treasury, marketing, financial statement analysis and financial reporting for credit risk, compliance training, anti-money laundering act (AMLA), sustainable finance, briefing on the implementing guidelines of the rural banks strengthening program (RBSP), generic manual treasury operations and liquidity management, among others. In addition, Mr. Tongol holds a Bachelor's degree in Commerce major in Business Administration from University of Sto. Tomas (UST).

# 4. FILOMENO R. SALVADOR, JR.

77, Filipino, has been a member of the Board of Directors of Signabank since 1988. Concurrently, he serves as Director of CRT Medical and Technological Services Corporation and of the Tarlac Imaging Center Inc. He also works as Medical Doctor at Ramos General Hospital and Salvador General Hospital.

Dr. Salvador attended corporate governance in 2002 and greening the banks virtual dialogue. Moreover, he holds a degree in Doctor of Medicine from University of Sto. Tomas (UST).

#### 5. MARY ROSE T. TONGOL

51, Filipino, has been a member of the Board of Directors of Signabank since 2012. Concurrently, she works as Medical Doctor at Ramos General Hospital, Jecson Medical Center, and Central Luzon Doctors Hospital.

Moreover, Dr. Tongol attended seminar on corporate governance in 2012 and greening the banks virtual dialogue. She is a graduate of University of the Philippines (UP) with Bachelor's degree in Psychology and Doctor of Medicine.

#### 6. KRISTINA VICTORIA T. BELMONTE

45, Filipino, has been a member of the Board of Directors of Signabank since 2014. Concurrently, she serves as President of PETVETGO Animal Hospitals.

Dr. Belmonte attended seminar on advanced corporate governance in 2014 and 2018. She also joined sessions on AMLA updates, management conference, capacity building activities on sustainable finance, regional anti-bank robbery and cybercrime, business continuity management, product development for retail and SME banking service, common BSP findings on general examinations of RBs, greening the banks virtual dialogue, annual management conference, digital banking walkthrough, sustainability financing and environment and social risk management implementation, general membership meeting with and the like. Further, she holds a degree in Doctor of Veterinary Medicine from Pampanga Agricultural College.

# 7. RUNEL G. ATIENZA

62, Filipino, has been a member of the Board of Directors of Signabank since 2015 and a concurrent Director at CRT Medical and Technological Services Corporation, Tarlac Imaging Center Inc. and Psalm 23 Realty and Development Corporation.

Mr. Atienza took his seminar on corporate governance and attended sessions on Anti-Money laundering Act (AMLA) updates in 2015, then, he attended the greening the banks virtual dialogue conducted by the BSP. Further, he holds a degree in Bachelor of Arts in Economics from University of Sto. Tomas (UST).

#### 8. JOSEPHINE CRISELLA T. ATIENZA

44, Filipino, was elected to the Board of Directors of Signabank in 2020, a concurrent Executive Vice President and a Directress at United Schools of Science and Technology Colleges Inc. (USST).

Ms. Atienza has extended her competence and expertise in banking by appearing in various seminars including corporate governance in 2020, relationship management in corporate banking, business continuity management, financial planning and analysis, and greening the banks virtual dialogue conducted by BSP. In Addition, she holds various Bachelor degrees including Marketing Management from De La Salle University (DLSU) - College of St. Benilde and Interdisciplinary Studies from Ateneo De Manila University.

### 9. CAROLINA U. DARIA

57, Filipino, was elected as regular member of the Board of Director of Signabank on July 13, 2022. Prior to this, she served as Independent Director of the Bank from 2012 to 2021.

Ms. Daria carries her banking expertise to the Board as she was a former Consultant at Landbank of the Philippines (LBP) and an Account Officer at Far East and Trust Company. She attended the corporate governance and risk management seminars in 2012 and 2021, high-impact bank selling skills, capacity building activities on sustainable finance, the compliance management framework, conducting internal audit engagement, related party transactions, greening the banks virtual dialogue, digital banking walkthrough, training on AML rules and regulations and risk rating system, and environment and social sustainability financing management implementation. In addition, Ms. Daria holds a Bachelor's degree in Business Administration major in Accounting from Philippine School of Business Administration and a Masters' degree in Industrial Relations at University of the Philippines.

### 10. JOSE ANGELO D. FLORES

52, Filipino, has been a member of the Board of Directors of Signabank since 2015 and currently serves as Independent Director.

Mr. Flores joined corporate governance seminar in 2002. He also attended sessions on anti-money laundering act (AMLA) updates, national retail payment system roadshow, reading financial statements for board of directors and decision – makers, masterclass on writing minutes of meeting, capacity building activities on sustainable finance, business continuity management, greening the banks virtual dialogue, annual national convention, annual management conference, digital banking walkthrough, charter anniversary symposium, general membership meeting and the like. Further, he is a graduate of De La Salle University Manila with a Bachelor's degree in Political Science minor in Communication Arts.

### 11. PHILIP B. IBARRA

77, Filipino, was elected as Independent Director to the Board of Signabank on July 14, 2021. Prior to this, he served as President of Tarlac College of Agriculture (TCA) from 2001 to 2009.

Mr. Ibarra participated in seminar on corporate governance course for rural bank directors in September 2021. He also attended sessions on remedial accounts management, credit investigation, anti-money laundering act and risk rating system, greening the banks virtual dialogue, and digital banking walkthrough. In Addition, he holds a Bachelor's degree in Industrial Technology major in Industrial Arts, Master's degree in Educational Management, and Doctorate degree in Philosophy major in Rural Development.

# F. The following are the list of board-level committees of Signabank:

#### **Audit Committee**

- 1. Composition and Chairperson.
  - a. The Audit Committee is composed of 4 persons. Four (4) members of the Board of Directors, who shall all be Non-Executive Directors, majority of whom shall be Independent Directors, including the Chairperson.
  - b. The Chairperson of the Audit Committee shall not be the Chairperson of the Board of Directors or of any other board-level committees.
  - c. The Audit Committee shall have Accounting, Auditing, or related financial management expertise. It shall have access to independent experts to assist them in carrying out its responsibilities.
- 2. **Duties and Responsibilities of the Audit Committee.** The Audit Committee shall:
  - a. Oversee the financial reporting framework. The committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
  - b. Monitor and evaluate the adequacy and effectiveness of the internal control system. The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the bank's risk profile and strategic direction.
  - c. Oversee the internal audit function. 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 bank's internal controls, including financial, operational and compliance controls, and risk management system. The committee shall functionally meet with the head of internal audit and such meetings shall be duly minuted and adequately documented. In this regard, the audit committee shall review and approve the performance of the head of internal audit.
  - d. 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.
  - e. 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.
  - f. 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.

# **COMPOSITION**

**Chairman:** Jose Angelo D. Flores **Members:** Filomeno R. Salvador, Jr.

Carolina U. Daria Philip B. Ibarra

# **G.** Directors' attendance at board and committee meetings from the period January to December 2023.

Name of Directors	Board Number of Meetings		(Audit Committee) Number of Meetings	
	Attended	%	Attended	%
1. Roman L. Belmonte, Jr.	12	100		
2. Philip Christopher T. Tongol	12	100		
3. Filomeno R. Salvador, Jr.	10	83.33	9	81.82
4. Roman T. Belmonte, III	12	100		
5. Mary Rose T. Tongol	12	100		
6. Kristina Victoria T. Belmonte	12	100		
7. Runel G. Atienza	12	100		
8. Josephine Crisella T. Atienza	12	100		
9. Carolina U. Daria	12	100	11	100
10. Jose Angelo D. Flores	11	91.67	10	90.91
11. Philip B. Ibarra	12	100	11	100
Total Number of Meetings Held During the Year 2023	12		11	

# H. List of executive officers/senior management

Name	Position	Qualification/ Experience	Age	Nationality
1. Roman L. Belmonte, Jr.	President	Graduate of Bachelor of Science in Doctor of Medicine - 58 years in banking industry	84	Filipino
2. Philip Christopher T. Tongol	Chief Operating Officer	Graduate of Bachelor of Science in Commerce major in Business Administration - 28 years in banking industry	50	Filipino

# I. Performance Assessment Program

#### A. For Board of Directors

#### 1. Performance Evaluation

Evaluation is a way of checking the progress against plans and visions. For this reason, it is important for the Board of Directors to evaluate its own performance on a regular basis.

# Objectives:

- a. To provide the board with a chance to reflect on and assess its areas of strength and weakness.
- b. To provide the board with an invaluable yardstick by which it can prioritize its activities for the future.
- c. To serve an educational and consensus-building function -- by clarifying and defining the overall standards of performance for the board.
- d. To reflect on what the board has accomplished, as well as on what it should be doing and how it works. Such a review can optimally result in all directors contributing to setting goals of the board. The commitment of all directors to the board's priorities and to improving board effectiveness makes those goals all the more likely to be completed.
- e. To give the board a sense of its own competence and accomplishment as a group. This is a good foundation on which to build positive change.

#### 2. Coverage

All members of the Board of Directors and its committees shall undergo a Performance Evaluation.

#### 3. Frequency

The Performance Evaluation shall be conducted once a year, every June, one month before the annual stockholder's meeting.

#### 4. Performance Evaluation Process

- a. A Performance Evaluation shall be facilitated by the Human Resource Department.
- b. The HR Officer shall distribute the performance evaluation form during the Board of Directors meeting in May.
- c. The Board of Directors shall fill up the
  - c.1 Self-assessment form; and c.2 Group assessment form
- d. The evaluation form shall be accomplished and submitted to the HR Officer on or before May 31.
- e. The HR Officer shall collate, and summarize the results of the evaluation through the Performance Evaluation Report.

f. Results of the performance review shall be presented to the Board of Directors during the Board meeting in June.

### B. For Senior Management and the Management Team

# 1. Coverage:

The Management Team is composed of the following:

- 1.1 <u>Senior Management</u>
  - a. Chief Executive Officer
  - b. Chief Operating Officer
- 1.2 Officers
  - a. Head of Branches
  - b. Area Heads
  - c. Internal Audit/Compliance Head
  - d. Treasurer
  - e. HR Officer
  - f. IT Officer
  - g. Accounting Officer
  - h. Facilities Management & General Services Head

# 2. Frequency

The Performance Evaluation shall be conducted once a year, every June, one month before the annual stockholder's meeting.

#### 3. Performance Evaluation Process

- a. The Human Resource Department shall facilitate the performance evaluation and shall be in charge of the distribution of the performance evaluation form to the Management and Board of Directors.
- b. The Senior Management shall be evaluated by the Board of Directors.
- c. The Officers shall be evaluated by the Senior Management.
- d. After they fill-up the form, the HR Officer shall collate, and summarize the results of the evaluation through the Performance Evaluation Report.
- e. The results of the performance evaluation of the senior management shall be presented to the board during the June board meeting.

# J. Orientation and Education Program

As part of its annual training program, the HR Department sends directors, officers and other employees to trainings and seminars to ensure that they continuously possess the skills and knowledge required for their respective positions. These trainings keep all attendees updated on the latest developments in the banking sector, including business and regulatory expectations. These are mostly facilitated by the Rural Bankers Research and Development Foundation, Inc. (RBRDFI) and Rural Bankers Association of the Philippines (RBAP).

TITLE OF SEMINAR	DIRECTOR	OFFICER	RANK- AND-FILE
Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals		1	וו

Refresher Course: Anti-Money Laundering/Counter-Terrorism Financing		22	28
(AML/CTF) Fundamentals Basic Appraisal Principles		3	17
Advanced Appraisal Seminar		9	2
Managerial Skill for Bank Officers		21	
Basic Cashier Training		1	10
Credit Investigation		5	6
Remedial Management Seminar		4	1
Executive Diploma Program in		1	
Cybersecurity Enhancing Cybersecurity: IT Risk		1	1
Management Awareness Course		l	l
Anti-Bank Robbery and Cybercrime Training		1	
Data Privacy Council Roadshow 2023		3	1
Accounting for Non-Accountants [Understanding the Language of Business]			14
Strengthening BSP Reportorial Procedures [FRP and CAR]		2	
Practical Guide for Disclosure Preparation Under FRPS9			1
Financial Statement Analysis Training - A Tool in Credit Decision Making		10	2
Environmental & Social Risk Management Training for Rural Banks		3	3
Sustainability Framework and Environmental and Social Risk Management	1		
Orange Bond Initiative [Movement for Gender-Equal Finance and Safe Water for Women]		3	3
Signature Verification, Bank Fraud and Forgery Detection Seminar		3	10
Corporate Secretary as Corporate Governance Professional Training		4	1
Institutional Risk Assessment Training		1	1
Risk-Based Internal Auditing Seminar		2	1
Risk-Control Self-Assessment Seminar for Rural Banks			2
Securities and Exchange Commission (SEC) Regulations on the Disclosure of Beneficial Ownership Information		2	
2023 Peso Real-time Gross Settlement Payment System Forum		2	
Confederation of Central Luzon Rural Banks (CCLRB) 2023 Annual Management Conference	3	1	
CCLRB Membership Meeting	1		

Rural Bankers Association of the Philippines (RBAP) 70th Annual National Convention and General Membership Meeting	3		
Rural Bankers Association of the Philippines (RBAP) 66th Charter Anniversary Symposium and Special General Membership Meeting	2		
TOTAL	10	105	115

# K. Retirement and Succession Policy

# 1. Retirement Policy of Signabank:

# a. Employees:

The Retirement Program has been established to provide employees with cash benefit upon normal retirement with the bank. The normal retirement of employees shall be on his/her attainment of age sixty (60). Employees may elect to retire with the consent of the Company/Bank prior to his normal retirement date provided he has completed at least ten (10) years of Service.

All employees who have served the bank for 10 years and above will qualify for the longevity and retirement program. The retirement benefit is based on the retirement plan enrolled by the bank for each employee.

# b. Term Limit and Retirement Age of the Board of Directors

The following shall be the terms of service of the Board of Directors:

- 1. A Non-Executive Director may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement; and
- 2. The Independent Director of Signabank shall 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, but may continue to serve as regular director.
- 3. The Executive and Non-Executive Directors shall serve for as long as he/she is physically and mentally fit to work and fully carry-out assigned responsibilities to him/her.

# 2. Succession Policy of Signabank:

- a. Succession Plan Team (SPT). The team is composed of the President/CEO, Executive Vice President/COO, and the HR Officer.
- b. Roles of the Succession Planning Team (SPT):
  - Identify key areas and critical positions
  - Identify capabilities for key areas and positions

- Identify qualified sources for successor candidates and assess them against capabilities
- Prepare status of succession plan every year.
- Develop and implement succession and knowledge transfer plans
- c. The selection process shall be based on the following steps:
  - The SPT shall establish an initial identification of candidates.
  - The HR Officer shall accomplish the Candidate Profile and Candidate's Record (Gap Analysis)
  - After determining the gap analysis, the HR Officer shall implement the interventions needed by the candidate.
  - Final selection shall be made by the Succession Planning Team through a panel interview of the candidates.
  - Selected candidates shall be confirmed by the Board of Directors.
- d. The Succession Plan shall be prepared by the HR Officer after following the selection process. This should be updated every year.

# L. Remuneration Policy

The compensation to be paid by the Signabank for the services of its employees shall be based on the following:

# **Key Officers and Staff:**

CLASSIFICATIONS	POSITION	RANK
Rank-and-File	Branch Associate/ Department Staff	Rank-and- File I & II
Supervisory	Branch Officers/	First Officer
Supervisory	Managers,	Assistant Manager
Supervisory	Area/Department	Manager
Supervisory	Officers/Head	Senior Manager
Managerial		Assistant Vice President
Managerial		Vice President
Managerial		Senior Vice President

#### **Executive Directors:**

Senior Management	Chief Executive Officer	President
Senior	Chief Operating Officer	Executive Vice President
Management		

In all cases, salaries shall be determined by the Bank's pay-step salary structure.

The following is the remuneration policy for the Signabank Board of Directors.

- 1. **Non-executive Directors** shall not receive compensation but a reasonable honoraria/per diem for their attendance during the monthly Board meeting.
- 2. **Executive Directors** shall receive monthly compensation plus honoraria/per diem every monthly board meeting

# Process used in determining the remuneration of the President and other key officers of the Bank:

The salaries of the executive officers are determined by conducting surveys on salary trends among financial institutions while also considering the bank's operational results and performance for the year. Unlike key officers, the salaries of senior management may not increase annually, regardless of the DOLE-mandated increases and performance appraisals.

The key officers of the bank receive salaries based on the salary structure of the bank. A performance-based bonus will be given to all employees, including executive and key officers, when the bank reaches its target performance.

The following are the most highly compensated management officers for the year 2023, with their annual salaries:

- 1. Executive Vice President/Chief Operating Officer (COO) Php 3,507,243.19
- 2. President/CEO Php 2,830,044.73
- 3. Head of Branches Php 718,379.34
- 4. Area Head West Php 627,207.49

#### M. Policies and Procedures on Related Party Transactions

The following is Signabank's Policies and Procedures on Related Party Transactions (RPTs)

# 1. Related Party Transactions (RPTs)

#### Related Parties shall include:

- Any party that Bank exerts direct/indirect control over and vice-versa;
- Bank's Directors, Officers, Stockholders, and their Related Interests (DOSRI) and their Close family members within the second degree of consanguinity or affinity, legitimate or common-law;
- Other person/juridical entity whose interests may pose potential conflict with the interest of the Bank (such as companies/business establishments related to Bank's DOSRI) and their close family members; and
- Other related parties indicated in the Corporate Governance section of the Bangko Sentral's MORB.

