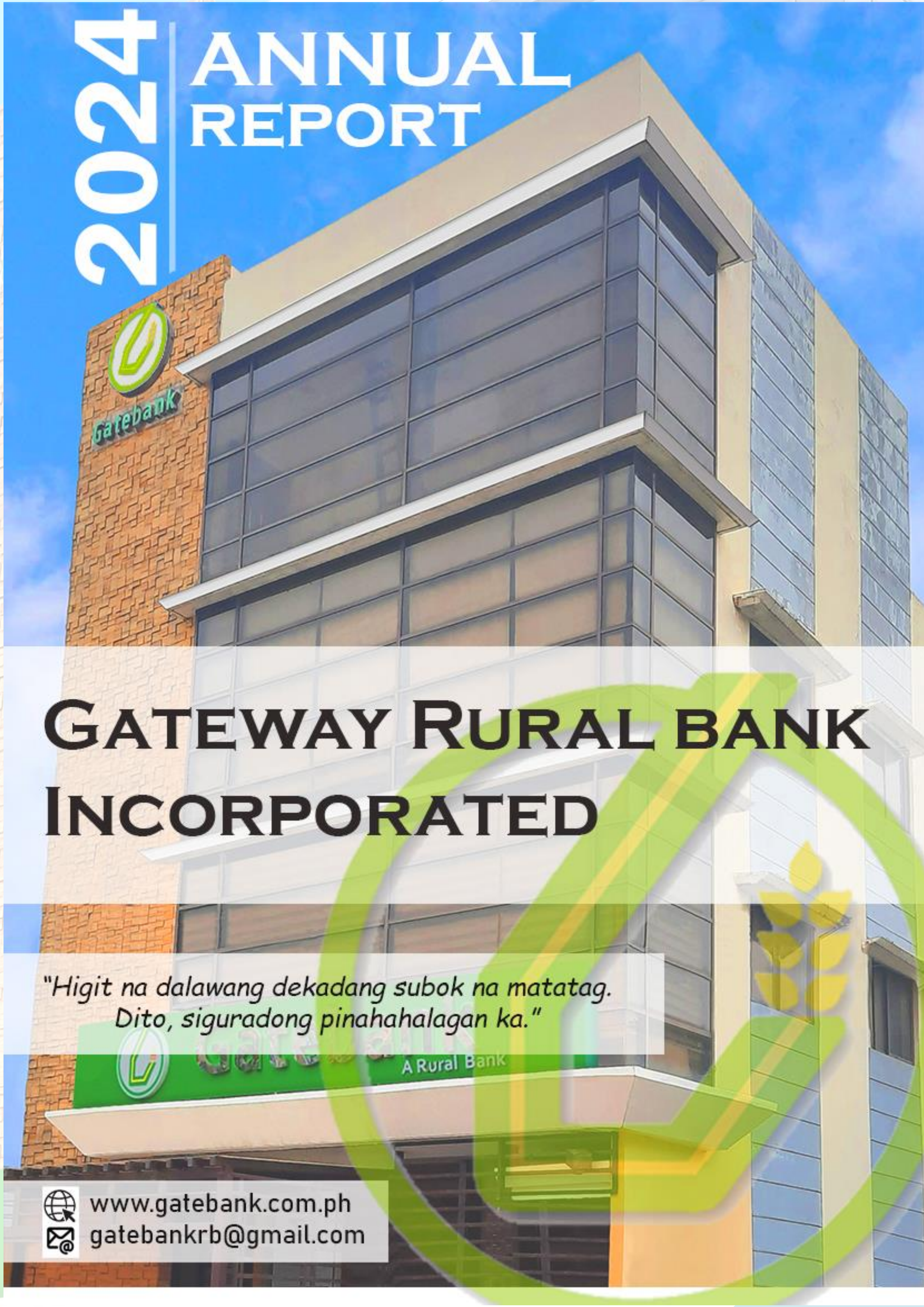

2024 ANNUAL REPORT

GATEWAY RURAL BANK INCORPORATED

"Higit na dalawang dekadang subok na matatag.
Dito, siguradong pinahahalagan ka."

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Message from the President

On behalf of the Board of Directors and the Senior Management Team of Gateway Rural Bank Incorporated, I am pleased to present our Annual Report for the year 2024.

This past year once again proved our Bank's dedication to serving our communities and adding real value where it matters most. We faced new economic challenges and changing market conditions, yet we stayed true to our goals, strengthened our operations, and focused on keeping the Bank stable and growing for the long term.

The year 2024 showed us that with teamwork, clear priorities, and the trust of our clients and partners, we can continue to expand our reach and help more families, farmers, and small business owners in the countryside gain access to financial services. More than just numbers, our work this year was about building stronger ties with our communities and laying down a solid foundation for the years ahead.

In fulfilling our mission as a trusted development partner in the rural banking sector, we continued to widen access to financial services for individuals, families, and micro-entrepreneurs in Bulacan and neighboring areas. This commitment is anchored on our belief that financial inclusion is not merely a corporate responsibility but an imperative for social and economic progress in the countryside.

Throughout the year, we reinforced our operational capabilities by refining our internal systems, streamlining processes for better efficiency, and embedding stronger risk management practices across all levels of our operations. We invested in capacity-building initiatives to equip our teams with the competencies needed to navigate an evolving banking landscape, while ensuring that our governance structures remained sound and responsive to the changing regulatory environment.

As of December 31, 2024, the Bank recorded total assets of ₱1,098,455,629, total liabilities of ₱907,243,000, and shareholder equity of ₱191,212,629. Despite various market challenges and industry-wide adjustments, we successfully posted a net income of ₱6,868,723, underscoring the strength of our financial position and the prudence of our management.

Behind these numbers are the efforts of our dedicated officers and staff, who continuously demonstrate professionalism and commitment in delivering reliable banking services. I would like to express my profound appreciation to every member of our Gatebank family whose dedication fuels our operations daily. I likewise extend my sincere gratitude to our Board of Directors, whose collective wisdom and principled leadership have guided the Bank through prudent decisions and timely interventions.

To our valued clients, stockholders, and community partners, thank you for your enduring trust and loyalty. Your continued confidence in Gateway Rural Bank Incorporated inspires us to innovate, to listen more intently, and to serve with greater purpose.