RPTs shall refer to transactions or dealings with related parties of Signabank. These shall include, but not limited to the following:

- a. On- and off-balance sheet credit exposures and claims and write-offs;
- b. Investments and/or subscriptions for debt/equity issuances;
- c. Consulting, professional, agency and other service arrangements/contracts;
- d. Purchases and sales of assets, including transfer of technology and intangible items
- e. Construction arrangements/contracts;
- f. Lease arrangements/contracts;
- g. Trading and derivatives transactions;
- h. Borrowings, commitments, fund transfers and guarantees;
- i. Sale, purchase or supply of any goods or materials; and
- j. Establishment of joint venture entities.

# 2. Guidelines In Ensuring Arm's Length Terms

- a. All related party transactions shall be processed as a regular loan and shall be conducted in a regular course of business. An effective price discovery mechanism includes: terms, conditions, pricing, interest rates, fees, tenor, collateral requirement, among other things given to a regular customer or non-related parties shall be no different to those offered to RPTs in order to ensure that these are not undertaken on more favorable economic terms;
- b. In terms of sale of ROPA and other properties of the bank, a bidding process must be opened first prior to transaction; and
- c. All related party transactions, regardless of the amount of transaction, shall be deliberated and approved on Board of Directors meeting once a month.

# 3. Prevention or Management of Conflict of Interest

- a. To prevent potential or actual conflicts of interest which may arise, members of the board of directors, stockholders, and management shall disclose to the board of directors whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the bank;
- b. The disclosure shall include material interest, related interests, nature of the transaction and the amount involved;
- c. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the bank.

# 4. Materiality Threshold and Excluded Transactions.

Transaction that was entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval process. However, any alteration/renewal of the transactions after the non-related party becomes a related party shall subject to the RPT policy.

All type of loans and sale of bank properties shall adhere to the materiality threshold of 1 million per transaction which shall apply to all related parties. However, transactions concerning deposit operations shall be considered non-covered transactions and shall be excluded from the above threshold.

# 5. Internal Limits for Individual and Aggregate Exposures.

The Bank shall be directed by the following internal limits subject to monitoring:

- a. Individual RPT limit: 5% of the Bank's Total Unimpaired Capital
- b. Aggregate RPT limit: 10% of the Bank's Total Unimpaired Capital

The bank, on an annual basis, shall check the RPTs for purposes of determining compliance to the limits. Non-covered transactions such as deposit operations shall be excluded from these internal limits.

# 6. Whistle blowing Mechanisms.

Signabank urges employees to address and communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs.

Unethical or Questionable RPTs must be reported directly to any of the following who do not have personal interest or involvement in the transaction for appropriate action.

#### a. The Immediate Supervisor

Everyone under the Immediate Supervising Officer's supervision is his concern and responsibility. If the Immediate Supervisor is not involved, the concerns on any unethical transactions must be reported to him/her.

#### b. The Head of Branches

Should the complainant feel that his/her concern has not been responded to satisfactorily by his/her Immediate Supervisor, the person may approach the Head of Branches.

## c. The Chief Operating Officer

If after exhausting the two channels above, his/her concern has not been responded to satisfactorily, the person may approach the Chief Operating Officer.

#### 7. Restitution of Losses and other remedies for abusive RPTs.

The Bank shall adhere to its Code of Conduct and may impose reasonable penalties due to transactions with related parties that have resulted in losses. Said provision shall allow the bank to cut any further potential losses that may occur and allow recovery of losses or opportunity costs already incurred from RPTs that are not engaged on arm's length terms.

The actions indicated in the bank's manual shall be used in case there is an employee or transactions noted to have breached the policies and guidelines on RPTs.

# **Material Related Party Transactions**:

The Bank submits material related party transactions report to BSP on a quarterly basis. As of 31 December 2023, the report contained two (2) loan accounts with outstanding balance of P455,190.11 under the name of Maria Lourdes E. Sumaoang, sibling of one of the bank's Branch Services Officers.

#### N. Self - Assessment Functions

## A. COMPLIANCE DEPARTMENT

The Compliance Program contains policies and procedures that ensure Bank practices are implemented in accordance with pertinent rules and regulations regularly issued by regulatory bodies for a primary purpose – to look after the interests of the banking public.

To arrive at this end, the compliance program serves as the key monitoring device to identify various risks of non-compliance and establish the role of

the Compliance Officer, Board of Directors and other Officers involved in the compliance function.

To mitigate and control risks in all areas of the Bank, the compliance program contains planned activities of the compliance function which includes the review and implementation of a particular policy and procedure, and compliance risk assessment. It also provides continuing compliance testing to identify major risk factors and their effects in the overall risks level, educating staffs on compliance matters, and monitoring compliance risk exposures. The result of the compliance testing shall be brought to the attention of the appropriate level of authority – Senior Management, Audit Committee, and to the Board of Directors. The Compliance Head, on the other hand, shall maintain an on-going line of communication that will bring up compliance issues within the Bank and how to resolve them.

To this end, the Board, including Audit Committee, shall conduct an annual review of the program to develop a continuing and wide-ranging risk control process.

### **Functions of the Compliance Head:**

The measure of the Bank's actual compliance rest on the capacity of the Compliance Head to efficiently detect and recognize compliance problems and challenges within the Bank. Thus, he shall regularly oversee the design of the compliance system, promote its effective implementation and address breaches that may arise by periodically reporting to the Board of Directors.

The Compliance Head is also responsible in ensuring that all reports and documentary submissions to the Bangko Sentral ng Pilipinas (BSP) are of accuracy and integrity.

#### **B. INTERNAL AUDIT DEPARTMENT**

The Internal Audit Department shall have full access to all Bank records and documents in order to perform audit, examinations, and investigations of all financial records and activities of the Bank. The Department is also unrestricted from reviewing and appraising policies, plans, and records. This authority has been vested by the Board to the Department to inform and advise the management on the current condition of the Bank and to arrive at the key objectives of the audit and of the Bank at large.

As part of its function, the Internal Audit shall submit report to Audit Committee of the audit findings noted, status of compliance of concerned branch/department/unit as well as the status of its accomplishments.

# Functions of Internal Auditing and of the Internal Auditor:

Internal Auditing covers all phases of Bank activities – financial, accounting, and operating.

To ensure the effectiveness and adequacy of the internal control system, the Bank has included in the functions of Internal Audit Department the measure of the reliability and integrity of the management, review of the accuracy of financial information system, and evaluation of the efficiency of internal control, risk management and governance structure. It also assesses the areas of interest to regulators including but not limited to: adequacy of capital and provisions, liquidity level, regulatory and internal

reporting, and implementation of recognized policies and procedures within the Bank.

The review process covers the following areas:

- 1. Managerial/Administrative Controls through a plan of organization and all methods and procedures for the delegation of responsibilities, the Bank advises personnel to take full responsibility and accountability for all actions taken commensurate to the authority granted to them. The same also provides direction and guidance to all levels of management from the highest to the lowest, and requires upward reporting from the lowest level up to the top.
- 2. Accounting Controls the Bank provides methods and procedures concerning (1) safeguarding of assets; and (2) accuracy and reliability of its financial records. The Bank ensures that all transactions executed are authorized and recorded in order to display the integrity of bank's financial statements. Controls include a series of proofs checks and balances between sending and receiving areas and between these areas and the general ledger.
- 3. Financial Controls the bank directs all bank personnel to report the usage of financial resources either by management or others to monitor its progress in the market place and its financial position.
- 4. Operating Controls the bank promotes safe, accurate, and timely processing of all transactions across the areas of operations; thus, personnel are encouraged to post and record all transactions as appropriately as possible.

Meanwhile, Bank's internal control standards include the use of proper and updated accounting records, designation of signing authority duly approved by the Board to sign for and in behalf of the bank, dual control system or a designation of at least two or more individuals for the completion of every transaction, joint custody for the physical protection of items or records, periodic checking and balancing of proofs, ledgers, and any other accounting records, rotation of duties, direct verification of deposit or loan account balances, and number control on cashier's checks, promissory notes, among others.

#### O. Dividend Policy

Declaration of dividends is allowed; provided that:

- It is accommodated by the existing surplus reserves;
- There are no unbooked valuation reserves; and
- It shall not impair the capital.
- Amount declared in 2023: 3Million 1<sup>st</sup> quarter of 2023; 5Million 4<sup>th</sup> quarter of 2023.

#### P. Corporate Social Responsibility Initiatives

Part of the corporate social responsibility initiative of the bank is the annual conduct of Christmas Party for the children in Santa Ignacia, Tarlac. The event was attended by 150 kids, with ages from 3 to 11 years old, from the areas of Brgy. Sta. Ines West, Sta. Ines East, and Sta. Ines Centro. Included in the activities of this early Christmas celebration was party games facilitated by Signabank officers and personnel. The event was held on December 7, 2023.

#### Q. Consumer Protection Practices

The Board of Directors of SIGNABANK is primarily responsible for approving policies and processes in order to identify, measure, monitor, and control consumer protection risks inherent in its operations and for ensuring that consumer practices are embedded in Bank's operations and that the implementation of the Bank's Consumer Protection policies as well as mechanism to ensure compliance, are being approved and overseen at all times in order to protect the interest of financial consumers and institutionalize the responsibilities of all stakeholders.

The Senior Management, on the other hand, is responsible for assuring that performance and management of the day-to-day Consumer Protection activities of the Bank are being monitored and supervised at all times.

The consumer protection system of the bank covers BSP's five principles of financial consumer protection that must always be observed:

#### 1. Disclosure and Transparency

Signabank ensures that the financial consumers understand all applicable terms and conditions and that all relevant information is being given in a clear, comprehensive, and transparent manner prior to the execution of the transaction;

#### 2. Protection of Client Information

The Bank acknowledges the value of keeping all data and information of its clients secured and confidential. Hence, only authorized personnel are given access to customer information, pertinent documents are kept in the vault and are secured by a password, and employees are provided with appropriate education about the consequences of improper disclosure of information. Most importantly, information is not shared without the consent of the consumer;

#### 3. Fair Treatment

Signabank observes standards of giving fair treatment and respect to all consumers regardless of their socio-economic status. All dealings and details as regard a product or service that best suits them are being disclosed fairly, honestly, and in good faith. Bank personnel are directed not to make untrue statements or omit necessary information. Similarly, they are bound to provide customers justified, explained, and documented recommendations;

#### 4. Effective Recourse

Signabank believes that customer complaints are of utmost importance for process improvement, hence, it has developed policies and practices that handle customer complaints. The guidelines require gathering customer complaint data, identifies the root cause, considers the processing time, and provides resolutions or responses to various complaints in order to prevent recurrences. Correspondingly, The Bank provides means to ensure that information on how to make a complaint is clearly visible in all branches. The Bank

also safeguards consumer complaints as it provides procedures to resolve the same in a fair, timely, and efficient manner.

#### 5. Financial Education and Awareness

The Bank trusts that giving consumers the knowledge and awareness to understand an information concerning and prior to accepting a financial product or services enable them to make a sound financial decision. In pursuit of the same, the Bank makes information materials and updated or readily available pamphlets or posters to be given to financial consumers for the purpose of providing financial education. Similarly, it provides thorough training and seminars to personnel concerning financial education awareness.

Meanwhile, A Consumer Assistance Officer in each branch, whose roles and responsibilities are: (1) to monitor the implementation of the Consumer Assistance Management System (CAMS) and (2) to review periodically the bank's Financial Consumer Protection report, is appointed by the Senior Management that is duly approved by the Board of Directors to oversee its Consumer Protection Program. They will be under the supervision and management of the Head Consumer Assistance Officer.

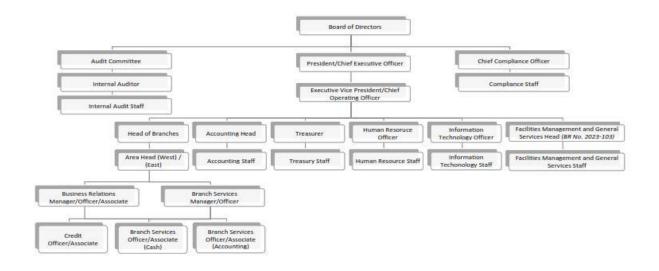
The existing consumer protection policies of the bank is now being reviewed for adjustments in order to align it with the new requirements of the Bangko Sentral.

#### **VI. CORPORATE INFORMATION**

#### **Organizational Structure**

#### SIGNABANK (Rural Bank of Sta. Ignacia)

Organizational Structure
(Approved BR. No. 2023-055 dated 17 May 2023 supersedes the approved BR. No. 2022-093 dated 16 November 2022)



MANAGEMENT DIRECTORY									
President	Roman L. Belmonte, Jr.								
Executive Vice President/Chief Operating Officer	Philip Christopher T. Tongol								
Corporate Secretary	Leandro Rodel V. Atienza								
Head of Branches	Ligaya P. Flores								
Acting Internal Audit/Compliance Head	Erwin M. Rombaoa								
Treasurer	Marivic F. Macadangdang								
HR Officer	Kristine O. Porlucas								
IT Officer	Hazelle Zar D. Antonio								
Accounting Officer	Diana C. Aguinaldo								
Facilities Management & General Services Head	Ma. Zetha D. Alberba								

#### b. List of Major Stockholders of the bank

	Name of Stockholders	Nationality	Percentage of Stockholding	Voting Status
1.	Cristina L. Belmonte	Filipino	13.42%	Common shares
2.	Roman L. Belmonte, Jr.	Filipino	12.03%	Common shares
3.	Filomeno R. Salvador, Jr.	Filipino	8.83%	Common shares
4.	Rosalinda T. Tongol	Filipino	7.77%	Common shares
5.	Michael Teodoro P. Lapus	Filipino	6.51%	Common shares
6.	Runel G. Atienza	Filipino	5.33%	Common shares
7.	CRT Medical & Technological Services Corp.	Filipino	4.99%	Common shares
8.	Rose Aimee T. Carreon	Filipino	4.52%	Common shares
9.	Winona T. Belmonte	Filipino	3.55%	Common shares
10.	Mary Rose T.Tongol	Filipino	3.08%	Common shares
11.	Roman T. Belmonte, III	Filipino	2.75%	Common shares
12.	Philip Christopher T. Tongol	Filipino	2.70%	Common shares
13.	Wilma B. Salvador	Filipino	2.52%	Common shares
14.	Jose Alexander T. Tongol	Filipino	2.26%	Common shares

#### c. Products and Services

#### PESO DEPOSITS:

- Savings Deposits cover basic deposit (minimum initial deposit: Php50.00) and ordinary deposit accounts (minimum initial deposit: Php500.00)
- Time Deposits cover regular time deposits and emerald savings (minimum amount to be deposited: Php50,000.00), and royal time deposits (minimum amount to be deposited: more than 1M). Time deposits are with maturities of 1 year to 5 years.

#### AGRICULTURAL AND CONSUMER LOANS:

- Agricultural loans cover loans for purposes of agriculture production, loans qualified to agrarian reform beneficiaries, loans covered by Agricultural Guarantee Fund Pool (AGFP), and other agricultural loans
- MSME loans cover loans to micro, small, and medium enterprises
- Car loans
- Housing loans
- Personal loans

#### OTHER SERVICES:

- Money transfers transacted through UnionBank i2i (UBIX i2i) money transfer facility, including bills payment, remittances, and fund transfers [via instapay and pesonet]
- Point of Sale (POS) transactions transacted through BDO and Landbank POS machines, which allows clients to withdraw cash with corresponding transaction fees

#### d. List of banking units

#### **HEAD OFFICE**

Romulo Highway, Pob. East, Santa Ignacia, Tarlac (045) 456-6478/0998-992-3099

#### **CAPAS BRANCH**

Sto. Domingo II, Capas, Tarlac 045) 923-3044/0920-977-3167

#### **TARLAC BRANCH**

P. Hilario St., Ligtasan, Tarlac City 045) 982-3506/0947-893-8986

#### **GERONA BRANCH**

Poblacion I, Gerona, Tarlac (045) 491-2610/491-2611/0999-885-8728

#### **CAMILING BRANCH**

Arellano St. Pob. C, Camiling, Tarlac (045) 934-0690/934-1025/0918-907-9239

#### **VICTORIA BRANCH**

San Nicolas, Victoria, Tarlac (045) 606-9877/0918-967-5430

#### **SAN JOSE BRANCH**

Lawacamulag, San Jose, Tarlac (045) 925-4038/0998-845-7469

#### SAN CLEMENTE BRANCH

Pob, Norte, San Clemente, Tarlac (045) 925-4387/0999-884-9630

#### **SAN MANUEL BRANCH**

Poblacion, San Manuel, Tarlac (045) 606-0376/0998-548-2819

#### **MAYANTOC BRANCH**

Brgy. Pob. Sur, Mayantoc, Tarlac (045) 931-7962/0920-911-0533

#### VII. SUSTAINABLE FINANCE

SIGNABANK has completed the Sustainable Finance Framework Manual on November 16, 2022 and has given training and orientation on SFF/ESRM to the Board of Directors, stockholders, and employees on November 16, 2022 and March 20, 2023, respectively.

#### A. Two Approaches

Signabank will have two (2) approaches or methodologies in aligning and implementing the UN's Sustainability Goals into bank operations.