Looking ahead, we recognize that sustaining growth and relevance requires adaptability and a clear vision. We shall remain proactive in harnessing opportunities for digitalization, expanding our reach to underserved areas, and designing financial products that truly address the needs of our rural communities. Equally, we shall maintain robust governance and compliance practices that uphold the integrity of our institution.

As we build on the milestones of 2024, we reaffirm our commitment to drive positive change, foster economic resilience in the countryside, and uphold our role as a catalyst for inclusive development. We remain focused on delivering products and services that truly meet the needs of our clients while strengthening our capacity to adapt to the future.

We are determined to keep improving, to embrace digital innovations where they make sense for our communities, and to maintain the trust that has kept us strong for decades. Ensuring that Gateway Rural Bank Incorporated remains a reliable partner for generations to come is at the heart of everything we do. With your continued support, we are confident that Gateway Rural Bank Incorporated will not only endure but flourish, creating ripples of progress for many more years to come.

Thank you for standing with us. We look forward to continuing this journey together.

MERCEDES S. COLOMA
President

Corporate Profile

Gateway Rural Bank Incorporated, more commonly known as Gatebank, is a trusted and well-established financial institution serving the province of Bulacan and neighboring communities for over 27 years. Founded on May 27, 1997, the Bank opened its inaugural unit in Balagtas, Bulacan, strategically located beside the public market along McArthur Highway. From the outset, Gatebank positioned itself as a grassroots banking partner, focused on delivering accessible financial services to rural clients and underserved sectors.

The Bank's first wave of expansion began in 1998 with the establishment of its Bustos branch, followed by a Pandi branch in 1999, both targeting support for smallholder farmers, micro-entrepreneurs, and community-based industries. By 2009, Gatebank had broadened its geographic footprint across the province with the opening of branches in Pulilan, San Jose del Monte, Malolos, San Ildefonso, San Rafael, and Norzagaray. The Plaridel branch, opened in 2013, marked the Bank's tenth banking unit, reinforcing its presence as a leading rural financial provider in Central Luzon.

Despite challenges in the rural banking industry—including tightening regulations, digital disruption, and macroeconomic volatility—Gatebank has maintained strong operational and financial performance. This resilience is underpinned by prudent risk management, customer-focused service, and values-based leadership.

At the helm of this continued success is President Mercedes S. Coloma, a prominent figure in the rural banking industry and a passionate advocate of financial inclusion. Her exceptional leadership was recognized by the Rural Bankers Association of the Philippines (RBAP) when she was named one of only two awardees of the prestigious Rural Banker of the Year Award, a distinction honoring excellence, integrity, and impact in the rural banking industry.

Today, Gatebank is proud to be recognized as the largest rural bank in Bulacan, a position earned through unwavering commitment to community banking and strategic growth. The Bank continues to support national goals for countryside development by offering relevant financial products, and inclusive credit facilities. In line with its mission, Gatebank ensures that its operations reflect the values of service, sustainability, and shared prosperity.

As Gatebank looks ahead, it remains focused on innovation, risk-aligned expansion, and deepening stakeholder engagement—all in pursuit of empowering rural communities and advancing inclusive economic growth.

Our Vision

- To maintain our position as the biggest and the most progressive rural banking institution in Bulacan, and to become one of the top rural banks in Central Luzon within the next five years.

- To be a significant instrument in poverty alleviation and the improvement of the economic status of its clients, including the entrepreneurial poor

Our Mission

A. Poverty Alleviation and Social Development

- To provide the entrepreneurial poor with continued access to microfinance and social development services in order to enable them to pursue viable livelihood projects, which shall improve their quality of life.

B. Institutional Relationships

- To establish good business relationships with our accredited financial institutions as sources of funds.
- To continue upholding the highest standard of stewardship for bank's stakeholders.

C. Product Development and Service Improvement

- To create new and innovative banking products and services that meet our clients' needs.
- To utilize a completely computerized banking system which shall significantly increase the efficiency of the bank in providing its products and services.
- To maintain the culture of providing fast, personalized, friendly, and excellent customer service to clients, which is the competitive edge of the bank.

D. Human Resource Development

- To ensure a work atmosphere of mutual respect and teamwork between each and every employee of the bank.
- To work towards a shared vision between management and staff.
- To provide continuous training and staff development program for officers and employees through seminars/webinars and workshops.

E. Growth

- To put up additional branches in the different towns of Bulacan and other towns and municipalities.
- To increase client outreach in the municipalities where the branches are located and in the neighboring municipalities.

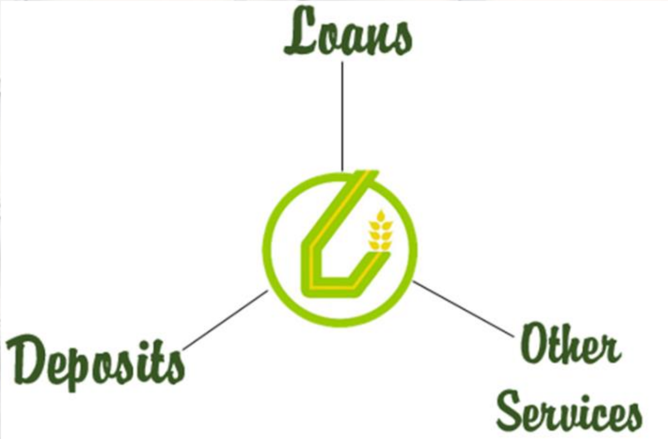
F. Corporate Social Responsibility

- To actively contribute to the betterment of the communities in which we operate by prioritizing the well-being and development of our employees and other stakeholders. Through our unwavering support and commitment, we strive to make a positive and lasting impact on the lives of individuals and the overall welfare of the communities we serve.

Bank's Business Model and Brand

Gatebank is engaged in core banking activities, primarily focused on lending and deposit-taking operations. The Bank maintains a strong commitment to financing micro, small, and medium enterprises (MSMEs), as well as farmers and small entrepreneurs.

In addition to offering demand deposit products, one of the Bank's branches is authorized to accept government deposits from the local municipality where it operates. The Bank also solicits deposits outside its premises in accordance with regulatory guidelines and operates a Foreign Currency Deposit Unit (FCDU) to serve clients with foreign exchange requirements.



Customer deposits remain the Bank's primary funding source, comprising 73.02% of total resources, supplemented by borrowings at 3.42% and capital at 17.41%. On the asset side, lending continues to be the principal revenue-generating activity, with loans accounting for 50.80% of total resources.

In terms of income composition, interest income from loans contributes 71.92% of the Bank's total operating income. The remaining 28.08% is derived from other income sources, including service fees and various banking services.

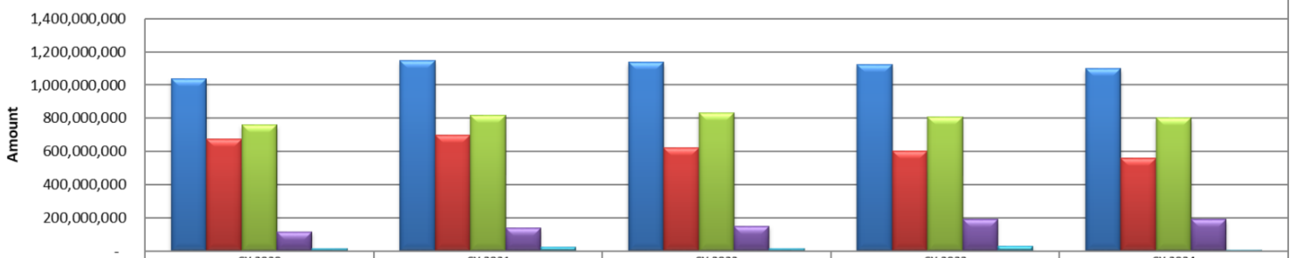
Gatebank extends credit to both corporate and individual clients, and provides a full range of banking and financial services. Its Head Office is located along Mac Arthur Highway in Borol 1st, Balagtas, Bulacan, supported by 10 strategically located branches throughout key municipalities in the province.

With a continued commitment to innovation and community service, Gatebank regularly reviews and enhances its services to meet evolving customer needs, contributing to the sustained growth and development of Bulacan and its people.

"Mahigit dalawang dekadang subok na matatag
Dito, siguradong pinahahalagahan ka."

Financial Highlights

Financial Growth CY 2020 to CY 2024



	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Total Asset	1,040,360,068	1,146,407,439	1,137,177,769	1,123,259,832	1,098,455,629
Loan Portfolio	675,836,876	696,679,593	620,511,931	604,810,339	557,989,901
Deposit Liabilities	760,276,866	819,261,296	834,211,146	807,014,270	802,053,303
Networth	115,060,903	138,044,225	148,897,751	189,553,860	191,212,629
Net Income	14,054,147	23,667,273	15,580,900	31,088,777	6,868,723

Gatebank maintained a strong and stable financial position throughout the past five years. Total assets consistently stayed above ₱1 billion, starting at ₱1.04 billion in 2020, reaching ₱1.14 billion in 2022, and closing at ₱1.10 billion by end-2024. This demonstrates prudent resource management and the Bank's ability to adapt to changing market conditions while supporting growth.

The Bank's loan portfolio has remained prudently managed and consistently aligned with its conservative credit standards, reflecting a deliberate balance between growth and asset quality preservation. In 2020, gross loans stood at ₱675.84 million, providing financing support to qualified borrowers amid a challenging economic environment. This portfolio increased moderately to ₱696.68 million in 2021, driven by improved borrower confidence and the Bank's focused efforts to support creditworthy clients while maintaining strict credit evaluation processes.

In the succeeding years, the Bank adopted a more cautious and calibrated approach to lending in view of changing market conditions, evolving borrower needs, and the prevailing regulatory landscape. As a result, the gross loan portfolio gradually declined to ₱620.51 million in 2022 and further decreased to ₱604.81 million in 2023. This controlled reduction reflected management's proactive measures to minimize credit risk exposure, prioritize collection efficiency, and preserve the overall health of the bank's loan portfolio.

By 2024, gross loans stood at ₱557.99 million underscoring the Bank's continued discipline in extending credit only to thoroughly vetted and creditworthy clients. Throughout this period, the Bank maintained rigorous underwriting standards, frequent portfolio reviews, and enhanced monitoring of borrowers' repayment capacities. These measures ensured that the loan portfolio remained sound and responsive to both internal performance goals and prevailing economic conditions, reinforcing the Bank's commitment to sustainable growth and prudent risk management.

Deposits maintained an overall positive trend over the period. From ₱760.28 million in 2020, deposits grew to ₱834.21 million in 2022 and stood at ₱802.53 million in 2024. The slight movement in 2024 is attributed mainly to the normal use of funds by some clients for investment and property-related needs. Overall, depositor confidence remained steady, supported by continued relationship management and deposit generation initiatives. Gatebank's net worth demonstrated steady growth over the period, increasing from ₱115.06 million in 2020 to ₱191.21 million in 2024. This reflects sustained profitability, prudent capital retention, and adherence to regulatory capital requirements.

Profitability showed variability over the review period. Net income increased from ₱14.05 million in 2020 to ₱23.67 million in 2021, declined in 2022, then reached a peak of ₱31.09 million in 2023, before dropping to ₱6.87 million in 2024. The significant decline in 2024 was primarily due to increased loan loss provisioning and the rescission of a booked Sales Contract Receivable, which resulted in the reversal of previously recognized income from the sale of Real and Other Properties Acquired (ROPA).

Overall, Gatebank's performance over the past five years highlights its financial soundness, operational resilience, and steady commitment to responsible banking. The Bank remains well-capitalized and compliant with regulatory requirements, backed by a solid asset base, stable deposit levels, and a loan portfolio that is closely monitored to maintain quality and support sustainable growth. These strong fundamentals position Gatebank to navigate market changes effectively while continuing to serve as a trusted banking partner for its clients and communities.

Moving forward, Gatebank will focus on reinforcing key priorities to support sustained growth and strengthen stakeholder confidence. Managing and improving the quality of the loan portfolio will remain a central objective, ensuring that credit policies stay responsive to evolving borrower needs while maintaining prudent risk management. Alongside this, the Bank will continue to diversify its revenue streams by exploring additional income sources and innovative products that complement core banking services.

Expanding and deepening the deposit base will also be a critical focus. This includes broadening market reach, enhancing customer experience, and implementing initiatives that encourage long-term savings and client loyalty.

With these strategic directions firmly in place, Gatebank is confident in its ability to build on its achievements and pursue sustainable growth. Guided by sound governance, a strong risk culture, and a deep commitment to rural community development, Gatebank remains dedicated to delivering consistent value today and for generations to come.