- 1. **Green Products -** These are the new products that the bank will offer related to Green financing.
  - a. **Green Deposit** Is a new product to be offered by SIGNABANK that allows customers to contribute to environmental sustainability while earning competitive returns on their savings. By choosing to open a Green Deposit account, customers can actively support green initiatives and projects that promote environmental conservation and renewable energy development.
  - b. Green Loans These are new products to be offered by SIGNABANK to support businesses in adopting environmentally sustainable practices. These loans are specifically designed to encourage investments in eco-friendly farming techniques, technologies, and equipment. By providing favorable financing terms and incentives, our Green Loans aim to promote sustainable agriculture, reduce environmental impact, and enhance the long-term viability of agricultural operations.
- 2. **Green Projects** These are the projects and activities that the bank has included in its 5-year Goals from 2023-2027 under corporate social responsibility.
  - **a.** Tree Planting Projects This will be in partnership with Tarlac Agricultural University.
  - **b. Waste Management Projects** The bank will start practicing waste management system in all branches. This can be accomplished by inviting resource persons to give the training and partnering with LGUs for the campaign.
  - **c.** Livelihood Training for farmers The bank will start conducting trainings in the community related to sustainable agriculture in partnership with different groups.
  - **d. Solar Energy Projects** The bank intends to begin installing solar energy systems in each of its offices and branches.
  - **e.** Investments in highest-rated debt instruments in support of environmental/sustainable projects or causes.

#### **B.** Use of Proceeds

The net proceeds of Green Deposits will be used to finance the bank's green loans and green projects. Eligible green projects require environmental benefits such as a reduced carbon footprint and vulnerability of communities to climate change.

Signabank will prioritize Green Loans based on the following categories:

#### 1. Environmental Use of Proceeds Categories

Environmental Project Category	Eligibility Criteria	Alignment with UN SDG
1. Renewable Energy	Research and development, acquisition, development, operation, or maintenance of new and ongoing renewable energy generation or transmission projects supporting infrastructure, including the following:  Solar  Wind sources  Ancillary services like: installation of renewable energy projects	7 AFFORDABLE AND 9 MOUSTRY, INNOVATION CLEAN ENERGY  11 SUSTAINABLE CITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION AND PRODUCTION  13 CLIMATE 15 UFFE ON LAND
2. Environmentally Sustainable Management of Living Natural Resources and Land Use	Eligible projects include financing of:      environmentally sustainable agriculture that meet third party certifications such as USDA Organic, EU Organic or equivalent national certifications;      climate smart farm inputs aligned with UN FAO such as biological crop protection and organic fertilizer;      forestry (at least FSC/PEFC/SFI certified) and smallholders should have sustainable forest management plan in place;      sustainable fishery, aquaculture (must be MSC/ASC certified);      reforestation and preservation of natural landscapes that meets the following criteria:	15 UFE ON LAND  12 RESPONSIBLE CONSUMPTION AND PRODUCTION  GO

Resource Efficiency Reduction of air and Pollution emissions, soil Prevention and remediation, waste prevention, or waste Control management, which includes re-use and recycling projects. Eligible projects include financing of: recycling of metals, paper and plastics recycling activities

#### 2. Social Use of Proceeds Categories

Social Project Category	Eligibility Criteria	Alignment with UN SDG
Access to essential services	Eligible purpose include financing of:  Employees and relatives only  • Medical or Hospitalization • Scholarship • Repair of houses due to calamity	3 GOOD HEALTH AND WELL-BEING 4 EDUCATION

#### VIII. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

(PART V OF APPENDIX 62 OF THE MORB)

a.	Tier 1 capital and a breakdown of its components	(Including deductions	solely from Tier I)
	Tier 1 Capital		Php130,506,959.68
	Paid up Common Stock	Php100,000,000.00	
	Retained Earnings	18,609,392.87	
	Undivided Profit	<u>15,319,469.03</u>	
	Sub-Total	Php133,928,861.90	
	Less Deductions:		
	Total outstanding unsecured credit	1,132,027.22	
	accommodation, both direct and indirect		
	DOSRI, net of allowance for credit losses		
	Deferred tax asset, net of deferred tax liability	2,289,875.00	
	-	3,421,902.22	
		========	
b.	Tier 2 capital and a breakdown of its components		
	Tier 2 Capital		4,889,016.55
	General Loan Loss Provision	4,889,016.55	
		=========	
C.	Deductions from Tier 1 (50%) and Tier 2 (50%) cap	ital	
<u> </u>	Deductions from Tier 1 (50%)	0.00	
	- X (50%)	====	
	Deductions Tier 2 (50%)	0.00	
	- X (50%)	====	
d.	Total qualifying capital		
u.	Total Qualifying Capital  Total Qualifying Capital		156,256,393.20
	Net Tier 1 Capital	151 495 057 69	130,230,393.20
		151,485,057.68	
	Net Tier 2 Capital	<u>4,771,335.52</u>	
_	Caribal manufus manufa fan anadik nisk	156,256,393.20	
e.	Capital requirements for credit risk		
	Risk-Weighted on-Balance Sheets Assets		
	0% Risk Weight	5 5 5 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	
	Cash on Hand	7,770,066.44	
	Due from BSP	11,998,283.54	
	Held-to-maturity financial assets	208,214,584.34	
	Loans to the extent covered by hold-out		
	on, or assignment of, deposits/deposit		
	substitutes maintained with the lending		
	bank	1,154,166.72	
	Peso denominated real estate mortgage		
	loans to the extend guaranteed by the		
	Home Guaranty Corporation (HGC)	4,188,861.80	
	Loans to small farmer and fisherfolk		
	engage in palay and/or food to the		
	extent guaranteed by the Agricultural		
	Guarantee Fund – enumerated in		
	Circular No. 713 dated 14 February 2011	<u>105,692,644.18</u>	
	Sub-total	339,018,607.02	
	20% Risk Weight		
	Checks and other cash items	358,201.64	174,142.15
	Claims on or portion of claims		
	Guaranteed by Philippine Incorporated		
	by banks/quasi banks with highest		
	credit quality	10,000,000.00	2,000,000.00

		c 1 · T		
Claims o				
	d by Philippine			
	terprises, includ			
	nt corporation			
	ing under hig			
loan portf	olio definition,			
credit qual	ity			
	_		15,460,000.00	1,092,000.00
50% Risk Weig	ht	, ,	· ·	
	micro, small	and medium		
_	(MSME) loan po		119,050,611.21	54,905,939.02
75% Risk Weig			0.00	0.00
100% Risk Weig			0.00	0.00
	ming loans to	individuals for		
·	_			
	urposes, fully se			
	on residential p		10.00	1056 607 00
	ccupied by the	borrower	19.00	1,956,687.90
150% Risk Weig				
	rforming loans			
	g loans to in			
housing p	urpose, fully se	ecured by first		
mortgage	on residential p	property that is		
or will be o	occupied by the	e borrower), all		
non-perfor	ming sales	s contract		
	s, and all non-pe	erforming debt		
securities	, ,	J	2,786,463.10	6,217,714.32
	ther properties	acquired and	_,,, ,	-,,
	it assets held f			
allowance t		or saic, rice or	2,013,598.10	6271,551.42
Other Assets	101 103363		<u>2,013,330.10</u>	0271,331.42
	s por Palanco Cl	hoot	992 070 690 F2	
	s per Balance S		882,979,689.52	
		rovisions per	/ 000 016 55	
Balance Sh	eet		<u>4,889,016.55</u>	
Sub-total			363,073,942.41	
	m Other Assets	-		
	standing unse	ecured credit		
accommod		direct and		
indirect to	DOSRI, net of	allowance for		
credit losse	es		1,132,027.22	
Deferred to	ax assets, net c	of deferred tax		
liability			2,289,875.00	
Net Total Asset	is		<del></del>	357,428,210,.19
Total Risk-We		Balance Sheet		
Assets	2.5.1100G OII L			477,133,551.52
f. Capital requireme	nts for market r	risk		0.00
g. Capital requireme				0.00
Operational Risk-V				
Operational RISK-V			1 - + 1/	Λ
	Year 3	Year 2	Last Year	Average
	80,547,426.42	80,468,329.13	81,607,815.71	
Less: Interest	9,288,995.89	<u>7,367,713.79</u>	<u>7,492,444.15</u>	
Expense				
Net Interest	71,258,430.53	74,115,371.56		
Income				
	<u></u>			
Fees and				
Commissions				
Income	972,358.58	687,581.58	548,982.53	
Other Income	<u>3,738,010.63</u>	2,952,750.93	2,700,698.95	
	<u>5,750,010.05</u>	<u> </u>		

Sub-total	4,710,369.21	3,640,332.51	3,249,681.48								
Gross Income	Gross Income 75,968,799.74 76,740,947.85 77,365,053.04										
Capital Charge											
Gross Incom	Gross Income (Average for 3 years) multiply by capital charge										
factor of 12%				9,202,992.03							
Adjusted capital	charge multiply	by 125%		11,503,740.03							
Total Operationa	l Risk-Weighted	Assets		115,037,400.32							
Total Risk-Weigh	Total Risk-Weighted Assets (Total Risk-Weighted on Balance Sheet										
plus total Operat	ion Risk-Weight	ed Assets)		592,053,270.81							
h. Total and Tier 1 c	apital adequacy	ratio on both so	olo and consolidated								
bases.											
Total Capital Ade	quacy Ratio			26.39%							
			ted Assets multiply								
by 1	00 (159,462,741.2	5/675,524,911.01 x	100)								
Tier 1 Capital Ade	quacy Ratio			25.59%							
	Total Tier 1 Capital divided by Total Risk-Weighted Assets multiply by 100										
(	154,573,724.70/6	75,524,911.01 x100	)								

# 2023 AUDITED FINANCIAL STATEMENTS

#### **COVER SHEET**

### for AUDITED FINANCIAL STATEMENTS

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Note 1: In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

Note 2: All boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the corporation's records with the Commission and/or non-reciept of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from the liability of defficiencies



#### STATEMENT OF MANAGEMENT'S RESPONSIBILITY

#### FOR ANNUAL INCOME TAX RETURN

The management of SIGNABANK RURAL BANK OF STA. IGNACIA is responsible for all information and representations contained n the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all the information and representations contained in the financial statements accompanying the Annual Income Tax Return or Annual Information Return covering the same reporting period. Furthermore, management is responsible for all the information and representations contained in all 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 year ended December 31, 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of SIGNABANK RURAL BANK OF STA. IGNACIA, 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, the pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances;
- c) The SIGNABANK RURAL BANK OF STA. IGNACIA has field all applicable tax returns, reports and statements required to be filed under the 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.

AAN T. BELMONTE III

Chairman of the Board

ROMAN L. BELMONTE JR.

President

Signed this 18th day of March 2024

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

The management of SIGNABANK RURAL BANK OF STA. IGNACIA is responsible for the preparation and fair presentation of 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 Company's ability to continue as 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

SICANGCO MENOR VILLANUEVA AND CO. CPAS, the independent auditors appointed by the stockholders for the periods 31 December 2023 and 2022, respectively, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders or members, have expressed their opinion on the fairness of presentation upon the completion of such audit.

RØMAN T. BELMONTE III

town

Chairman of the Board

ROMAN L. BELMONTE

President

Signed this 18th day of March 2024



## SICANGCO MENOR VILLANUEVA & CO. Certified Public Accountants

## SIGNABANK, RURAL BANK OF STA. IGNACIA

Romulo Highway, Poblacion East Santa Ignacia Tarlac Philippines

# AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED

December 31, 2023 and 2022

Philippine Peso

APR 23 2021

RAZIELIR. UAIAGUIA.

Senior Admin Ass



Certified Public Accountants

Sicangco Menor Villanueva & Co. BOA/PRC Reg. No. 0719 SEC Actreditation No. 0719-SEC BSP Accredited BIR Accredited

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#### REPORT OF INDEPENDENT AUDITORS

The Stockholders and the Board of Directors **SIGNABANK**, **Rural Bank of Sta. Ignacia** Romulo Highway, Poblacion East, Santa Ignacia Tarlac

#### Opinion

We have audited the financial statements of SIGNABANK, Rural Bank of Sta. Ignacia, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **SIGNABANK RURAL BANK OF STA. IGNACIA**, as at December 31, 2023 and 2022, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### **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 Corporation in accordance with the Code of Ethics for Professional Accountants in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit
  procedures that are appropriate in the circumstances, but not for the purpose of expressing an
  opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation'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 Corporation to cease to continue as a going concern.
- Prepare the financial statements in accordance with a fair presentation framework, to
  evaluate the overall presentation, structure and content of the financial statements,
  including the disclosures, and whether the financial statements represent underlying
  transactions and events in a manner that achieves fair presentation.

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



#### Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

SICANGCO MENOR VILLANUEVA & CO.

TIN 000-817-816

By:

ARLYN S. VILLANUEVA, DBA

Partner

TIN No. 103-501-444

CPA Certificate No. 35733 valid until 06/28/2026

PRC/BOA No. 0719

216 December, 2021 valid until 13 July 2024

SEC Accreditation No. 35733-SEC,

2021-2025 Audit Financial Statement

BIR Accreditation No. 04-003650-001-2022

03 October 2022, valid until 03 October 2025

PTR No. AC-2033292 08 January 2024, Angeles City

Auditor's Address: Villa Gloria Subdivision, Angeles City

18 March 2024





Certified Public Accountants

Sicangco Menor Villanueva & Co. BOA/PRC Reg. No. 0719 SEC Acrreditation No. 0719-SEC BSP Accredited BIR Accredited #2 Doña Gloria Ave., Villa Gloria Subd., Angeles City Tel. No: (045) 624-3933 Mobile No: (0943) 130-4672; (0916) 244-8819 e-mail address: sicangcomenorvillanueva630@gmail.com Unit 10 7 Workplus Acacia Drive, Filinvest Mimosa Plus, Clark Freeport Zone 2023 Tel. No. (045) 499-3185 Mobile No: (0998) 574-6472; (0917) 874-1186 e-mail address: www.smv\_clark@yahoo.com.ph

#### **AUDITOR'S LETTER OF COMMENT**

The review and evaluation of the accounting records, systems and controls is done corollary to our audit of financial statements of SIGNA BANK, RURAL BANK OF STA. IGNACIA conducted annually at the bank's offices. Based on our observation during our audit and follow-up with our findings, we are of the opinion that the affairs and records of the bank for the year ended 31 December 2023 have been fairly handled and have no further comments to make thereto.

SICANGCO MENOR VILLANUEVA & CO.

TIN 000-817-816

Bv:

ARLYN S. VILLANUEVA, DBA

Partner

TIN No. 103-501-444

CPA Certificate No. 35733 valid until 06/28/2026

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### SMV & Co.

Certified Public Accountants

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18 March 2024

#### The Director

Supervision and Examination Dept. III Bangko Sentral ng Pilipinas Manila

Sir:

Pursuant to the requirements of Appendic 55 of BSP Circular No. 1074 Series of 2020, we hereby certify that in the course of our audit of the financial statements of the SIGNABANK, RURAL BANK OF STA. IGNACIA as of 31 December 2023, there is none to report with regard to the following items:

- 1. Any material findings involving fraud or error (including cases that were resolved during the period of audit);
- 2. Any actual and potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets;
- 3. Significant doubt as to the ability of the Bank to continue as a going concern;
- 4. Discovery of a material breach of laws or BSP rules and regulations such as, but not limited to:
  - a. Capital adequacy ratio;
  - b. Significant deficiency in allowance for credit losses;
  - c. Material weaknesses in fair value measurement methodology;
  - d. Significant vulnerabilities to money laundering and combating the financial terrorism.
- Any material internal control weaknesses which may lead to financial reporting problems;
- Findings on matters of corporate governance that may require urgent action by the BSP;
- 7. Assets are no longer adequate to cover the total claims of creditors; and
- 8. Termination or resignation as external auditor.

I, DR. ARLYN S. VILLANUEVA, Partner of Sicangco Menor Villanueva & Co., CPAs, do hereby swear that the foregoing statements are true and correct to the best of my knowledge and belief.

DR. ARLYN S. VILLANUEVA, DBA
(Affiant)

SUB	SCRIPED AND SWORN, to before me this day of1 5 2024 2024 at, Philippines, affiants personally appeared before me and exhibited
to me his	, with document no.   issued on / valid
thru	, that the same person who personally signed before me the foregoing
and acknow	ledged that they executed the same / well known to the undersigned potant
public.	ANTY. MARY GRACE F. LAXA
Doc. No.	Notary Public Notary Public Commission Serial Member 2022-974
Page No.	Roll of Attorbay's No. 77809
Book No.	APR 2 3 2024 IBP No. 389094; 01-02-2024; Pampanga PTR 2024 No. AC-2028437; 01-03-2024; Angeles C
	2624  RAZIELER PARAULT BLK 3B Lot 6&7 Cherokee St. Timog

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18 March 2024

The Director
Supervision and Examination Dept. III
Bangko Sentral ng Pilipinas
Manila

Sir:

Pursuant to the requirements of the BSP Circular No. 1074 Series of 2020, we submit herewith the audited financial statement of SIGNABANK, RURAL BANK OF STA. IGNACIA as of 31 December 2023, including the comparatives for the year ended 31 December 2022 together with the following declarations/attachments for the same period, and we also certify:

- 1. That the audit started on 29 January 2024 and terminated on 18 March 2024;
- 2. That no material weakness or breach is noted to warrant the issuance of an Letter of Comment (LOC);
- That the financial audit report and the certification under oath stating that no material weaknesses or breach of internal control and risk management systems was noted in the course of the audit of the Bank were submitted to the Board of Director's on 18 March 2024;
- 4. That we, the external auditor, partners, associates, auditor-in-charge of this engagement and the members of our immediate family, do not have any direct or indirect financial interest with this bank and our independence is not considered impaired under circumstances specified in the Code of Professional Ethics for Certified Public Accountants;
- That the contents of the Bank's BSP Report of Examination (ROE) shall be allowed read-only access and that we, the external auditor, shall appropriately consider thereof and maintain its confidentiality as mandated in BSP Memorandum No. M-2014-11 and M-2015-040, and that have read-only access unto it; and
- That the Audited Financial Statements submitted with the BSP is in compliance with the disclosure requirements under Section 174 and other information that may be required.