Financial Performance, Key Developments, and Strategic Initiatives

In 2024, Gateway Rural Bank Incorporated demonstrated stable financial performance with improvements in key operational areas, as reflected in its comparative figures against the previous year.

Minimum Required Data	2024	2023
Profitability		
Total Net Interest Income	50,905,717	48,274,659
Total Non-Interest Income	27,223,484	65,611,818
Total Non-Interest Expense	72,331,453	67,587,623
Pre-Provision Profit	8,780,142	41,424,339
Allowance for credit losses	27,970,524	22,919,811
Net Income	6,868,723	31,088,777
Selected Balance Sheet Data		
Liquid Assets	369,028,559	320,405,000
Gross Loans	557,989,901	604,810,339
Total Assets	1,098,455,629	1,123,259,832
Total Deposits	802,053,303	807,014,270
Total Equity	191,212,629	189,553,860
Selected Ratios		
Return on Equity	10.16%	46.28%
Return on Assets	0.62%	2.70%
Net Interest Margin	9.15%	11.68%
Past Due Ratio	14.12%	11.00%
Liquidity Ratio	45.97%	39.63%
Capital Adequacy Ratio	15.93%	16.21%
Others		
Head Count		
Officers	17	17
Staff	73	67

Gatebank recorded a total net interest income of ₱50.91 million, reflecting a 5.45% increase from ₱48.27 million in 2023. Total non-interest income stood at ₱27.22 million. After provisions and taxes, net income reached ₱6.87 million, slightly below the ₱31.09 million achieved in 2023, largely due to higher credit loss provisioning of ₱27.97 million and due to the rescission of the booked Sales Contract Receivable, resulting in the reversal of income from the sale of ROPA.

Gatebank's total assets amounted to ₱1.10 billion, up from ₱1.12 billion in 2023. Loans and receivables, representing 50.80% of the bank's total resources, decreased by 8% or ₱46.82million from ₱604.81 million to ₱557.99 million. The bank's deposit liabilities decreased by 1%, or ₱4.960 million, from Php807.014 million to ₱802.053 million and represented 73.02% of total resources because some time deposit depositors withdrew their funds because they chose to buy property. Total equity increased to ₱191.21 million, reinforcing the Bank's capital base.

Key Financial Ratios

- Return on Equity (ROE) stood at 10.16%, compared to 46.28% in the previous year. The decrease was primarily due to the decline in net income, following higher loan loss provisions and the reversal of previously recognized income from sale of ROPA. The Bank remains committed to enhancing profitability through disciplined credit strategies, with a continued focus on maintaining asset quality, managing credit risk, and ensuring that lending activities support sustainable income growth. These efforts are aligned with the Bank's long-term objectives and its prudent approach to portfolio management.
- Return on Assets (ROA) was at 0.62%, lower than 2.70% in 2023. This ratio is consistent with the movement in net income relative to the Bank's average total assets during the year.
- Net Interest Margin (NIM) stood at 9.15%, slightly decrease from 11.68% in 2023, reflecting a cautious lending approach during the period. The Bank recognizes this as a key performance area and will continue to implement strategies to improve margin levels while maintaining credit quality.
- The Past Due Ratio rose to 14.12% from 11.0% in 2023. This level remains manageable and is being addressed through enhanced monitoring, proactive collection activities, and ongoing engagement with borrowers to maintain repayment performance.
- The Liquidity Ratio remained stable at 45.97%, demonstrating the Bank's continued ability to meet short-term obligations through sufficient liquid asset holdings. This level reflects the Bank's conservative approach to liquidity management, ensuring that funding needs, depositor withdrawals, and operational requirements are met without strain. The Bank maintained adequate buffers throughout the year, consistent with internal limits and the liquidity standards set by the Bangko Sentral ng Pilipinas.
- Capital Adequacy Ratio (CAR) stood strong at 15.93%, slightly lower than 16.21% last year, but comfortably above the regulatory minimum, underscoring the Bank's solid capital position and its capacity to absorb potential risks and support growth plans.

According to the Bangko Sentral ng Pilipinas (BSP) list of the Top 100 Rural and Cooperative Banks as of December 2024, Gatebank ranks among the Top 100 Rural Banks in the country based on the following criteria:

Banking Statistics	31-Dec-24 Ranking	
TOTAL ASSETS	59	₱ 1,094.17
TOTAL CAPITAL	68	₱ 185.72
TOTAL DEPOSIT	50	₱ 802.05
TOTAL LOANS	62	₱ 530.02

The year 2024 was marked by significant changes, key operational activities, and major strategic initiatives that collectively supported Gatebank's continued growth and strengthened governance framework.

During the year, the Bangko Sentral ng Pilipinas (BSP) confirmed the appointment of Mrs. Cynthia T. Cruz as the Bank's third Independent Director, reinforcing the institution's board independence and oversight capability. The Board likewise approved the engagement of Lope Laranjo Bato & Co., Certified Public Accountants as Gatebank's External Auditor. Gatebank was also officially accredited by the BSP as one of its recognized Currency Exchange Centers, further enhancing the bank's service offerings to its clients.

To support professional growth, the Bank sustained its capacity-building programs, providing continuous training and development for directors, officers, and staff to keep pace with regulatory updates and industry best practices.

Operationally, Gatebank continued its monthly review and validation of the Allowance for Credit Losses (ACL), ensuring that provisioning remains accurate, timely and fully compliant with regulatory standards. In addition to its credit provisioning efforts, one of the Bank's operational highlights in 2024 was the successful disposal of acquired assets. A total of ₱34,489,051.14 in Real and Other Properties Acquired (ROPA) was sold during the year, generating a net gain of ₱22,996,153.19. This achievement reflects the effective asset recovery strategies implemented by the ROPA Management Team and the Bank's focus on optimizing its asset mix. The timely sale of these non-performing assets not only improved the Bank's liquidity position and asset turnover ratio but also reduced administrative and maintenance costs associated with holding foreclosed properties. The initiative forms part of Gatebank's continuing efforts to strengthen its financial performance, improve capital, and comply with the regulatory timeline for ROPA disposition under BSP regulations.

In line with Gatebank's commitment to employee welfare and performance recognition, the, Board approved several employee incentives. These included a mid-year half-month salary incentive bonus for officers and staff released on August 8, 2024, amounting to ₱664,375, and a salary adjustment effective October 2024 totaling ₱48,950.00. In December 2024, a half-month year-end bonus amounting to ₱767,635.44 was also distributed in December 2024.