I, ARLYN S. VILLANUEVA, Partner of Sicangco Menor Villanueva & Co., CPAs, do hereby swear that the foregoing statements are true and correct to the best of my knowledge and belief.

ARLYN S. VILLANUEVA, DBA Partner In-charge





Certified Public Accountants

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## REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Stockholders and the Board of Directors SIGNABANK, Rural Bank of Sta. Ignacia Romulo Highway, Poblacion East, Santa Ignacia Tarlac

We have audited the accompanying financial statements of SIGNABANK, Rural Bank of Sta. Ignacia, (the Company) as of and for the year ended 31 December 2023, on which we have rendered our report dated 18 March 2024.

In compliance with Revenue Regulation V-20, we are stating that:

No partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company; and

The taxes paid or accrued by the Company during the year are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.

SICANGCO MENOR VILLANUEVA & CO.

TIN 000-817-816

By:

ARLYN S. VILLANUEVA, DBA

Partner

TIN No. 103-501-444

CPA-Certificate No. 35733 valid until 06/28/2026

PRC/BOA No. 0719

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PTR No. AC-2033292 08 January 2024, Angeles City

Auditor's Address: Villa Gloria Subdivision, Angeles City

APR 23 2024

18 March 2024



Certified Public Accountants

Sicangco Menor Villanueva & Co.
BOA/PRC Reg. No. 0719
SEC Acrreditation No. 0719-SEC
BSP Accredited
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## REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors SIGNABANK, Rural Bank of Sta. Ignacia Romulo Highway, Poblacion East, Santa Ignacia Tarlac

We have audited the accompanying financial statements of SIGNABANK, Rural Bank of Sta. Ignacia, (the Company) as of and for the year ended 31 December 2023, on which we have rendered our report dated 18 March 2024.

In compliance with SRC Rule 68. We are stating that the said company has a total of Eighty-Six (86) stockholders owning one hundred (100) or more shares each.

SICANGCO MENOR VILLANUEVA & CO.

TIN 000-817-816

By:

ARLYN S. VILLANUEVA, DBA

Partner

TIN No. 103-501-444

CPA Certificate No. 35733 valid until 06/28/2026

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Auditor's Address: Villa Gloria Subdivision, Angeles City

BUREAU OF INTERNA SEVEN ROLLARD APR 23 2024

RAZIO R. CALAGO I.

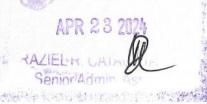
## SIGNABANK, RURAL BANK OF STA. IGNACIA STATEMENTS OF FINANCIAL POSITION

			December 31							
	Notes		2023	2022						
ASSETS										
Cash and cash equivalent	Note 5	P	228,341,136 P	240,695,635						
Financial assets at amortized cost	Note 6		141,366,908	117,285,115						
Loans and receivables	Note 7		441,573,441	454,193,563						
Sales contract receivables	Note 8		341,263	562,554						
Bank premises, furniture, fixtures and equipment	Note 9		60,818,462	58,551,690						
Investment property	Note 10		1,583,565	4,181,034						
Deferred tax assets	Note 11		1,899,394	2,283,214						
Other assets	Note 12		4,683,513	7,810,311						
		P	880,607,682 P	885,563,116						
Deposit liabilities Lease liability Accrued interest, taxes and other expense payable Special time deposits Due to Phil. Crop Insurance Corporation	Note 13 Note 22 Note 14 Note 15 Note 16	P	711,172,534 P 267,803 6,212,959 10,367 52,098	726,879,317 631,056 5,799,528 10,367 52,098						
Other liabilities	Note 17		9,205,356	1,446,968						
			726,921,117	734,819,334						
Stockholders' Equity	Note 18									
Share capital			100,000,000	100,000,000						
Stock dividends distributable			30,000,000							
Surplus reserve			544,122	-						
Surplus			32,629,599	57,541,854						
Defined benefit cost in OCI			(9,487,156)	(6,798,072						
			153,686,565	150,743,782						
		P	880,607,682 P	885,563,116						



## SIGNABANK, RURAL BANK OF STA. IGNACIA STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended Dec	ember 31
	Notes	2023	2022
INTEREST INCOME			
Loans and receivables	P	73,131,413 P	76,062,968
Financial assets at amortized cost		7,260,795	3,207,404
Oue from other banks		3,608,896	2,150,399
Sales and contract receivables	2	188,127	187,045
		84,189,231	81,607,816
INTEREST EXPENSE			
Deposit liabilities		8,328,535	7,492,444
Lease liability		27,982	52,493
		8,356,517	7,544,937
NET INTEREST INCOME		75,832,714	74,062,879
PROVISION FOR CREDIT LOSSES		1,261,724	1,902,351
NET INTEREST INCOME AFTER PROVISON		74,570,990	72,160,528
OTHER INCOME	Note 19	7,024,049	7,320,441
NET INCOME BEFORE OTHER OPERATING EX	XPENSES	81,595,039	79,480,969
OTHER OPERATING EXPENSES			
Personnel costs		33,650,376	31,878,794
Depreciation and amortization	Note 8	5,148,612	6,123,407
Taxes and licenses	Note 27	4,629,247	4,497,687
Insurance		2,208,814	2,173,517
Management and other professional fees		973,255	1,281,998
Litigation expenses		305,848	385,092
Fees and commission expense		306,300	160,500
Other expenses	Note 20	17,983,795	15,963,155
		65,206,247	62,464,150
NET INCOME BEFORE TAX		16,388,792	17,016,819
INCOME TAX EXPENSE			
Current tax expense		2,338,649	3,770,648
Deferred tax benefit		(315,431)	(475,588)
		2,023,218	3,295,060
NET INCOME (LOSS)		14,365,574	13,721,759
OTHER COMPREHENSIVE INCOME (LOSS)	Arrive Burgara	(-,,	1,992,828
TOTAL COMPREHENSIVE INCOME (LOSS)	BUREAU OF BUTER P	11,676,490 P	15,714,587



## SIGNABANK, RURAL BANK OF STA. IGNACIA STATEMENTS OF CHANGES IN EQUITY

	Notes		2023	2022	
ORDINARY SHARE CAPITAL - BEGINNING		P	100,000,000 P	100,000,000	
Stock dividend distributed	Note 18		-	-	
Ordinary share capital issued			<b>-</b>	-	
Ordinary share capital - ending			100,000,000	100,000,000	
SURPLUS RESERVE - BEGINNING				746,013	
Additions (disbursement) during the year			544,122	<del>5</del>	
Reversal on reserve			<u>-</u>	(746,013)	
Surplus reserve - ending			544,122	-	
STOCK DIVIDENDS DISTRIBUTABLE					
Additions (disbursement) during the year			30,000,000	<u> </u>	
Surplus reserve - ending			30,000,000	-	
SURPLUS - BEGINNING, as reported			57,336,435	42,868,664	
Prior year's adjusments	Note 18		(8,528,288)	205,418	
SURPLUS - BEGINNING, as restated			48,808,147	43,074,082	
Net income for the year			14,365,574	13,721,759	
Stocks dividends	Note 18		(30,000,000)	-	
Appropriation for surplus reserve			(544,122)	746,013	
Surplus - ending			32,629,599	57,541,854	
DEFINED BENEFIT COST					
Balance at beginning of year			(6,798,072)	(8,790,900)	
Adjustment from surplus			-	-	
Defined benefit cost - OCI			(2,689,084)	1,992,828	
Balance at end of year			(9,487,156)	(6,798,072	
TOTAL STOCKHOLDERS' EQUITY		P	153,686,565 P	150,743,782	



## SIGNABANK, RURAL BANK OF STA. IGNACIA STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITI	ES	2025	2022
Net income before tax	P	16,388,792 P	17,016,819
Adjusments for:		,,	2,,020,013
Depreciation	Note 9	5,148,612	6,123,407
Prior year's adjustments	Note 18	(8,733,706)	-
Provision for credit losses	Note 7	1,261,724	1,902,351
Defined benefit cost - OCI	Note 23	(2,689,084)	1,992,828
Loss (income) from sale of non-financial asset	Note 19	(3,741,701)	(4,000,477)
Operating income before working capital changes		7,634,637	23,034,928
Decrease (increase) in operating assets:			
Loans and receivables	Note 7	11,436,575	(5,195,549)
Sales contract receivable	Note 8	143,114	(256,918)
Other assets	Note 12	3,278,505	(1,356,143)
Increase (decrease) in current liabilites:			, , , , ,
Deposit liabilities	Note 13	(15,706,783)	13,932,361
Accrued interest, taxes and other expenses	Note 14	936,121	(224,292)
Lease liability	Note 22	(363,254)	-
Special time deposit	Note 15		-
Due to Phil. Crop Insurance Corporation	Note 16	-	-
Other liabilities	Note 17	7,758,388	(4,464,764)
Net cash generated from (used in) operations		15,117,303	25,469,623
Income taxes paid		(2,313,795)	(2,765,709)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		12,803,508	22,703,914
INVESTING ACTIVITIES:			
Acquisition of bank premises, FFE	Note 9	(11,612,805)	(10,857,994)
Proceeds from of non-financial assets	Note 9	10,536,591	8,297,985
Disposal (additions) in FA at amortized cost	Note 6	(24,081,793)	75,765,141
Proceeds from sale of investment property	Note 10	-	-
Additions in Investment Property	Note 10	-	(2,502,295)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES		(25,158,007)	70,702,837
NET INCREASE/(DECREASE) IN CASH		(12,354,499)	93,406,751
CASH BALANCE - BEGINNING OF YEAR		240,695,635	147,288,884
CASH BALANCE - END OF YEAR	P	228,341,136 P	240,695,635



#### NOTES TO FINANCIAL STATEMENTS

#### 1) CORPORATE INFORMATION

Rural Bank of Sta. Ignacia, Inc., doing business under the name and style of SIGNABANK, Rural Bank of Sta. Ignacia was registered with the Securities and Exchange Commission (SEC) on September 11, 1963 with Registration No. 23722. Consequently, on September 19, 1963, the bank was authorized by the Bangko Sentral ng Pilipinas (BSP) to engage in all aspects of rural banking. On December 22, 2009, the bank's term and existence as a corporation was extended for another fifty (50) years after the date of the expiration of the original period of incorporation (As amended on February 11, 2009) to record retirement benefit adjustments based on actuarial valuation.

The bank's registered head office/main branch address is Romulo Highway Poblacion East, Sta. Ignacia, Tarlac. It has also branches located on the following areas:

#### Areas

Camiling Branch
 San Jose Branch
 San Manuel Branch
 Capas Branch

5. Tarlac Branch

Gerona Branch
 Victoria Branch

8. San Clemente Branch

9. Mayantoc Branch

Camiling, Tarlac
San Jose, Tarlac
San Manuel, Tarlac
Capas, Tarlac
Tarlac City, Tarlac
Gerona, Tarlac
Victoria Tarlac
San Clemente, Tarlac
Mayantoc, Tarclac

The bank's products and services are traditional deposits such as: savings deposits and certificate of time deposits. The bank also offers various types of loans such as commercial, agricultural, consumer loans and other related technical assistance to

The financial statements of the bank were authorized for issue by the Board of Directors on 18 March 2024.

#### **Status of Operation**

The financial statements were prepared on a going concern basis. The going concern basis assumes that the bank will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business and there are no events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern.

#### 2) SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

#### **Basis of Preparation**

The company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS is general include all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The company's financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value. The financial statements are presented in Philippine peso and all values are rounded to the nearest peso except when otherwise indicated.

#### **Changes in Accounting Policies and Disclosures**

#### Adopted Effective 01 January 2023

The accounting policies adopted are consistent with those of the previous financial year, except that the Company adopted the following amended standards starting 01 January 2022. The adoption of these standards did not have significant impact on the Company's financial position or performance:

- PAS 1 (Amendments), Presentation of Financial Statements Classification of Liabilities as Current of Non-current Affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve
- months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual periods beginning on or after 1 January 2023.
- PAS 1 (Amendments), Presentation of Financial Statements Disclosure of Accounting Policies The amendments aim to help entities provide accounting policy disclosures that are ore useful by: (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and (b) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
- PAS 8 (Amendments), Accounting Estimates Definition of Accounting Estimates The amendments introduced the definition of accounting estimates and included other amendments to PAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.
- PAS 12 (Amendments), Income Taxes Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible differences.
- PAS 12 (Amendments), International Tax Reform, Pillar Two Model Rules The Amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

PFRS 17 (Amendments), Insurance Contracts - changes are deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after 1 January 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023. Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination. Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements. Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.



Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach. Several small amendments regarding minor application issues. Although the IASB had in its discussions leading up to the exposure draft voted unanimously to leave the annual cohort requirement in PFRS 17 unchanged and did not ask a question on it in the draft, some respondents commented on the IASB's decision to retain the requirements unchanged. The IASB, therefore, included in its deliberations the question of annual cohorts in February 2020 once more. However, it came to the same conclusion as before and decided to retain, unchanged, the annual cohort requirement in PFRS 17. The amendments are effective for annual periods beginning on or after 1 January 2023. Early application is permitted. They are applied retrospectively.

- Philippine Interpretation Committee Question & Answer (PIC Q&A) No. 2018-12, with respect to the accounting for significant financing component, and uninstalled materials and the exclusion of land in the calculation of percentage of completion (POC) for a period of three (3) years.
- PIC Q&A No. 2018-12(H), on Accounting for Common Usage Service Area (CUSA) Charges and 2018-14 on Accounting for Cancellation of Real Estate Sales.
- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23 Borrowing Cost for Real Estate Industry.

#### New Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements:

- PFRS 16 (Amendments), Lease Liability in a Sale and Leaseback Requires a seller-lessee to subsequently measure lease liability arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of lease. The amendments are effective for annual periods beginning on or after 01 January 2024.
- PAS 1 (Amendments), Non-current Liabilities with Covenants The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. In addition, the amendments require additional disclosures for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 01 January 2024.
- PAS 7 (Amendments) and PFRS 7 (Amendments), Supplier Finance Arrangements Amendments to PAS 7 requires an entiry to provide 'disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cashflows and non-cash changes', while amendments to PFRS 7 requires an entity to provide information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed. The amendments are effective for annual periods beginning on or after 01 January 2024.



PAS 21 (Amendments), Lack of Exchangeability - The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments are effective for annual periods beginning on or after 01 January 2025.

#### **Summary of Significant Accounting Policies**

#### Financial Assets

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Bank's business model for managing the financial assets. The Bank classify its financial assets into the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at FVPL;
- Financial assets measured at FVOCI, where cumulative gains and losses previously recognized are reclassified to profit or loss; and
- Financial assets measured at FVOCE, where cumulative gains and losses previously recognized are not reclassified to profit or loss.

Cash and Cash Equivalents

For the purpose of cash flow statement and balance sheet presentation, cash and cash equivalents includes cash on hand, due from other banks, due form Bangko Sentral ng Pilipinas, checks and other cash items under the definition per BSP regulation and short term treasury bills with original maturities of three months or less form dates of placements and that are subject to insignificant risk of changes in value.

Financial assets at amortized cost

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

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

Financial assets meeting these criteria are measure initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as Interest income in the statement of income. The Bank classified Cash and other cash items, Due from BSP, Due from other banks and Loans and receivables as financial assets at amortized cost.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of at the reporting dates, the Bank has not made such designation.

Unquoted Debt Securities Classified as Loans

This refers to debt securities, with fixed or determinable payments that are not quoted in an active market. Unquoted Debt Securities Classified as Loans shall be measured upon initial recognition at their fair value plus transaction costs that are directly attributable to the acquisition of the securities. After initial recognition, the bank shall measure these securities at their amortized cost using the effective interest method.

A gain or loss arising form the change in the fair value of Unquoted Debt Securities Classified as Loans shall be recognized in statement of income when the security is derecognized or impaired, and through the amortization process.



#### Investment in Non-Marketable Equity Securities (INMES)

Invesment in Non-Marketable Equity Securities includes equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measures. INMES shall be measured upon initial recognition at its fair value plus transaction costs that are directly attributable to the acquisition of the securities. After initial recognition, the bank shall measure INMES at cost.

A gain or loss arising form the change in fair value of the INMES shall be recognized in statement of income when the security is derecognized or impaired.

#### Other Invesments and Other Financial Assets

Financial Assets covered by PAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transacion costs. The bank determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade i.o. the date that the bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

#### Loans and Receivables

Loans and Receivables are initially measured at fair value. After initial recognition, Loans and Receivables are stated at amortized cost computed as the outstanding principal balances, reduced by related loans and receivable discount and allowance for credit losses.

Loans and Receivable Discounts are recognized as income over the term of the loans, using the effective interest method. Interest Income on non discounted loans is accrued as earned, except in the case of past due accounts as required by the existing regulations of the Bangko Sentral ng Pilipinas (BSP). Interest Income on these past due accounts is recognized only upon the actual collection. Loan fee income that represents as an adjusment of yield on respective loans, if any, is included in interest income on loans in the statement of income.

Under BSP MOR X309.1, loans are generally classified as non-accruing or non-performing when the principal or interest unpaid for thirty (30) days or more after due date or they have become past due in accordance with existing rules and regulations. Restructured loans are generally considered past due and non-performing in case of default of any principal or interest payment.

BSP MOR X309.1 provides that in case of loans payable quarterly, semestrally, and anually, the total balance thereof is considered past due when one installment is in arrears. Accordingly, such loans become non-performing thirty days after such installments fall in arrears.

#### Financial Liabilities

Financial Liablities includes deposit liabilities, bills payable and other accrued expenses.

Financial Liabilities are recognized when the bank becomes a party to the contractual agreements of the instrument.

Financial Liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments, except when these are payable within one year which case they are measured at their nominal value. The following are the compositions of the financial liabilities of the bank:

#### Deposit Liabilities

The deposit liability account includes basic deposit account, regular and special savings deposit and time certificates of deposits. This account is usually non-interest bearing but the bank may opt to pay interest on these accounts. Regular savings deposits refer to those which earn a lower interest rate while special saving deposits earn a higher interest rate and are both withdrawable either upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook or thru the automated tellering machines. Lastly, time certificates of deposits refer to interest-bearing deposits with specific maturity dates and evidenced by certificates issued by the bank.

#### Bills Payable

The bills payable account refers to obligations availed by the bank from other financial institutions thru rediscounting which requires the issuance of borrowers' promissory notes and their corresponding collaterals.

#### Accrued Expenses and Other Liabilities

These refer to obligations already incurred by the bank which are not yet paid as of the balance sheet date. These are normally measured at their nominal values.

#### Derecognition of Financial Assets and Liabilities

#### Financial Asset

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

- The rights to receive cash flows from the asset have expired;
- The bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in fill without material delay to a third party under a 'pass-through' arrangement; or
- The bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, but has transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount og the asset and the maximum amount consideration and the bank

Where continuing involvement takes the form of a written and/or purchased option (including cash-settled option or similar provision) on the transferred asset, the extent of the bank's continuing involvement is the amount of the transferred asset that the bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### Financial Liabilities

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



#### **Impairment of Financial Assets**

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occured after the initial recognition of the asset and that lost event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrese in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### Financial Assets Carried at Amortized Cost

For financial asset carried at amortized cost, the bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future and all collaterals have been realized.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar crdit risk characteristics and that group of financial assets is collectively assessed for impairment. Those chracteristics are relevant to the estimation of future cash flows for groups pf such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognized are not included in a collective assessment for impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the future cash fows is discontinued at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type and past due status.

#### Financial Assets Carried at Cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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#### Restructured Loans

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the arrangement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. The loans continuously to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in 'Provision for impairment and credit losses' in the statement of income.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the end amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the

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

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

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

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. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

Depreciation and amortization of these assets are calculated on a straight-line basis over the useful lives of the assets and, on the same basis as other property assets, commences when the assets are ready for their intended use.

The useful life of each of the bank premises, furniture, fixtures and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

Under BSP Circular 494, bank premises, furniture, fixtures and equipment shall be accounted for using the cost model under PAS 16 "Property, Plant and Equipment."

#### Leases

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

After lease commencement, a lessee shall measure the right-of-use asset using a cost model, unless:

- i) the right-of-use asset is an investment property and the lessee fair values its investment property; or
- ii) the right-of-use asset relates to a class of PPE to which the lessee applies PFRS 16's revaluation model, in which case all right-of-use assets relating to that class of PPE can be revalued.

Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.



The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

The bank estimated an incremental borrowing rate of 7.00%.

#### Real and Other Properties Acquired (ROPA)

This account represents real and movable properties other than those used for operational purposes or those held in the investment portfolio. These assets were acquired by the bank in settlement of those delinquent loans and/or other unpaid accounts. Valuation of this account is based on loan balances net of allowance for probable losses. Capital gains tax, documentary stamp tax and other expenses relative to the litigation and/or foreclosure process are capitalized as part of the carrying values, provided that such carrying values do not exceed appraised values.

Real and Other Properties Acquired are classified as Land, Building, Financial Assets and Other Non-Financial Assets. Foreclosed property which composed of land and improvements shall be allocated based on the fair value of the land and improvements thereon.

#### Sales Contract Receivables

This refers to the amortized costs of assets acquired in settlement of loans through foreclosure or "dacion en pago" 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. This shall be recorded initially at present value of the installment receivable discounted at the imputed rate of interest. Discount shall be amortized over the term of the SCR by crediting interest income using effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in the income statement at the date of sale in accordance with PAS 18.

#### Non-Current Assets Held for Sale

An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less cost to sell.

An entity shall classify as Non-Current Assets Held For Sale when an entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met.

When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss as a financing cost.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable PFRSs.

On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of this *PFRS*, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable *PFRSs*, before the fair value less costs to sell of the disposal group is remeasured.

#### **Investment Properties**

Initially, investment properties are measured at cost including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measured. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value.



Investment properties are derecognized when they have either been disposed off or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on the derecognition of an investment property is recognized as Gain or Loss on sale of investment properties in the statement of income in the year of derecognition.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in which the costs are incurred.

Depreciation is calculated in straight-line basis using the following useful lives from the time of acquisition of the investment properties.

However, under BSP Circular 520, Real and Other Properties Acquired (ROPA) shall be accounted for using the cost model under *PAS 40* "Investment Property" except when they comply with *PFRS 5* "Non-Current Assets Held for Sale" that they shall be reclassified as such.

#### Other Assets

Other assets account represents residual accounts which were not classified as a separate line item in the manual of accounts as provided in the BSP Circular 520.

#### Impairment of Non-Financial Assets

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimated used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, and no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the transaction will generate future economic benefits to the bank and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

#### Interest Income

Interest on loans and service charges are booked as loans and receivables discounts and shall only be recognized as income through amortization using effective interest rate method. Effective interest rate method of amortization recognizes the timing of outflow and future inflows relating to the financial asset.

Interest and other charges on past due loans in litigation are recognized as income only upon collection.

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#### Other Income

Other income comprises flow of economic benefits to the enterprise other than income arising from its principal operation.

## Determination of Provisions and Allowances for Credit Losses

Loans and Receivables - Specific Provision

Classified Loans:

Loans Especially Mentioned Substandard-Secured Substandard-Unsecured Doubtful Loss

5% of borrower's outstanding balance 10% of borrower's outstanding balance 25% of borrower's outstanding balance 50% of borrower's outstanding balance 100% of borrower's outstanding balance

Loans and Receivables - General Provision

Unclassified Loans:

The total loan portfolio net of the outstanding balance of those loans that were already subjected to specific provision shall be segregated and subject to the following rates:

Unclassified Restructured Loans Unclassified Other Than Restructured 5% of borrower's outstanding balance 1% of borrower's outstanding balance

Other Risk Assets

Other risk assets such as accounts receivable are also given allowance after considering the nature of the transaction and the degree of collectability of the accounts.

\*Provisions for losses (expense account) on the above cited risk asset are determined by the required allowance at the end of the year less the beginning allowance for a particular year adjusted by write-off and recovery, if any.

#### Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease if any 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 the 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, or
- (d) There is substantial change to the asset.

Where the 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).



#### The Bank as Lessee:

Finance leases, which transfer to the bank substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized directly in profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the bank will obtain ownership by the end of the lease term.

#### The Bank as Lessor:

Leases where the bank does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### **Employee Benefits**

The bank recognizes a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the entity consumes the economic benefits arising from service provided by an employee in exchange for employee benefits. Employee benefits are short-term employee benefits; post-employment benefits; other long-term employee benefits and termination benefits.

#### Short Term Benefits:

Short-term employee benefits are employee benefits which fall due within twelve months after the end of the period in which the employees render the related service. The bank recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the bank to its employees include salaries and wages, social security contributions, short-term compensated absences, and other non-monetary benefits. Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the balance sheet date. These are included in the salaries and wages at the undiscounted amount that the bank expects to pay as a result of the unused entitlement.

#### Termination/Resignation Benefit:

Termination benefits are payable when employment by the bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer mad to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

#### Retirement Benefits:

The bank has funded non-contributory retirement benefit plan covering all its qualified regular employees. Retirement benefits are equivalent to sum equal to a percentage of the latest monthly salary for every year of creditable service in accordance with the benefit schedule as defined in the plan.

Any employee on a permanent appointment as of the effective date shall automatically become a participant in the plan and Bank employee not covered by the plan as of the effective date or those hired by the Banks subsequent to the effective date shall automatically become participant in the plan on the first day of the month following their designation as permanent employees.

Retirement cost is determined using the years of service method. This method reflects services rendered by employees up to the date of valuation and incorporates latest employees' salaries.

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The liability recognized in the balance sheet in respect of the plan is the cumulative amount of the benefit obligation at the balance sheet date. The benefit obligation is calculated using the years of service of the employees and the value of the benefit obligation is determined based on the latest monthly salary of the employees.

Any adjustments and changes in the amount of the obligation are credited to or charged to income.

Beginning with the effective date of the Plan, the Bank shall set aside every calendar year a benefit obligation for the Retirement of the Bank Employees, which account shall be funded out of the bank funds.

The Retirement pay shall be paid in one lump sum upon clearance of the separated employee and shall be computed from the date of permanent appointment. Provided, however, that a participate separated from the service for carelessness in the performance of duty which has caused loss or impairment of the assets of the Bank, for dishonesty, for acts involving moral turpitude, shall forfeit the privilege of the Retirement Pay herein established.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of income.

Generally, deferred tax assets and deferred tax liabilities cannot be offset unless a legally enforceable right exist to offset current tax asset against current tax liabilities and deferred taxes relates to the same entity and the same taxation authority.

#### Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercise during the year, if any.

The bank has no outstanding dilutive potential common shares.

#### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the bank. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

#### Book Value per Share

The book value per common share is derived from the total shareholders' equity net of preferred shares and dividends (for cumulative shares) divided by the total number of common shares outstanding during the year.

#### Subsequent Events

The bank identifies subsequent events as events that occurred after the balance sheet date but not before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the bank's financial position at the balance sheet date are reflected in the financial statements. Events that are not adjusting events are disclosed in the notes to financial statements when material.

#### Related Party Transactions and Relationships

Parties are considered to be related if one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise and its key management personnel, directors, or its stockholders. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

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#### 3) SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with the Philippine Financial Reporting Standards (PFRS) requires the Bank to make judgments and estimates that affect the reported amounts of the assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future events may occur when the assumptions used previously by the management become irrelevant that it will affect significantly the present valuation of the assets. The effects of any changes in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

In the application of the bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period on revision and future periods if the revision affects both current and future periods.

The estimates and assumptions used in the financial statements are based on the evaluation of relevant and reliable facts. The following represents a summary of the significant estimates and judgments and related impact and associated risks in the bank's financial statements.

#### Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the bank, the functional currency of the bank had been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the bank operates. It is the currency that mainly influences the revenue and expenses of the bank.

#### Deferred Tax Assets

The bank reviews the carrying amounts of the deferred tax assets at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

#### Estimated Useful Life of Banks Premises, Furniture, Fixtures and Equipment

The useful lives of bank premises, furniture, fixtures and equipment's are based on the estimates provided the management on the best possible expected use of the assets in its operation. These estimates were reviewed periodically and shall be updated if expectations may differ from that of the prior years. The evaluation shall be made in accordance with such factors that may affect the productivity of the assets such as wear and tear, technical or commercial obsolescence, ang legal or other limits on the use of the assets. In addition, the estimation of the useful lives of bank premises, furniture, fixtures and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, the future financial performance could be materially affected by changes in the estimates brought about by the changes in these factors and circumstances.

A reduction in the useful lives of the bank premises, furniture, fixtures and equipment would increase the recorded expenses and decrease the noncurrent assets.



The depreciation method in depreciating these assets is based on the evaluation of the expected pattern of benefits to be derived by the bank. Depreciation is computed using the straight line method, spread out over the useful life of the assets. Below are the estimated useful lives of the assets used in the calculation of depreciation expense:

Bank Premises, Furniture, Fixtures and Equipment	No. of Years
Leasehold, Rights and Improvements	15 or years of contract whichever is shorter
Building	30
Transportation Equipment	2 to 7
Furniture, Fixtures and Equipment	1 to 5

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the bank premises, furniture, fixtures and equipment.

#### Useful Life of Depreciable Investment Property (ROPA)

The assumptions and estimates used by the bank in the useful life of ROPAs are made to objectively determine the productivity or use of the assets. The BSP however in its Circular 494 provided that ROPA-Building and ROPA-Other Non-Financial Assets specifically on those that were accounted for as Investment Property under PAS 40 shall be depreciated only for a period of not more than 10 and 3 years respectively reckoning from the date of foreclosure. Thus, the lower between the estimate of the bank and the BSP regulation shall prevail.

#### Residual Value of Depreciable Assets

The residual value of an asset is the estimated amount that an entity would obtain from the disposal of the asset, after deducting the estimated costs of disposal. The management's estimate on the residual values of its assets is based on a conservative approach where residual values assigned to each asset are nil.

#### Estimate Used in Determining Fair Values of Financial Assets

Reasonable estimate of the management on the fair value of the financial instrument is the responsibility of the management when reference costs and/or values is not quoted in the stock market.

An entity shall assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial asset is impaired. The threshold and materiality level is PAS 36 and 39 to impair a financial asset is provided on a non-quantitative basis thus, the use of judgments in objectively examining the financial asset is required. In such case, the top management of the bank shall be responsible for the reasonable judgments pertaining to the valuation of this financial

#### Allowance for Doubtful Accounts

The bank assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivable that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

#### Contingencies

The adoption of accounting for contingencies in *PAS 37* requires the management's prudent judgment and expectation on the outcome of particular contingencies. The relevance of this item becomes of paramount significance when it will materially affect the financial standing of the bank.



#### 4) FINANCIAL RISK MANAGEMENT

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

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

#### Credit Risk

Credit risk is the risk of financial loss due to one party to a financial product failing to discharge an obligation. The bank faces potential credit risks every time it extends to borrowers. In addition, the bank obtains collaterals where appropriate.

In compliance with BSP requirements, the bank established an internal credit risk rating system for the purpose of measuring credit risk for corporate and individual borrowers in a consistent manner, as accurately as possible, and thereafter uses the risk information for business and financial decision making.

#### Credit Concentration Profile

#### Maximum credit risk exposures

The following table shows the Bank's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements:

		Year 2023		Year 2022
COCI and DFOB		208,572,786	P	211,928,987
Due from BSP		11,998,284		20,525,225
Financial assets at amortized cost		141,366,908		117,285,115
Loans and receivable		441,573,441		454,193,563
Sales contract receivable		341,263		562,554
Financial Assets Recognized in the Balance Sheet	P	803,852,682	P	804,495,444

#### Large exposure and top 20 borrowers

The table below summarizes the Bank's large exposures and top 20 borrowers:

		Year 20	23	Year 2022		
		Single	Group	Single	Group Borrowers	
		Borrowers	Borrowers	Borrowers		
Aggregate exposure	P	68,974,583 P	- P	72,674,925 P	-	
Total expected loss		0.00%	0.00%	0.00%	0.00%	

#### Market Risk

Market risk is the risk of loss that may result from the changes in the price of a financial product. The value of a financial product may change as a result of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) and market prices (price risk). Interest rate risk is the risk that the value of financial instrument will fluctuate because of changes in market interest rates. Currency risk on the other hand is the risk that the value of financial instrument will fluctuate because of changes in foreign exchange rates. And finally, price risk is the risk that the value of instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

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The bank structures levels of market risk it accepts through a market risk policy (a) determines what constitutes market risk for the bank; (b) basis used to fair value financial assets and liabilities; (c) asset allocation and portfolio limit structure; (d) diversification benchmarks by type of instrument; (e) sets out the net exposure limits by each counterparty of group of counterparties; (f) reporting of market risk exposures, and (g) monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment.

#### Liquidity Risk

Liquidity risk is the risk that the bank will not be able to meet its financial obligations as they fall due. The bank manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the bank's future and contingent liabilities and set up required cash reserves as necessary in accordance with internal requirements.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow report, as well as an analysis of available liquid assets. Furthermore, an internal liquidity ratio has been set up to determine sufficiency of liquid assets over currently maturing liabilities.

The following table analyzes the financial assets and financial liabilities of the bank into their relevant maturity groups based on the remaining period at the balance sheet date to their contractual maturities or expected repayment dates as of December 31, 2023 and 2022:

				Year 2023		
	More than a					
		Up to a year		year		Total
Financial Assets:						
Cash and cash equivalents	P	220,571,070	P	-	P	220,571,070
Financial Assets at Amortized Cost		59,873,609		81,493,299		141,366,908
Loans and Receivable		322,556,552		119,016,889		441,573,441
Sales Contract Receivable		341,263		-		341,263
Total	P	603,342,494		200,510,188	P	803,852,682
		Up to a year		1 - 5 years		Total
Financial Liabilities:	7// 1					
Deposit Liabilities	P	660,239,897	P	50,932,637	P	711,172,534
Accrued Expenses and Other Liabilities		6,212,959		<u>-</u>		6,212,959
Special time deposits		10,367				10,367
Other liabilities		9,205,356				9,205,356
Total	P	675,668,579	P	50,932,637	P	726,601,216
				Year 2022		
		Up to a year	M	Iore than a year		Total
Financial Assets:						
Cash and cash equivalents	P	232,454,212	P	-	P	232,454,212
Financial Assets at Amortized Cost		44,874,781		72,410,334		117,285,115
Loans and Receivable		195,130,810		259,062,753		454,193,563
Sales Contract Receivable		562,554				562,554
Total	P	473,022,357		331,473,087	P	804,495,444
		Up to a year		1 - 5 years		Total
Financial Liabilities:						
Deposit Liabilities	P	587,890,881	P	138,988,436	P	726,879,317
Accrued Expenses and Other Liabilities	44	5,799,528		-		5,799,528
Special time deposits	41.1	10,367		-		10,367
Other liabilities		1,446,968		-		1,446,968
Total FAMILY ARMA ROSTE PANIQUI, TABLE	P	595,147,744	P	138,988,436	P	734,136,180



#### Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in interest rates. The bank's cash equivalents and held-to-maturity financial assets are mostly invested in fixed interest rates on its duration and therefore exposed to fair value interest rate risk but not to cash flow interest rate risk.