To further promote performance excellence at the branch level, Gatebank awarded ₱326,700.00 in monetary incentives to branches and branch managers who achieved or exceeded their targets based on the branch point system, which also recognized top-performing branches and officers. In addition, the Bank allocated ₱2,501,637.44 for year-end expenses, including Christmas giveaways for depositors and borrowers, employee rewards, and bonuses. As an added token of appreciation for their pivotal role, Gatebank granted ₱250,000.00 in monetary rewards to all Administrative Officers and Staff for their continued support and guidance in helping the branches meet their 2024 targets.

Challenges, Opportunities and Responses during the Year

Gatebank remains cautiously optimistic about the economic outlook and is committed to pursuing growth opportunities while maintaining prudent risk management. Our strategic priorities are centered on three key areas:

- Training and Development: The Board and Management place high importance on continuous capacity program for directors, officers and staff through in-house training, participation in external programs and seminars, and mentoring & guidance to strengthen expertise and service quality across the organization.
- Expansion and Market Penetration: Gatebank continues to pursue opportunities to broaden its market reach by identifying new growth opportunities and deepening relationships with existing clients. Employees are encouraged to proactively promote the Bank's wide range of products and services, including loans, deposits, and payment systems.
- Digital Transformation: Gatebank remains committed to investing in advanced technologies to enhance our digital infrastructure, improve operational efficiency, and provide innovative, client-centric banking solutions aligned with the evolving demands of the financial landscape and customer expectations.

Clients' Testimonial

"Mula pa noong 2021, naging matatag na katuwang namin ang Gatebank sa paglago ng aming negosyo. Bilang isang borrower, ramdam po namin ang tunay na malasakit ng bangko, hindi lamang sa pagbibigay ng pondo, kundi sa pagtulong sa pagpapatuloy at pagpapalawak ng aming operasyon sa Li-Let Products Manufacturing Inc.

Ang loan na naaprubahan ay naging mahalagang sandigan sa aming pagbili ng raw materials, pag-upgrade ng mga makina, at pagpapalawak ng aming production area. Ngunit higit pa po sa pondo, ang tiwala na ibinigay sa amin ng Gatebank ang siyang nagpalakas ng aming loob upang magpatuloy, lalo na sa gitna ng hamon sa negosyo.

Lubos po ang aming pasasalamat sa Gatebank,sa kanilang tiwala, suporta, at tunay na pakikilahok sa pag-unlad ng maliliit na negosyante na gaya namin. Sa bawat produkto na aming nailalabas, kasabay po nito ang kwento ng isang bangkong naniniwala sa kakayahan ng mga MSMEs na mangarap at umasenso."

Lilibeth Domingo
Business Operations Manager
Li-Let Products Manufacturing Inc.

"Ako po ay isang tapat na borrower ng Gatebank sa loob ng dalawampung (20) taon. Sa lahat ng yugto ng aming kabuhayan, mula sa simpleng pagtitinda sa palengke hanggang sa unti unting pag-angat ng aming pamumuhay, kasama po namin ang Gatebank bilang matatag na kaagapay.

Hindi lamang po puhunan ang naibigay sa amin ng bangko. Ang tunay na naitulong ng Gatebank ay ang pagbibigay ng pag-asa, kumpiyansa, at pagkakataong makabangon sa bawat pagsubok. Sa tulong ng kanilang pautang, nagkaroon kami ng panimulang kapital para mapalago ang aming negosyo at matustusan ang pang-araw-araw naming pangangailangan. Ngunit higit sa lahat, ang pinakatumatak sa aming pamilya ay ang pagkakataong mapagtapos namin sa kolehiyo ang aming anak, isang pangarap na dati ay malayo sa aming abot, ngunit naging posible dahil sa tiwala at suporta ng Gatebank. Para po sa amin, napakahalaga ng ganitong uri ng pagtulong, yung tahimik pero may tunay na epekto sa buhay ng mga simpleng pamilyang gaya namin.

Hanggang ngayon, kami ay patuloy pa ring namumuhay nang marangal bilang maliliit na negosyante sa palengke. At sa bawat araw na kami'y nagsusumikap, dala namin ang pananalig na hindi kami nag-iisa. Ang Gatebank ay hindi lang po aming bangko ito po ay naging katuwang namin sa buhay, sa bawat hakbang ng aming pag-unlad, at sa bawat pangarap na aming inaasam para sa aming pamilya."

Rogelio S. Feliciano, Jr
Chicken Dealership Business/Market Vendor

Risk Management

Gatebank recognizes that risk-taking is inherent in its banking operations and that it is exposed to various types of risk, including credit, liquidity, market, operational, reputational, legal, and other emerging risks. To sustain growth and create long-term value for shareholders, the Bank remains committed to effective risk management. Gatebank's Management under the oversight of the Board of Directors, plays an active role in the identifying, measuring, monitoring, and reporting of risks, while also assessing potential impact on the bank's financial and operational objectives. Gatebank continuously reviews and refines its risk limit structures and internal controls to ensure that all activities remain within Board-approved policies and fully comply with the regulations set by the Bangko Sentral ng Pilipinas (BSP) and other regulatory authorities.

In addition, the Bank maintains adequate capital to support its overall risk exposures, thereby ensuring financial resilience and compliance with prudential standards.

1. **Credit Risk**
   It is the risk arising from the borrowers' failure to abide by the terms of the loan agreement, more specifically the agreement to pay the loan, including any interest, penalties, and other charges, on the date that the same falls due. As a matter of general strategy, the bank manages this risk through a system of policies, metrics, and authorities that govern the processes and practices of all credit-originating and borrowing, as well as other units involved in the credit cycle.

2. **Credit Concentration Risk**
   It is the risk of loss arising from over-exposure to specific industries or borrowers. The bank manages this risk through adherence to processes relating to industry and counterparty assessments, observance of regulatory ceilings, and setting of internal limits.

3. **Market Risk**
   It is the risk of loss arising from movements in market prices. The bank manages this risk via a process of identifying, analyzing, measuring, and controlling relevant market risk factors, and establishing appropriate limits for the various exposures.