#### Cash Flow Interest Rate Risk

This is the risk that future cash flows of the financial instrument will fluctuate because of changes in market interest rates.

The following table demonstrates the sensitivity of risk based on the past experience and the industry as a whole:

Affected Financial Instrument	Market Risk	Credit Risk	Liquidity Risk	Cash Flow Interest Rate
Loans and Receivables	low	moderate	low	moderate
Financial assets at amortized cost	low	low	low	low
Sales contract receivable	low	moderate	low	low

#### Risk Management Plan:

The bank management adopts a strict policy of review and evaluation in engaging business with various financial instruments in the market. And to be able to cope-up with the erratic behavior of various risks that may affect the liquidity and profitability of the bank leading to devaluation in the value of its assets particularly the financial instruments, the management has created a committee of three members of the board whose main functions are geared towards the monitoring of the following:

- 1) Market Risk to monitor the fluctuation of foreign currency risks, the changes in market interest rates due to volume of currencies in the market together with the other factors tat are specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk is highly affected by the movements of this risk as it embodies not only the potential loss, but also the potential for gain.
- 2) Credit Risk it is of paramount importance that this risk is highly evaluated by the committee to determine the extent of the obligation of one party to the financial instrument, i.e., his/her financial capability to discharge obligation, his present financial position and viability as this will cause the other party to incur a financial loss as a result of the failure of the latter.
- 3) Liquidity risk to monitor this area of concern which deals with the factors affecting the financial capability of the party to be able to raise funds to meet commitments that is associated with the financial instruments. These are situations wherein the party is unable to liquify his financial asset quickly, and sometimes even below the asset's fair market value.
- 4) Cash Flow Interest Rate Risk this concern pertains to the future cash flow that a financial instrument may generate at a normal value because of the erratic behavior affecting the market interest rates. It is also the committees' task to monitor the floating rate debt instruments because such changes in the interest rates result to dramatic changes in the effective interest rates of the financial instruments, but without corresponding appreciation in its fair value.



#### Capital Management:

The primary objectives of the bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The bank maintains sufficient capital necessary to support its primary purpose and/or undertakings which the bank has initiated, promoted or conducted. The bank management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the bank's business operations or unanticipated events created by customer behavior or capital market conditions. The bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes as of December 31, 2023 and 2022.

#### **Hedging Activities:**

The bank had no transaction in the hedging activities of its financial assets.

#### Fair Values of Financial Assets and Financial Liabilities:

Under PAS 32 Paragraph 86, an entity shall present the fair values in aggregate amount of each class of financial instrument in a way that the readers of financial statements can compare their corresponding values vis a vis the other instruments.

Below are comparisons of fair values of the financial instruments of the bank:

		Year 2023			Year 2022			
	Č	arrying Value		Fair Value	(	Carrying Value		Fair Value
Financial Assets:								
Cash and cash equivalents	P	220,571,070	P	220,571,070	P	232,454,212	P	232,454,212
Financial assets at								
at amortized cost		141,366,908		141,366,908		117,285,115		117,285,115
Loans and receivables		441,573,441		441,573,441		454,193,563		454,193,563
Sales contract receivable		341,263		-		562,554		562,554
Financial Liabilities:								
Deposit Liabilities		711,172,534		711,172,534		726,879,317		726,879,317
Accrued expenses								
and other liabilities		6,212,959		6,212,959		5,799,528		5,799,528
Special time deposits		10,367		10,367		10,367		10,367
Other liabilities		9,205,356		9,205,356		1,446,968		1,446,968

Since the fair values of financial assets and financial liabilities are not readily measurable due to lack of available and/or published quotations, the fair values of the financial assets and financial liabilities are simply measured through the yearly provisions of credit losses and periodic impairment testing.

#### 5) CASH AND CASH EQUIVALENTS

This account consists of following:

			Year 2023		Year 2022
Cash on Hand		P	7,770,066	P	8,241,423
Check and Other Cash Items			358,202		870,711
Due from Bangko Sentral ng Pilipinas			11,998,284		20,525,225
Due from Other Banks	AND THE PROPERTY OF THE PARTY O	Marko spor	208,214,584		211,058,276
Total		P	228,341,136	P	240,695,635
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Due from Bangko Sentral ng Pilipinas represents the accumulated balance of the deposit account maintained against deposit liabilities. This is the accumulated total required reserves paid by the bank against its deposit liabilities.

The Due from Other Banks account consists of deposits to various depository banks which are used for bank's operations. The breakdown of which are as follows:

		Year 2023			Year 2022		
Name of Bank		Amount	%		Amount	%	
Development Bank of the Philippines	P	67,064,767	32%	P	114,860,487	54%	
BDO		34,546,689	17%		13,302,435	6%	
Land Bank of the Philippines		33,577,652	16%		25,811,596	12%	
Bank of the Philippine Islands		30,946,574	15%		26,914,709	13%	
Metropolitan Bank and Trust Co.		30,256,886	15%		16,791,001	8%	
Philippine National Bank		5,537,493	3%		8,594,100	4%	
Union Bank		3,538,265	2%		1,752,389	1%	
Bank of Commerce		899,707	0%		1,463,677	1%	
Security Bank		1,846,551	1%		1,567,882	1%	
Philippine Savings Bank			0%		-	0%	
United Coconut Planters Bank			0%			0%	
Totals	P	208,214,584	100%	P	211,058,276	100%	

As of December 31, 2023, the bank's SBL was registered at P39,282,697.48 and as per BSP Manual of Regulations Sec X303, banks are exempted on the ceiling on single borrowers limit (SBL) of 25% on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for check clearing in connection with its business operations and as per BSP Circular No. 734, "Loans and other credit accommodations as well as deposits and usual guarantees by a bank to any other bank, whether locally or abroad, shall be subject to the limits as herein prescribed or P100 million, whichever is higher."

#### 6) FINANCIAL ASSETS AT AMORTIZED COST

		Year 2023		Year 2022
Land Bank of the Philippines	P	60,000,000	P	25,000,000
DBP		28,000,000		20,000,000
BDO		25,552,000		45,642,000
Bank of the Philippine Islands		20,000,000		20,000,000
Security Bank		5,000,000		5,000,000
Metrobank		5,000,000		5,000,000
Total	P	143,552,000	P	120,642,000
Unamortized Premium		(2,185,092)		(3,356,885)
Total	P	141,366,908	P	117,285,115

The above account represents 100% risk free investment placed in the form of short term treasury bills and other floating rate treasury notes with interest ranging from 2.3750% to 7.5000% per annum. Maturity period of the above financial instrument is presented in Note 4 of the Notes to Financial Statements.

The bank does not provide any allowance for credit losses and impairment as the management believes that these investments are reasonably collectible and their fair market values may not be materially affected by the present economic behavior.



#### 7) LOANS AND RECEIVABLES

Excess (deficiency)

Loans and Receivables are stated at amortized cost computed as the outstanding principal balances, reduced by related loans and receivable discount and allowance for credit losses, broken down as follows:

		Year 2	2023		Year 2	022
As to Status:		Amount	%		Amount	%
Current	P	447,921,572	99.78%	P	454,635,058	98.19%
Past due		8,182,372	1.82%		10,852,308	2.34%
Non-performing, net of ITL		3,709,346	0.83%		7,375,308	1.59%
Items in litigation		307	0.00%		307	0.00%
Unearned interest and discount		(10,894,958)	-2.43%		(9,860,761)	-2.13%
		448,918,639	100.00%		463,002,220	100.00%
Allowance for credit losses		(7,345,198)			(8,808,657)	
	P	441,573,441		P	454,193,563	

The above account earns interest ranging from 6% to 24% per annum for secured loans while unsecured loans has a maximum of up to 30%. Maturity period of the above financial instrument is presented in Note 4 of the Notes to Financial Statements.

The Allowance for Credit Losses of P7,345,199 and P8,808,657 for the years anded 31 December 2023 and 2022, respectively.

Below is the detailed computation of allowance for credit losses, both specific and general provision:

			Loan		Required
Specific Provision	Rate		Balance		Allowance
Loans especially mentioned	5%	P	5,673,785	P	283,689
Substandard secured	10%		2,445,792		244,579
Substandard unsecured	10%		1,443,139		144,314
Substandard unsecured	25%		568,261		142,065
Doubtful unsecured	50%		881,133		440,567
Loss secured	100%		34		34
Loss unsecured	100%		1,268,434		1,268,434
Allowance for credit losses-specific		P	12,280,578		2,523,682
Booked allowance					2,456,182
Excess (deficiency)				P	(67,500)

General Provision	Rate		Loan Balance		Required Allowance
Unclassified restructured	5%	P	-	P	-
Unclassified other than restructured	1%		446,378,853		4,463,789
Allowance for credit losses - general		P	446,378,853		4,463,789
Booked allowance			*		4,889,017
Excess (deficiency)				P	425,228
Total Provision					
Total allowance for credit losses				P	6,987,471
Booked allowance					7,345,199



357,728

The following table presents the reconciliation of the movement of the allowance for credit losses for loans and receivables:

	Year 2023	Year 2022
At January 1	P 8,808,657 P	8,770,747
Provisions during the year	1,183,547	1,902,352
Accounts written off/Adjustments	(2,647,006)	(1,864,442)
At December 31	P 7,345,198 P	8,808,657

The management believes that the bank had substantially complied with the loan loss provisioning as required by the BSP. The bank management opted not to adjust the excess allowance of P357,728 as this can be used as a risk-buffer in the future when the bank continuously increases its risk assets.

		Year	2023		Year 2	2022
As to Maturity	·	Amount	%		Amount	%
Due within one (1) year	P	263,650,726	58.73%	P	195,130,810	42.14%
Due beyond one (1) year		185,267,913	41.27%		267,871,410	57.86%
	P	448,918,639	100.00%	P	463,002,220	100.00%

As to Security:		Year 2023			Year 2022		
		Amount	%		Amount	%	
Secured	P	309,914,351	69.04%	P	340,186,239	73.47%	
Unsecured	139,004,288	30.96%		122,815,981	26.53%		
	P	448,918,639	100.00%	P	463,002,220	100.00%	

The total secured loans of the bank are further classified as follows:		Year 2023			Year 2022		
		Amount	%		Amount	%	
Real estate mortgage	P	275,908,997	89.03%	P	300,477,392	88.33%	
Chattel mortgage		32,851,188	10.60%		36,964,540	10.87%	
Others		1,154,166	0.37%		2,744,307	0.81%	
	P	309,914,351	100.00%	P	340,186,239	100.00%	

Secured and unsecured non-performing		Year	2023		Year 2	2022
loans (NPLs) of the Bank are as follows:		Amount	%		Amount	%
Secured	P	991,826	26.74%	P	4,167,467	56.50%
Unsecured		2,717,827	73.26%		3,208,148	43.50%
	P	3,709,653	100.00%	P	7,375,615	100.00%

The non-perforing loans (NPLs) of the bank are further classified as follows:		Year 2023			Year 2022			
		Amount	%		Amount	%		
Agrarian reform/other agricultural loans	P	2,717,437	73.25%	P	3,897,757	52.85%		
Small and medium enterprise loans		311,827	8.41%		544,485	7.38%		
Loans to individuals for other purposes		680,389	18.34%		2,933,373	39.77%		
	P	3,709,653	100.00%	P	7,375,615	100.00%		

The performing loans (PLs) of the bank are further classified as follows:		Year 2023			Year 2022		
		Amount	%		Amount	%	
Agrarian reform/other agricultural loans	P	189,522,338	42.57%	P	205,437,790	45.09%	
Micro, Small and medium enterprise loans		118,738,785	26.67%		109,267,393	23.98%	
Loans to individuals for other purposes		136,947,863	30.76%		140,921,422	30.93%	
	P	445,208,986	100.00%	P	455,626,605	100.00%	



As to Concentration of Credit to Certain		Year	2023		Yes	ar 20	122
Industry / Economic Sector:		Amount	%		Amount		%
Agriculture, forestry and fishing	P	192,239,775	42.82%	P	209,335,547		45.21%
Wholesale and retail							
Trade, Repair of Motor		66,708,872	14.86%		60,016,528		12.96%
Other service activities		63,763,703	14.20%		75,355,605		16.28%
Construction		53,194,176	11.85%		43,780,395		9.46%
Real estate activities		36,484,616	8.13%		34,390,101		7.43%
Transportation and storage		35,677,330	7.95%		39,607,758		8.55%
Human health and social work activities		771,113	0.17%		148,862		0.03%
Education		79,053	0.02%		367,423		0.08%
Manufacturing		1	0.00%		1		0.00%
Electricity, gas, steam & air-con supply			0.00%				0.00%
	P	448,918,639	100.00%	P	463,002,220		100.00%
As to Compliance with the mandatory AF					Year 2023	-	Year 2022
Total loanable funds generated as of December				P	668,551,380	P	650,640,063
Less: Total loanable funds generated as of Ap	ril 20,	2010			-		293,445,689
Increase / (Decrease)					668,551,380		357,194,374
25% Loanable Funds for AFRD Financia	ng:			P	167,137,845	P	89,298,595
					167,137,845		89,298,595
Report of Utilization / Compliance							
Loans to Rural Community Beneficiaries				P	452,263,713	P	61,592,165
Other Loans							120,654,451
				P	452,263,713	P	182,246,616
				_			

The bank has satisfactorily complied with the utilization of its mandated Agriculture, Fisheries and Rural Development (AFRD) financing with the perecentage compliance of 28.75% and 51.02% for the year 2023 and 2022, respectively over the mandated compliance requirements.

BSP Circular No. 531 allows banks to exclude from non-performing classification receivables classified as "Loss" in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued and that such receivables shall be deducted from the total receivable portfolio for purposes of computing non-performing loans.



## Analysis of Past Due/Items in Litigation Accounts

Aging of accounts are as follows:		Year 2023		Year 2022
30 days and below	P	4,605,217	P	8,855,621
31-90 days		3,577,155		1,944,698
91-180 days		2,440,953		3,145,281
181-360 days		330,600		607,047
361 days and above		938,100		3,675,276
	P	11,892,025	P	18,227,923

#### **DOSRI Accounts**

Below are selected ratios relative to the bank's DOSRI as follows:

		Year 2	023		Year 2022		
		Amount	Ratios		Amount	Ratios	
Total outstanding DOSRI accounts	P	4,579,155		P	6,635,950		
T. IDOGDI. T. II		4,579,155	1.02%		6,635,950	1.43%	
otal DOSRI to Total Loans		448,918,639	1.02 70	- 1	463,002,220	1.4370	
Liverage Loogni & Tatal Dogni		1,132,027	24.72%		1,938,036	29.21%	
Unsecured DOSRI to Total DOSRI		4,579,155	24.12 70		6,635,950	27.2170	
n - 4 Day DOCRIA T-4-1 DOCRI			0.00%		<u> </u>	0.00%	
Past Due DOSRI to Total DOSRI		4,579,155	0.00 /6		6,635,950	0.0070	
Non Performing DOSRI to Total DOSRI			0.00%		-	0.00%	
		4,579,155	0.00 70		6,635,950	0.0070	

Related Party Loans (inclusive of DOSRI Accounts)



Below are selected ratios relative to the bank's Related Party Loans (inclusive of DOSRI Accounts) as follows:

		Year 2	023		Year 2022		
		Amount	Ratios		Amount	Ratios	
Total outstanding Related Party Loans	P	5,034,345		P	7,499,140		
Tree land and a second and beauty		5,034,345	1.12%		7,499,140	1 62%	
otal related party loans to total loans		448,918,639	1.12/0		463,002,220	0.00%	
Unsecured related party loans to total related			0.00%		99,119	0.00%	
party loans		5,034,345	0.0076		7,499,140	99,140	
Past due related party loans to total related		5,034,345				0.00%	
party loans				-	7,499,140		
Non performing related party loans to total			0.00%		-	0.00%	
related party loans		5,034,345	0.0076		7,499,140	5,007	

#### 8) SALES AND CONTRACT RECEIVABLES

		Year 2023	Year 2022
Sales Contract Receivable	P	1,085,307 P	1,503,361
Unamortized Discount and Other Deferred Credits		(665,867)	(940,807)
Allowance from impairment		(78,177)	-
	P	341,263 P	562,554

The following table presents the reconciliation of the movement of the allowance for credit losses for sales contract receivables:

		Year 2023		Year 2022
At January 1	P	-	P	-
Provisions during the year		78,177		-
Adjustment		-		
At December 31	P	78,177	P	-

Sales contract receivable represents assets acquired in settlement of loans through foreclosure or "dacion en pago" subsequently sold on installment basis whereby the title to the property is transferred to the buyers only upon full payment of the account. This account is recorded initially at present value of the installment receivable discounted at the imputed rate of interest. Discount is amortized over the term of the sales contract by crediting interest income using effective interest method. The difference between the present value of the sales contract receivable and the derecognized assets is recognized in the income statement at the date of sale in accordance with *PAS 18*.



#### 9) BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The reconciliation of the changes of	the changes of this account as of December 31, 2023 follows:						Transportation			Construction in Progress-			
		Land	Building	Leasehold		FF & E		Equipment	ROU Asset		Building		Total
Cost						77.5							
At January 1	P	27,770,145 P	34,029,001 1	7,163,510	P	22,398,633	P	14,958,834 P	2,529,468	P	6,001,720	P	114,851,311
Additions		4,110,000	6,615,200			6,889,325					(6,001,720)		11,612,805
Disposal/Adjustments		-	•			(3,921,641)		(1,161,000)			-		(5,082,641)
At December 31	P	31,880,145 P	40,644,201 I	7,163,510	P	25,366,317	P	13,797,834 P	2,529,468	P	-	P	121,381,475
Accumulated Depreciation							- 600		Mark Tolk				
At January 1	P	- P	21,331,467 I	6,913,664	P	16,514,508	P	9,339,374 P	2,200,608	P		P	56,299,621
Depreciation		-	972,461	163,884		1,960,244		1,909,526	114,821		-		5,120,936
Disposal/Adjustments			(569)			(110,618)		(746,357)					(857,544)
At December 31		-	22,303,359	7,077,548		18,364,134		10,502,543	2,315,429				60,563,013
Net Book Value at December 31	P	31,880,145 P	18,340,842 I	85,962	P	7,002,183	P	3,295,291 P	214,039	P	_	P	60,818,462

The reconciliation of the changes of this account as of December 31, 2022 follows:										Construction			
							Transportation				in Progress-		
		Land		Building	Leasehold	FF & E	Equipment		ROU Asset		Building	00	Total
Cost										8.15	and Security		
At January 1	P	24,816,173	P	29,264,478 P	7,163,510 P	21,043,892 P	14,203,512	P	2,529,468	P	7,097,882	P	106,118,915
Additions		2,953,972		4,764,523		1,378,577	1,760,922						10,857,994
Disposal/Adjustments	4. 7	-				(23,836)	(1,005,600)		<u>-</u>		(1,096,162)		(2,125,598)
At December 31	P	27,770,145	P	34,029,001 P	7,163,510 P	22,398,633 P	14,958,834	P	2,529,468	P	6,001,720	P	114,851,311
Accumulated Depreciation													
At January 1	P	-	P	20,529,276 P	6,452,430 P	14,621,232 P	8,150,959	P	1,467,072	P	-	P	51,220,969
Depreciation		-		802,191	461,234	1,928,696	2,148,891		733,536		-		6,074,548
Disposal/Adjustments	Year Y				•	(35,420)	(960,476)		•				(995,896)
At December 31	The same			21,331,467	6,913.664	16,514,508	9,339,374		2,200,608			W.	56,299,621
Net Book Value at December 31	P	27,770,145	P	12,697,534 P	249,846 P	5,884,125 P	5,619,460	P	328,860	P	6,001,720	P	58,551,690

The value of bank premises, furniture, fixtures and equipment of P60,933,284 and P58,551,690, net of accumulated depreciation was 39.65% and 38.89%, respectively, of the bank's total net worth. This is lower than 50% maximum ratio required under BSP regulation (Sec X160.2)

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		Year 2023	Year 2022
ROPA - land	P	1,542,571 P	4,262,363
ROPA - building		645,229	645,229
		2,187,800	4,907,592
Allowance for impairment losses		(174,202)	(324,201)
Accumulated depreciation		(430,033)	(402,357)
	P	1,583,565 P	4,181,034

			Year 2023	
		Land	Building	Total
Cost				
At January 1	P	4,262,363 P	645,229 P	4,907,592
Additions		-	-	-
Disposal		(2,719,792)	-	(2,719,792)
At December 31		1,542,571	645,229	2,187,800
Accumulated Depreciation				
At January 1		-	402,357	402,357
Depreciation			27,676	27,676
Disposal		-	-	
At December 31		<u>.</u>	430,033	430,033
Allowance for Losses				
At January 1		324,201	-	324,201
Provisions		-	-	
Disposal		(149,999)	-	(149,999)
At December 31		174,202	-	174,202
Net Book Value at December 31	P	1,368,369 P	215,196 P	1,583,565

		Year 2022						
		Land	Building	Total				
Cost								
At January 1	P	4,966,224 P	645,302 P	5,611,526				
Additions		2,078,458	423,837	2,502,295				
Disposal		(2,782,319)	(423,910)	(3,206,229)				
At December 31		4,262,363	645,229	4,907,592				
Accumulated Depreciation								
At January 1			391,921	391,921				
Depreciation			48,859	48,859				
Disposal		-	(38,423)	(38,423)				
At December 31		16.1 <del></del>	402,357	402,357				
Allowance for Losses								
At January 1		324,201	-	324,201				
Provisions		•	*	-				
Disposal				_				
At December 31		324,201	-	324,201				
Net Book Value at December 31	P	3,938,162 P	242,872 P	4,181,034				



## 11) DEFERRED TAX ASSETS

The reconciliation of the changes of this account are as follows:

		Year 2023	Year 2022
Balance as at January 1	P	2,283,214 P	2,289,874
Increase arising from:			
Provision for impairment		315,431	475,588
Defined benefit cost			<b>≔</b>
Decrease arising from:			
Application of deferred tax asset		(699,251)	(482,248)
Deferred Tax Assets, December 31	P	1,899,394 P	2,283,214

The composition of this account are as follows:

		Year 2023	Year 2022
Allowance for impairments, beginning balances:			
Loans and receivables	P	2,202,164 P	2,192,686
Sales contract receivables			16,138
nvestment property		81,050	81,050
		2,283,214	2,289,874
Changes during the year:			
Additions		315,431	475,588
Application	H. Tries vo. 1	(699,251)	(482,248)
Allowance for impairments, beginning balances:			
Loans and receivables		1,836,300	2,202,164
Sales contract receivables		19,544	2
Investment property		43,551	81,050
nivesament proposty	P	1,899,394 P	2,283,214

## 12) OTHER ASSETS

Hereunder are the compositions of Other Assets account:

		Year 2023		Year 2022
Accrued interest receivable	P	2,361,404	P	3,145,305
Retirement benefit asset				2,223,830
Accounts receivable - net		118,772		1,662,167
Stationaries and supplies unused		577,662		590,885
Deposit - rental		-		136,809
Petty cash fund		8,657		10,000
Other investments		8,400		8,400
Prepaid expense - fire insurance		226,227		32,915
Refundable income tax		151,707		-
Accounts Receivable - POS BDO/LBP		838,550		-
Miscellaneous Checks & Other Cash Items		141,684		-
Accounts Receivable - Others		250,450		-
Accounts Receivable - Ottors	P	4,683,513	P	7,810,311

## 13) DEPOSIT LIABILITIES

		Year	Year 2022		
t		Amount	%	Amount	%
As to Type of Deposit:	P	464,183,550	65.27% P	426,536,894	58.68%
Savings deposits		246,988,984	34.73%	300,342,423	41.32%
Certificate of time deposits	P	711,172,534	100.00% P	726,879,317	100.00%
		/11,1/2,004	JP 37		



Under existing BSP regulations, savings and time deposit liabilities are subject to statutory reserve equivalent to 1% (under BSP Circular No. 1175 Series of 2023) and 1% in 2023 and 2022, respectively. As of the reporting dates, the Bank is in compliance with such regulations.

	Notes	Year 2023		Year 2022
Cash reserves				
> Cash on hand	6 P	7,770,066	P	8,241,423
> Due from BSP	6	11,998,284		20,525,225
		19,768,350		28,766,648
Required reserves		7,111,725		14,537,586
Excess (deficiency) reserves	P	12,656,625	P	14,229,062

Dormant accounts are deposit accounts which have no activity (deposits or withdrawals) for a period specified by the Board of Directors of the bank but which in no case shall be less than two (2) years for savings account and one (1) year for demand deposits. The following accounts were already dormant:

		Year 2023	Year 2022
Savings deposit - dormant	P	13,591,868 P	13,069,717

Savings deposit earns interest on a tiered-rate basis based on the total amount of average daily balance (ADB) of the deposits. Interest rate is 0.50% on savings deposit and from 1.25% to 3.50% on Time Deposit.

Savings deposits are withdrawable upon demand, while Certificate of Time Deposits has different maturity dates from: 30, 60, 90, 180 and 360 days and bear different interest rates based on the amount of deposits and term of placements.

		Year 2023		Year 2022
Due within one (1) year	P	196,056,347	P	161,353,987
Due beyond one (1) year		50,932,637		138,988,436
	P	246,988,984	P	300,342,423
		Year 2023		Year 2022
Taxable	P	197,473,422	P	247,632,862
Non-taxable		49,515,562		52,709,561
	P	246,988,984	P	300,342,423

Non-taxable deposits are those placements with term of five (5) years or more and those that are tax-exempt in accordance with the BIR regulation. It is a government incentive for these placements of five (5) years and above so that these funds are continuously rolled-back into the financial system to help our country propels its economic activity. These deposits become taxable when pre-terminated or withdrawn before the original term of five years.

#### 14) ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account represents the following:

		Year 2023		Year 2022
Accrued interest on financial liabilities	P	4,634,708	P	3,995,409
Accrued income tax payable		( <del>*</del> .0		522,690
Accrued other taxes and licenses payable		828,252		821,429
Accrued other expenses payable		750,000		460,000
The state of the s	P	6,212,959	P	5,799,528

Accrued interest on financial liabilities represents accrual made by the bank on its deposit liabilities and bills payable. On the other hand, accrued other expenses payable are those expenses incurred by the bank other than taxes and financial liabilities but not yet paid as at year-end.

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#### 15) SPECIAL TIME DEPOSITS

This account represents deposits from the following:

		Year 2023	Year 2022
Special Financing-Samahang Nayon	P	10,367 P	10,367

This deposit are not subject to reserve requirement.

#### 16) DUE TO THE PHILIPPINE CROP INSURANCE CORPORATION

This account amounting to P52,098 represents long outstanding obligation of the bank to the Philippine Crop Insurance Corporation for the years 2023 and 2022.

#### 17) OTHER LIABILITIES

This account is composed of the following:

		Year 2023		Year 2022
Dividends payable	P	4,822,888	P	142,477
Retirement benefit liability		2,581,619		-
Withholding taxes payable		867,864		565,640
Accounts payable		634,145		548,395
SSS, Medicare and Pag-IBIG contribution payable		295,542		187,863
Overages		3,298		4
Advance rental on bank premises		-		2,593
	P	9,205,356	P	1,446,968

Accounts payable comprises the sum of that needs to be returned to AGFP and the deceased SSS pension, both of which will be remitted the following month. Withholding Taxes Payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is a withholding agent as mandated by law. Retirement Benefit Obligation refers to the liability account that was set-up by the bank to pay for the retirement of officers and employees.

#### 18) EQUITY ACCOUNTS

#### Ordinary Share Capital

The ordinary share holders of the bank are given least priority as to asset liquidation compared to outside creditors. Ordinary shares are given equal rights. The availability of dividends shall be determined by the net income after deducting any restrictions for reserve requirement and preferred dividends, if any.

Authorized ordinary share capital as of December 31, 2023 is P100,000,000.00 divided into 1,000,000 shares with a par value of P100.00 each. Total subscribed and paid-up ordinary shares amounted to P100,000,000.00 or 1,000,000 shares as of December 31, 2023 and 2022.

In the year 2023 and 2022, the Bank declared stock dividends amounting to 30,000,000 and nil, respectively.



The capital position on solo and consolidated bases of the Bank as reported to the BSP as of 31 December 2023 and 2022 are as follow:

79079-9-1000		Year 2023	Year 2022
Common Equity Tier 1 (CET1) capital	P	N/A F	N/A
Tier 1 Capital		151,485,058	154,573,725
Total qualifying capital		156,256,393	159,462,741
Total risk-weighted assets		592,053,271	675,524,911
Capital Adequacy Ratio (CAR)		26.39%	. 23.61%
Tier 1 Ratio		25.59%	22.88%
CET 1 Ratio		N/A	N/A

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

	Year 2023	Year 2022
Balance at January 1	1,000,000 shares	1,000,000 shares
Additions	0 shares	0 shares
Balance at December 31	1,000,000 shares	1,000,000 shares

#### Surplus Reserve:

This account represents appropriations made by the bank that had accumulated for the following purpose(s):

		Year 2023		Year 2022
Reserve For health insurance	P	544,122	P	-
Reserve for stock dividend distribution		30,000,000		-
	P	30,544,122	P	-

In 2023, the Bank declared stock dividends, which is subject to approval by BSP as of the reporting date. Said stock dividends remain undistributed as at the reporting date, pending the approval of the BSP.

### Surplus:

The nature of prior year's adjustments follows:

		Year 2023	Year 2022
Adjustment on various expenses	P	(2,280,769) P	(798,249)
Supervisory fee for the prior year		-	-
	P	(2,280,769) P	(798,249)

As to capital requirements, the bank had more than complied per Sec. X111.1 of the Manual of Regulations for Banks.

## 19) OTHER INCOME

This account consists of the following:

		Year 2023		Year 2022
Income/(loss) from sale of non-financial asset	P	3,741,701	P	4,000,477
Bank commissions		332,117		548,983
Service fees and other charges		-		-
Recovery on charged-off assets		317,500		70,282
Others		2,632,731		2,700,699
	P	7,024,049	P	7,320,441



## 20) OTHER EXPENSES

This account consists of the following:

		Year 2023	Year 2022
Miscellaneous	P	4,192,715 P	3,002,117
Janitorial and security services		4,113,959	3,534,691
Power, light and water		2,146,056	2,284,880
Retirement expense		2,116,365	1,675,447
Fuel, oil and lubricants		1,163,163	1,431,298
Postage, telephone and telegram		1,136,771	1,046,707
Repairs and maintenance		1,088,539	1,153,773
Stationaries and supplies		690,649	558,273
Representation and entertainment		305,421	154,108
Rent		228,941	254,818
Supervision fee		159,046	174,970
Travelling		141,352	41,454
Donations and charitable contributions		137,150	125,700
Documentary stamps		109,040	128,823
Impairment loss		91,422	-
Membership fees and dues		90,648	367,916
Information technology expense		50,898	-
Advertising and publicity		16,000	21,814
Periodicals and magazines		5,660	6,366
	P	17,983,795 P	15,963,155

## 21) FINANCIAL PERFORMANCE

Below are selective quantitative indicators and other ratios to the bank:

#### **Basic Earnings per Share**

Earnings per share (EPS) amounts attributed to equity holdings of the Bank were computed as follows:

			Year 2023		Year 2022
a.	Net income attributable to equity holdings				10000000000
	of the bank	P	14,365,574	P	13,721,759
Ь.	Weighted average number of outstanding				
	common shares of the Bank		1,000,000		1,000,000
C.	Basic EPS (a/b)	P	14.37	P	13.72

As of 31 December 2023 and 2022, there were no shares that have a dilutive effect on the basic EPS of the Bank.



## 22) LEASE LIABILITY

Future minimum lease payments under the lease, together with the present value of minimum lease payments as at December 31 are as follows:

		Year 2023		Year 2022
Minimum lease payments due within one year	P	273,864	P	391,234
Beyond one year but not later than five years				273,864
Total minimum lease obligation		273,864		665,099
Less amount representing interest		6,061		34,043
Present value of minimum lease payment		267,803		631,056
Less current portion		267,803		363,253
Non-current portion	P		P	267,803

The right-of-use asset as at December 31, 2023 and 2022, shown under "Bank Premises, Furniture, Fixtures and Equipment" account in the bank's balance sheet (see Note 9), include the following amounts:

		Year 2023		Year 2022
Cost	P	2,529,468	P	2,529,468
Less: Accumulated Depreciation		2,315,429		2,200,608
	P	214,039	P	328,860

As of December 31, 2023 and 2022, the Bank, as a lessee, has future minimum rentals payable under noncancelable leases on its branches as follows:

		Year 2023		Year 2022
Within one (1) year	P	267,803	P	363,253
After one (1) year but not more than five (5)years				267,803
Total	P	267,803	P	631,056

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## 23. Retirement Plan

The RURAL BANK OF STA. IGNACIA, INC. EMPLOYEES' RETIREMENT PLAN is non-contributory which provides a retirement benefit equal to two hundred fifty percent (250%) of Plan Salary for every year of credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the Plan.

The reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the recognized liability under the "Retirement benefit liability" account in the statements of financial position is as follows:

		Year 2023	Year 2022
Present value of defined benefit obligation	P	26,909,925 P	20,953,708
Fair value of plan assets		(24,328,306)	(23,177,538)
Retirement benefit liability (asset) to be recognized	P	2,581,619 P	(2,223,830)
		Year 2023	Year 2022
Present value of defined benefit obligation, beginning	P	20,953,708 P	22,118,401
Interest expense		1,567,746	1,125,827
Current service cost		1,461,809	1,623,232
Past service cost		760,228	_
Benefits paid		(236,485)	(453,726)
Actuarial (gains) losses		2,402,919	(3,460,026)
Present value of defined benefit obligation, ending	P	26,909,925 P	20,953,708

The movement in the plan assets is shown below:

		Year 2023	Year 2022
Fair value of plan assets, beginning	P	23,177,538 P	18,819,432
Interest income		1,673,418	1.073,612
Contributions		_	5,000,000
Benefits paid		(236,485)	(453,726)
Remeasurement gain (loss) - return on plan assets		(286,165)	(1,261,780)
Fair value of plan assets, ending	P	24,328,306 P	23,177,538

The defined benefit cost recognized in the profit or loss statement consists of:

		Year 2023	Year 2022
Current service cost	P	1,461,809 P	1,623,232
Past service cost		760,228	-
Interest cost		(105,672)	52,215
	P	2,116,365 P	1,675,447

The defined benefit cost recognized in other comprehensive income (OCI) consists of:

		Year 2023		Year 2022
Accumulated comprehensive income, beginning	P	6,798,072	P	8,790,900
Actuarial (gains) losses - DBO		2,402,919		(3,460,026)
Remeasurement (gain) loss - plan assets		286,165		1,261,780
Remeasurement (gain) loss - Changes in the effect of the asset ceiling		-		205,418
Defined benefit cost in OCI - Expense (Income)		2,689,084		(1,992,828)
Accumulated comprehensive income, ending	P	9,487,156	P	6,798,072



The principal assumptions used to determine retirement benefit obligation of the Company are as follows:

THE SEMENTER		Year 2023	Year 2022
Discount rate		6.20%	7.22%
Salary rate		2.00%	2.00%
The summary of movements in the net defined benefit liability (asset) is as follows:			
The summary of movements in the net defined benefit habitity (asset) is as follows.		Voor 2017	Voor 2022
	P	Year 2023 (2,018,412) P	Year 2022 3,298,969
Beginning Net Defined Liability (Asset)	P	Year 2023 (2,018,412) P 2,116,365	
Beginning Net Defined Liability (Asset) Defined benefit cost recognized in P&L Defined benefit cost recognized in OCI	P	(2,018,412) P	3,298,969
Beginning Net Defined Liability (Asset) Defined benefit cost recognized in P&L	P	(2,018,412) P 2,116,365	3,298,969 1,675,447

The Company does not expect to pay in future contributions to the defined benefit plan.