4. **Interest Rate Risk**
   It is the risk arising from mismatches of the timing of changes in interest rates on assets and liabilities. The risk becomes inherent in the current and prospective interest gapping of the bank's balance sheet. The bank follows a set of policies on managing its assets and liabilities so as to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

5. **Liquidity Risk**
   It is the risk arising from the bank's failure to meet maturing obligations due to mismatch in cash flows and incidence of high past due loans which may put pressure on the bank's liquidity position. The bank's strategy for managing this risk is generally via limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

6. **Operational Risk**
It is the risk arising as a result of fraud, error, and the inability to deliver products or services, maintain a competitive position, manage information, weakness in organizational structure, poor oversight functions of the Board of Directors and Senior Management, faulty hiring policies, weak internal control system. The bank manages this risk by implementing policies that promote a strong control environment, escalation, monitoring and reporting of risk events, and adequate mitigation of assessed risks.

7. **IT Risk**
It is the risk of loss resulting from failure of computer hardware, software, devices, systems, applications, and networks. The bank's strategy in managing this risk is embodied in a comprehensive information technology policy that encompasses IT risk assessment, vulnerability testing, monitoring, controls, and mitigation.

8. **Information Security Risk**
It is the risk of loss resulting from information security/cyber security breaches. The bank's strategy in managing this risk is embodied in a comprehensive information security policy.

9. **Business Continuity Risk**
It is the risk of loss resulting from the prospective inability to resume operations in the event of a disaster. The bank's strategy in managing this risk is embodied in its Business Continuity Program.

Regulatory Risk
It is the risk of loss arising from probable mid-stream changes in the regulatory bodies affecting current position and/or strategy. The bank's strategy is to perform impact assessment of new regulations and market trends.

10. **Compliance Risk**
It is the risk arising from failure to comply with relevant rules and regulations issued by regulatory and/or supervisory bodies and due to unsound banking practices. The risk exposes the bank and its directors and officers to fines, monetary penalties and administrative sanctions. The bank has a designated Chief Compliance Officer in-charge with overseeing the implementation of an approved Compliance Plan and Program, including anti-money laundering processes, and controls.

11. **Legal Risk**
It is the risk arising as a result of unenforceable contracts, lawsuits, or adverse judgment. The bank assesses the probability of cases being won or lost, and accordingly sets up provisions, when necessary. Potential legal liabilities are reported immediately to higher Management.

12. **Strategic Risk**
It is the risk of loss arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. The bank's strategy in managing this risk is to imbed the same in the various business functions as stated in its strategic and business planning processes.

13. **Reputation Risk**
It is the risk of loss arising from negative/adverse public opinion. The bank manages this risk primarily through processes observed and activities performed by a designated body tasked with ensuring a healthy public image of the bank.

14. **Interest Rate Risk in Banking Books (IRRBB)**
To effectively manage the risk associated with adverse movements in interest rates, Gatebank adopts a comprehensive approach that takes into account the impact on both earnings and capital. The bank analyzes the interest rate sensitivity, considering the composition of interest rate-sensitive assets, liabilities, and off-balance sheet exposures across short, medium, and long-term horizons.

15. Environmental and Social Risks

Gatebank has no appetite for environmental and social (E&S) risks that could have an adverse effect on its financial, legal, and/or reputation. As part of its credit risk management strategy, the bank does not finance projects that involve environmental pollution, climatic risks (both physical and transitional), and hazards to human health, safety, and security, and threats to community, biodiversity, and cultural heritage, among others.

Anti-Money Laundering Governance and Culture

The Bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) is designed to guide employees in ensuring that Gatebank's products, services, and operations are not misused for money laundering (ML) or terrorist financing (TF) activities. The MLPP is regularly updated to align with the latest Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) laws, rules, and regulations. Gatebank and its employees adhere to fundamental principles in combating financial crime, which include strict compliance with applicable laws and regulations, effective implementation of Know Your Customer (KYC) procedures, cooperation with law enforcement authorities, regular dissemination of policies, employee training, and robust risk management practices.

Gatebank fully complies with all applicable anti-money laundering and counter-terrorist financing laws and regulations. The Bank strictly implements customer due diligence at onboarding and during periodic reviews to verify client identities and maintain accurate information. Transactions are continuously monitored to detect and flag any unusual or suspicious activities, and records are properly maintained and securely stored in compliance with regulatory requirements.

In line with its reporting obligations, the Bank ensures the timely and accurate submission of Covered Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) as required by the Bangko Sentral ng Pilipinas (BSP) and the Anti-Money Laundering Council (AMLC).

The Compliance Unit ensures consistent implementation of AML/CTF policies across all business and support units and provides guidance to maintain high standards of compliance. Regular training and awareness programs are conducted for directors and all employees to strengthen their ability to identify red flags and handle potential risks effectively.

Gatebank continues to enhance its compliance practices and upholds its commitment to safeguard the trust of its clients and stakeholders.

Corporate Governance

Gatebank's Board of Directors is composed of seven (7) members, the majority of whom are non-executive directors. Among them, three (3) serves as Independent Directors, providing objective perspectives, impartial advice that support sound governance and protect the interests of all stakeholders. Independent Directors are nominated and elected annually by shareholders and serve a term of one (1) year until their successors are duly elected and qualified.

Gatebank upholds the principle that a well-composed and diverse Board is critical to maintaining high standards of governance and supporting sustainable growth. In selecting directors, the Bank considers a wide range of qualifications such as professional background, industry knowledge, technical skills, education, leadership experience, integrity, community standing, and alignment with the Bank's corporate values. Appointments are strictly merit-based and adhere to a fair and non-discriminatory process, ensuring that no candidate is disadvantaged on the basis of gender, age, religion, political beliefs, ethnicity, or cultural background.

All candidates for directorship undergo a thorough screening process in line with regulatory requirements. This includes evaluating their integrity, good moral character, professional reputation, compliance track record, relevant experience, financial literacy, and demonstrated commitment to uphold good governance principles.

Directors are expected to allocate sufficient time to perform their duties responsibly. They are required to attend Board and committee meetings regularly, prepare thoroughly, contribute actively to deliberations, and remain informed on developments in banking regulations, industry trends, and emerging risks. The Bank places high value on each director's ability to exercise independent judgment and maintain objectivity in decision-making.

Gatebank conducts periodic performance reviews to ensure that each director continues to meet the standards of fitness and propriety throughout their tenure. This includes regularly monitoring compliance with the Bank's internal policies, applicable laws, and regulatory directives, and ensuring that all directors consistently demonstrate adherence to the highest professional and ethical standards expected of their position.

To uphold strong governance and avoid any conflict of interest, Gatebank maintains clear separation of duties and prohibits any member of the Board from concurrently holding the position of Corporate Secretary or Chief Compliance Officer. This measure ensures that key control and oversight roles remain independent and free from undue influence, reinforcing the integrity of the Bank's governance framework.

Gatebank remains fully committed to building and sustaining a Board that is credible, competent, diverse, and independent, equipped with the necessary experience, skills, and perspectives to provide sound strategic guidance, effective risk oversight, and governance leadership that will protect and grow stakeholder value in the years to come.

Selection Process for the Board and Senior Management	Board's Overall Responsibility
Each year, the Bank's stockholders nominate and elect members of the Board of Directors during the Annual Stockholders' Meeting. All elected directors must meet the qualifications prescribed for the role, ensuring they are capable of fulfilling their fiduciary responsibilities. Upon formation, the Board is tasked with appointing the Bank's Senior Management Team, which includes, among others, key executives such as the President, Chief Operating Officer, Chief Compliance Officer, Chief Internal Auditor, This appointment process is conducted in close coordination with the Human Resource Department, ensuring that all candidates meet the required standards and qualifications. Appointees to senior positions are expected to possess a strong combination of relevant skills, professional knowledge, leadership experience, and diligence. Participation in training programs, industry seminars, and other development activities is highly valued to ensure that executives remain aligned with current best practices and regulatory expectations. Gatebank emphasizes the continuous professional growth of its senior leadership team. Furthermore, the Bank considers tenure and institutional experience in the selection process, recognizing the value of long-standing service and in-depth understanding of the organization's culture, systems, and operations.	The Board of Directors is committed to upholding the highest standards of honesty, integrity, and transparency in the performance of its duties and responsibilities. It is dedicated to fostering the long-term success and sustainable competitiveness of the Bank, while consistently exercising its fiduciary responsibilities in the best interests of the Bank and its stakeholders—including shareholders, depositors, creditors, employees, regulators, government agencies, the communities it serves, and the general public. The Board is primarily responsible for the approval and oversight of the Bank's strategic objectives, business plans, risk management framework, corporate governance policies, and institutional values. It convenes regular and special meetings to evaluate senior management's performance against the Bank's strategic goals and annual budget, and to deliberate on key areas such as risk management, compliance, governance practices, and operational matters. Furthermore, the Board is tasked with establishing a robust corporate governance framework, ensuring that governance structures, policies, and mechanisms are aligned with the Bank's organizational structure, business model, and risk profile. It also sets the professional standards and corporate values that promote a culture of integrity, accountability, and ethical conduct throughout all levels of the organization, including senior management and staff.

Description of the Role and Contribution of Executive, Non-executive and Independent Directors, and of the Chairman of the Board

- Executive Director

  The President serves as the Bank's primary executive officer and is responsible for providing leadership in the overall administration, daily operations, and management of the Bank's business activities. The President oversees the implementation of the Board-approved strategies, policies, and business plans, and ensures that day-to-day operations comply with applicable regulations and are carried out effectively and efficiently. The President is also tasked to keep the Board informed of significant developments, operational results, and emerging risks, and to recommend appropriate actions for the Board's consideration.

- Non-Executive and Independent Directors

  Gatebank's Board is composed mainly of non-executive directors, six (6) in total, three (3) of whom serve as independent directors as required under prevailing governance standards. Non-executive directors contribute an external perspective, free from involvement in day-to-day management, enabling them to provide independent oversight of Management's performance and the Bank's overall direction. They play a crucial role in challenging Management constructively and ensuring that key decisions are sound, balanced, and aligned with the best interests of the Bank and its stakeholders.

  Independent directors, who form part of the non-executive members, bring a high degree of objectivity, integrity, and board-level expertise critical to maintaining robust corporate governance. Their principal contribution lies in providing independent judgment, offering unbiased advice, and actively promoting accountability and transparency during Board discussions and decisions. They help safeguard shareholder interests and strengthen the Board's ability to make well-informed, balanced, and transparent decisions.

- Chairman of the Board

  The Chairman of the Board serves as the Presiding Officer and plays a pivotal role in leading and guiding the Board's activities. The Chairman sets the tone for the Board's work and is responsible for promoting a culture of open dialogue, trust, and integrity. In addition to presiding over Board and shareholders' meetings, the Chairman ensures that meetings are productive, all directors are encouraged to contribute their insights, and that the Board deliberates thoroughly on significant matters.

  The Chairman also supports the formulation of policies and strategies aligned with the Bank's long-term vision and objectives, working closely with the President and Management to ensure that decisions made by the Board are properly implemented. Furthermore, the Chairman facilitates communication between the Board and Management and ensures that dissenting or diverse viewpoints are given due consideration, fostering an environment where independent and critical thinking is valued. Through this, the Chairman upholds the Board's effectiveness in fulfilling its governance responsibilities and in steering the Bank towards sustainable growth.

Board Level Committees

To strengthen governance and support the effective execution of its responsibilities, the Board has established three key committees at the board level: the Audit Committee, Credit Committee, and Related Party Transactions (RPT) Committee. These committees provide focused attention on critical areas of the Bank's operations and ensure that governance, risk management, and compliance standards are rigorously maintained in accordance with regulatory requirements and industry best practices.

Each committee has a clear mandate, defined roles and responsibilities, and operates under a Board-approved charter to help the Board discharge its oversight functions effectively. Each committee focuses on a distinct area of governance essential to the Bank's operations and regulatory compliance: the Audit Committee oversees financial reporting, internal controls, and audit functions; the Credit Committee is responsible for credit risk oversight and is authorized to approve credit accommodations up to ₱5 million per borrower, enabling timely decisions within established risk limits, and the RPT Committee monitors related party transactions to prevent conflicts of interest and ensure fairness and transparency.

Each committee's charter sets out its specific objectives, membership structure, scope of authority, meeting procedures, and reporting responsibilities to the Board. To support organized and efficient committee operations, a Committee Secretary, designated by the Board, is tasked with preparing and circulating meeting notices, agendas, and minutes in a timely manner.