#### Selected Financial Performance Indicators

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

				Year 2023		Year 2022
Financing soundness indicators:						
Capital adequacy ratio	•	Total Qualifying Capital Net Risk Weighted Assets	=	26.39%		23.61%
Debt-to-equity ratio	=	Total Liabilities Total Equity	=	4.73	=	4.87
Asset-to-equity ratio	-	Total Assets Total Equity	=	5.73	=	5.87
Liquidity ratios:						
Current ratio	-	<u>Current Assets</u> Current Liabilities	=	1,20	=	0.82
Minimum liquidity ratio (MLR)	=	Stock of Liquid Assets Qualifying Liabilities	-	144.68%	=	133.41%
Net stable funding ratio (NSFR)	=	Stable Funding Available Stable Funding Required	=	N/A	=	N/A
Interest rate coverage ratio	=	EBIT_ Interest Expense	=	2.96	=	3.26
Profitability ratios:						
Return on average equity (ROE)	=	Net Income Average Equity	=	9.44%	=	9.62%
Return on average assets (ROA)	=	Net Income Average Assets	=	1.63%	=	1.57%
Net interest margin	-	Net Interest Income Average Interest Earning Assets	=	6.23%	=	6.13%
Leverage ratios:						
Gross loans to deposit liabilities ratio			=	0.63		0.64
Total loan to deposit liabilities and cap	pital contri	bution ratio	=	0.55		0.56
Total liabilities to total assets ratio			=	0.83		0.83
Total exposure measure			=	N/A	=	N/A

For purposes of computing ROE and ROA, average of year-end balances of equity and assets, respectively, were used.

Capital Adequacy Ratio was derived by dividing the bank's total qualifying capital over the bank's net risk weighted assets. The bank's CAR is 26.39% and 23.61% in 2023 and 2022, respectively. The rates of 26% is an indicator that the bank is highly capable to absorb risks in proportion to its capital exposures.



#### 24) COMMITMENTS AND CONTINGENCIES

- a) The bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. Total amount of loans and receivable under litigation amounted to P22,306 as of December 31, 2020. Though the amounts were recognized in the assets caption, the result of the case would not materially affect the financial statements of the bank.
- b) The bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/depositors.
- c) The bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.
- d) The bank had no outstanding outward and inward bills for collection at the end of the year.
- e) The bank has no contingencies and commitments arising from off-balance sheet items, transaction-related contingencies, short-term self-liquidating trade-related contingencies arising from the movement of goods, sale and repurchase agreements not recognized in the balance sheet; interest and foreign exchange rate related items; and other

#### 25) RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the ordinary course of business, the bank has credit accommodations to its directors, officers, stockholders and related interests (DOSRI) amounting to P6,635,950 as of December 31, 2022. Under the bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the bank. In the aggregate, loans to DOSRI generally should not exceed the bank's total capital funds or 15% of the bank's total loan portfolio, whichever is lower. As of December 31, 2022 and 2021, the bank has complied with all these regulatory requirements. These loan accommodations are supported with adequate collateral and are current as of the balance sheet date. Ratios pertaining to DOSRI are presented in Note 7 of the Notes to Financial Statements.

The remuneration of directors and key management personnel (included under Compensation and Fringe Benefits in the Statement of Income) of the banks as of December 31, 2023 and 2022 are as follows:

		Year 2023		Year 2022
Short-term benefits	P	8,836,616	P	8,966,266
Post-employment benefits		-		-
Totals	P	8,836,616	P	8,966,266

Requirements provided under RR No. 21-2020, as amended by RR No. 15-2020

The Company is not covered by the requirements and procedures for related party transaction provided under RR No. 15-

## 26) TAXES

Under Philippine tax laws, the bank is subject to percentage and other taxes (presented as Taxes and Licenses in the Statement of Income) as well as income taxes. Percentage and other taxes paid consist primarily of gross receipts as (GRT) and documentary stamp tax (DST).

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#### Income Taxes

Income taxes include the corporate income tax and final tax paid at the rate of 25% on gross interest income from government securities and other deposit substitutes. These income taxes are presented as Income Tax Expense in the Statement of Income.

Under Republic Act no. 9337, An Act Amending National Internal Revenue Code, provides that the regular corporate income tax (RCIT) rate shall be 35% until January 1, 2009. Starting January 1, 2009, the RCIT rate shall be 30%. It also provides for the changes in gross receipts tax (GRT) rate from 7% to 5% which took effect on November 1, 2005. Starting November 1, 2005, interest allowed as a deductible expense is reduced by an amount equivalent to 42% of interest income subjected to final tax and shall be reduced to 33% effective January 1, 2009. A minimum corporate income tax (MCIT) of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as tax credit against future income tax liability for the next three (3) years from the year of inception. In addition, the net operating loss carry-over (NOLCO) is allowed as a deduction from taxable income in the next three (3) years from the year of inception.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expanse that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1% of the company's net revenue.

#### Percentage Taxes (Gross Receipt Tax)

Under Section 121 of the National Internal Revenue Code, there shall be tax on gross receipts derived from all sources within the Philippines by all banks and non-bank financial intermediaries in accordance with the following rates:

a. On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

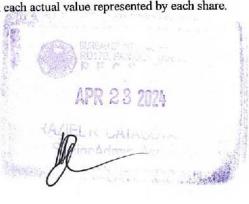
	Maturity period of five (5) years or less	5%
	Maturity period is more than five (5) years	1%
b.	On dividends	0%
C.	On royalties, rentals of property, real exchange and all other items treated as gross income under Sec 32 of the NIRC	7%
d.	On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments	7%

#### Documentary Stamp Tax

Pursuant to Revenue Regulations No. 13-2004 dated December 23, 2004 "Implementing Provisions of Republic Act No. 9243, an act rationalizing the provisions of the documentary stamp tax of the National Internal Revenue Code of 1997 (as amended), below are some caption of the circular affecting the operation of bank and non-bank financial intermediaries:

#### Sec 174 New Rate of DST on original Issuance of Shares of Stock

There shall be one peso (1.50) on each two hundred pesos (P200.00) of fractional part thereof of the par value of such shares of stocks. Provided that in case of original issue of shares of stocks without par value, the amount of documentary stamp tax herein prescribed shall be based upon the actual consideration for the issuance of such shares of stocks. Provided, further, that in the case of stocks dividends, on each actual value represented by each share.



## Sec 179 New rate of DST on All Debt Instruments (Documents, Loan Agreements, Instruments and Papers)

One peso (1.00) on each two hundred pesos (P200.00) or fractional part thereof of the issue price of any such debt instrument. If debt instrument has a maturity of date of less than one (1) year, the DST due shall be computed based on the number of days the instrument is outstanding as a fraction of 365 days.

## 27) SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS NO. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010, the notes to financial statements shall include information on taxes and licenses paid or accrued during the year.

The bank reported and/or paid the following types of taxes for 2022.

#### Gross Receipt Tax

Under the Philippine Tax Laws, financial institutions are subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid by the bank consists principally of gross receipts tax (GRT) and documentary stamps tax

Details of the Bank's taxable gross receipts and gross receipts tax in 2023 and 2022 are ε

		Year 2023			Year 2022		
	$\overline{G}$	ross Receipts	GRT	(	Gross Receipts	-4	GRT
Gross Income	P	90,740,979 P	3,929,860	P	88,732,180 1	P	3,873,146

Total gross income includes interest income subject to 5% and 1% rate and other income which are subject to 7%.

#### Other Taxes and Licenses

In 2023 and 2022, other taxes and licenses of the Bank consist of:

		Year 2023		Year 2022
Business permits	P	768,076	P	4,316,239
Property tax		203,746		148,891
Registration of vehicles		23,431		27,557
Annual registration fee		5,000		5,000
Percentage Tax		3,625,360		
Renewal of Fire Certification		3,634		_
	P	4,629,247	P	4,497,687

#### Withholding Taxes

Details of total remittances in 2023 and 2022 and balance of withholding taxes are as follows:

		Year 2023		Year 2022
Final withholding taxes on cash dividend	P	124,937	P	-
Final withholding taxes on interest payments		1,172,032		640,298
Withholding taxes on compensation and benefits		1,220,939		1,251,050
Expanded withholding taxes	601,858			
	P	3,119,766	P	1,891,347



#### 28) MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

N 08731478 B 107834 <u>21</u>	Year 2	023	Year 2022		
	Current Non-current		Current	Non-current	
Assets					
Cash and cash equivalent P	228,341,136 P	- P	240,695,635 P		
Financial assets at amortized cost	141,366,908	81,493,299	44,874,781	72,410,334	
Loans and receivables	441,573,441	119,016,889	195,130,810	259,062,753	
Sales contract receivables	341,263	-	562,554	-	
Bank premises, furniture, fixtures and equipmer	•	60,818,462	-	58,551,690	
Investment property		1,583,565		4,181,034	
Deferred tax assets		1,899,394	7 <del>4</del>	2,283,214	
Other assets		4,683,513	7,810,311	-	
P	811,622,748 P	269,495,122 P	489,074,091 P	396,489,025	

	Year 2023			Year	2	
Current Non-current		Non-current	Current		Non-current	
Liabilities						
Deposit liabilities P	660,239,897	P	50,932,637 P	587,890,881	P	138,988,436
Lease liability	267,803		-	363,253		267,803
Accrued interest, taxes and other expense payat	6,212,959		_	5,799,528		-
Special time deposits	10,367		== ===	10,367		_
Due to Phil. Crop Insurance Corporation	52,098			52,098		-
Other liabilities	9,205,356			1,446,968		-
P	675,988,480	P	50,932,637 P	595,563,095	P	139,256,239

#### 29) OTHER MATTERS

- 1 Anti-Money Laundering Act (AMLA)
  The bank had completely satisfied reporting requirements as required by the BSP and RA 9160 as amended by RA 9194.
- 2 As of December 31, 2023 and 2022, all of the bank's directors had undergone the requirements for corporate governance as confirmed by the Monetary Board as mandated by MORB Subsec, X141.4.
- 3 There were no significant events after the end of the reporting period that took place that would warrant material adjustment on the bank's December 31, 2023 and 2022 financial statements. (PAS 10)

End of Report



# Income tax expense consist of the following:

		Year 2023	Year 2022
Current tax expense	P	2,338,649 P	3,288,399
Deferred tax benefit		(315,431)	(475,588)
Dolonto di di	P	2,023,218 P	2,812,811

# Income tax due and payable are computed as follow:

		Year 2023	Year 2022
Regular Corporate Income Tax (RCIT)			
Net income before income tax	P	16,388,792 P	17,016,819
Permanent differences:			
Income subject to final tax		(10,869,691)	(5,357,803)
ROPA income		-	-
Retirement expense		-	2 <b>7</b> .
Non-deductible interest expense		2,717,423	1,339,451
		8,236,524	12,998,467
Temporary differences:			
Provision for credit losses		1,261,724	1,902,351
Depreciation of ROUA		114,821	733,536
Interest on ROUA		27,982	52,493
Rent payments		(391,234)	(604,256)
		9,249,816	15,082,590
Write-off		(2,797,005)	(1,928,993)
Taxable income		6,452,811	13,153,597
Multiply by RCIT rate		25.0%	25.0%
RCIT due		1,613,203	3,288,399



		Year 2023	Year 2022
Minimim Corporate Income Tax:			0.000
Interest income	P	73,319,540 P	76,250,013
Direct costs:			
Personnel costs		33,650,376	31,878,794
Interest expense		5,611,112	6,152,993
Depreciation		5,033,791	5,389,871
Write-off		2,797,005	1,928,993
Rental		620,175	604,256
Litigation		305,848	385,092
Power, light and water		2,146,056	2,284,880
Repairs and maintenance		1,088,539	1,153,773
Stationeries and supplies		690,649	558,273
Documentary stamp tax		**************************************	-
Supervision fees		159,046	174,970
Information technology expense		50,898	-
		52,153,496	50,511,896
Gross income from operations		21,166,044	25,738,117
Other income not subject to final tax		7,024,049	7,320,441
Total gross income		28,190,093	33,058,558
Multiply by MCIT rate		1.5%	1.0%
MCIT due		422,851	330,586
Income tax due	P	1,613,203 P	3,288,399
Prior year's adjustments		1,013,203	3,200,399
Income tax paid		(1,791,105)	(2,765,709)
	n		
Income tax payable	P	(177,902) P	522,690



# SIGNABANK, RURAL BANK OF STA. IGNACIA RECONCILIATION OF AUDITED FS AND STATEMENT OF INCOME AND EXPENSE As of December 31, 2023

			SUBMITTED		
		AUDITED FS	FS	DISCREPANCY	REASONS FOR DISCREPANCY
Cash and Cash Equivalent	P	228,341,136 P	228,341,136 P	-	
Financial Assets at Amortized Cost	900	141,366,908	141,366,908	-	
oans and Receivables		441,573,441	441,573,441	_	
Sales Contract Receivables		341.263	341,263	-	
Bank Premises, Furniture, Fixtures and Equipment		60,818,462	60,933,283	- 114,821.00	Proposed adjusting entries (AJE C)
investment Property		1,583,565	1,583,565		904
Deferred Tax Assets		1,899,394	2,289,875	(390,481)	Proposed adjusting entries (AJE E)
Accrued Interest Income from Financial Assets		* *		-	
Other Assets		4,683,513	6,550,218	(1,866,705)	Proposed adjusting entries (AJE B & G)
Julei Assets		880,607,682	882,979,689 P	(2,372,007)	Net effect of adjustments
Lease Liability Accrued Interest, Taxes & Other Expenses Special Time Deposit Due to Philippine Crop Insurance Corporation Uncarned income Provisions		267,803 6,212,959 10,367 52,098	631,056 7,359,107 10,367 52,098	(1,146,148)	Proposed adjusting entries (AJE C) Proposed adjusting entries (AJE G) Proposed adjusting entries (AJE H) Proposed adjusting entries (AJE B)
Other Liabilities		9,205,356	6,623,737		Proposed adjusting entries (AJE H)
Total Liabilities		726,921,117	725,848,899	1,072,218	
Total Stockholders' Equity		153,686,565	157,130,790		Proposed adjusting entries (AJE A,B,C,D,E,F)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	P	880,607,682 P	882,979,689 P	(2,372,007)	Net effect of adjustments
Total Gross Income	P	91,213,280 P	91,213,280 P		
Total Expenses		76,847,706	75,576,311		Proposed adjusting entries (AJE A, B, C, D, E, F, G, H,
NET INCOME AFTER TAX	P	14,365,574 P	15,636,969 P	(1,271,395)	Net effect of adjustments

## SIGNABANK, RURAL BANK OF STA. IGNACIA

A.	Other Investment - Ayala/Phil. Plans First, Inc./Metrobank Trust Fund Retained earnings - free To reconcile retirement benefit asset balance as of 12/31/2022.	205,418.00	205,418.00
В.	Retirement expense Defined benefit cost Other Investment - Ayala/Phil. Plans First, Inc./Metrobank Trust Fund Retirement benefit liability To record retirement benefit expense for the year 2023	2,116,365.00 2,689,084.00	2,223,830.00 2,581,619.00
C.	Lease liability Interest expensee on ROU Rent expense To record adjustments on lease liability and interest on ROU for the year 2023.	363,252.62 27,981.86	391,234.48
D.	Depreciation expense  Accumulated depreciation - ROU  To record depreciation expense of ROU for the year 2023.	114,821.00	114,821.00
E.	Deferred tax asset on loans and receivables  Deferred tax asset on sales contract receivables  Deferred tax benefit  To record deferred tax benefit on provision for impairment loss on loans and sales contract	295,886.75 19,544.25 at receivables for the	315,431.00 year 2023.
F.	Accrued income tax  Deferred tax asset on loans and receivables  Deferred tax asset on investment property  To record application of deferred tax asset on write-off of loans receivables and disposal of	699,251.25	661,751.50 37,499.75 of or year 2023.
G.	Accrued income tax Income tax expense To reverse entry made on accrued income tax payable as of 12/31/2023.	1,146,149.00	1,146,149.00
Н.	Income tax expense Refundable income tax Accrued income tax To reverse entry made on accrued income tax payable as of 12/31/2023.	547,544.07 151,707.18	699,251.25
I.	Retained earnings - free  Deferred tax asset  To adjust balance of deferred tax asset as of 12/31/2022.	6,661.00	6,661.00
J.	Taxes and licenses Income tax expense To correct entry made on reversal of accrued income tax for the year 2023.	104,779.52	104,779.52