Audit Committee	Credit Committee	RPT Committee
The Audit Committee shall be composed of three (3) members of the Board of Directors, all of whom shall be non-executive directors, with the majority—including the Chairman—being independent directors. This committee plays a critical role in supporting the Board of Directors in the execution of its oversight responsibilities. It is tasked with reviewing the Bank's financial reporting processes, internal control systems, risk management practices, audit functions, and compliance with regulatory requirements. Additionally, the Audit Committee assesses the adequacy and effectiveness of the Bank's existing policies and procedures. It is also responsible for implementing and recommending appropriate actions based on the findings and recommendations of both internal and external auditors, thereby reinforcing transparency, accountability, and good governance.	The Credit Committee shall be composed of at least three (3) members, two (2) of whom must be members of the Board of Directors. The Committee is appointed by the Board to act on its behalf in carrying out the following key responsibilities: a. Provide oversight of the Bank's credit and lending strategies and objectives to ensure alignment with overall business goals and risk appetite; b. Oversee the Bank's credit risk management framework, including the review and endorsement of internal credit policies and the establishment of portfolio limits; c. Evaluate the quality and performance of the Bank's credit portfolio to ensure sound credit practices and asset quality are maintained.	The Related Party Transactions (RPT) Committee shall be composed of at least three (3) members of the Board of Directors, of whom two (2) shall be independent directors, including the Chairperson, and one (1) director who is not related within the fourth (4th) degree of consanguinity or affinity to any substantial shareholder. A substantial shareholder refers to any individual or entity holding at least 10% of the Bank's outstanding capital stock. The Committee is appointed and authorized by the Board to assist in strengthening corporate governance, particularly in the oversight and management of Related Party Transactions (RPTs). Its responsibilities include: a. Reviewing and endorsing all RPTs, including those involving DOSRI (Directors, Officers, Stockholders, and Related Interests), which require final approval by the Board; b. Formulating and revising RPT policies, subject to Board approval; c. Conducting investigations as necessary to fulfill its mandate regarding RPT oversight; d. Overseeing the implementation of the Bank's system for identifying, monitoring, measuring, controlling, and reporting related party transactions.

Board and Committee Attendance

Board of Directors

Name Of Director	No. Of Meetings Attended (17)	Percentage Of Attendance
Mr. Emilio M. Cabigao	17	100%
Mrs. Mercedes S. Coloma	17	100%
Mr. Jerry B. Coloma, Jr.	17	100%
Mrs. Jeremy Rose C. Lomibao	17	100%
Atty. Jerry S. Coloma III	17	100%
Mr. Ronnie L. Garrido	17	100%
Mrs. Cynthia T. Cruz	14	82%
Mrs. Rosario SP. San Pedro[1]	3	18%

Audit Committee

Audit Committee Members	Number of Meetings	
	Regular (12)	Percentage Of Attendance
Ronnie L. Garrido (Chairman)	12	100%
Emilio M. Cabigao	11	92%
Jerry B. Coloma Jr. (Replaced)[2]	7	100%
Cynthia T. Cruz	5	100%
Marvin Joseph S. Gutierrez (Ex-Officio Member)	12	100%

Credit Committee

Credit Committee Members	Number of Meetings	
	Regular (51)	Percentage Of Attendance
Mrs. Mercedes S. Coloma (Chairman)	51	100%
Mrs. Rosario SP. San Pedro[3]	51	100%
Mrs. Jeremy Rose C. Lomibao	41	80%
Mrs. Camille G. Sendin[4]	10	20%

RPT Committee

RPT Committee Members	Number of Meetings	
	Regular (4)	Percentage Of Attendance
Cynthia T. Cruz (Chairman)	3	100%
Emilio M. Cabigao (Chairman)	4	100%
Mrs. Rosario SP. San Pedro (Replaced)[5]	1	100%
Ronnie L. Garrido (Member)	4	100%
Marvin Joseph S. Gutierrez (Ex-Officio Member)	4	100%
Abigail P. Carillo (Ex-Officio Member)	4	100.00%

[1] Replaced by Mrs. Cynthia T. Cruz on March 5, 2024

[2] Mr. Jerry B. Coloma was replaced by Mrs. Cynthia Cruz on August 27, 2024

[3] Replaced by Mrs. Jeremy Rose Lomibao on March 5, 2024

[4] Replaced by Mrs. Rosario SP. San Pedro on March 5, 2024

[5] Replaced by Mrs. Cynthia Cruz on May 28, 2024

Our Board of Directors

MR. EMILIO M. CABIGAO
69 years old, Filipino
Independent Director / Chairman of the Board
Type of directorship: Non-Executive
Number of years served as director: 2 years
Number of shares held: 1
Percentage of shares held to total outstanding shares of the bank: 0.00%

Mr. Emilio M. Cabigao was elected as Independent Director and elected Chairman of the Board of Directors on November 16, 2022. He also serves as a member of the Audit Committee.

Mr. Cabigao brings with him over 33 years of experience at the Land Bank of the Philippines, where he held various key positions including Field Service Assistant, Estate Development Coordinator, Field Operations Supervisor, Chief of Division, and Branch Manager before his retirement. His extensive background in banking operations and development finance significantly contributes to the Bank's strategic oversight and governance.

In support of his role as an Independent Director, Mr. Cabigao completed a Corporate Governance Seminar held on December 14–15, 2022, reinforcing his commitment to uphold best practices in corporate leadership and accountability.

MRS. MERCEDES S. COLOMA
71 years of age, Filipino
President/Director
Type of directorship: Executive
Number of years served as director: 26 years
Number of shares held: 177,394
Percentage of shares held to total outstanding shares of the bank: 24.73%

Mrs. Mercedes S. Coloma has been a Director of Gateway Rural Bank Incorporated (Gatebank) since its inception in 1997. With nearly five decades of experience in rural banking, she has played a central role in Gatebank's growth and strategic direction. Her deep industry expertise also benefited Zambales Rural Bank, Inc. (Zambank), where she served as a Director, making significant contributions to its development and operational strengthening.

She is the current Chairman and President of Pandi Livestock Producers Marketing Corporation (since March 2022), and serves as Director of several institutions, including Bridgeway Rural Banking Corporation (since May 2019), College of Saint Lawrence, Inc. (since June 1990), and Holy Angels' College (Bulacan), Inc. (since May 1989). As of 2024, she also serves as a member of the Board of Directors of the Rural Bankers Association of the Philippines (RBAP), providing strategic insight and industry representation at the national level. Her leadership experience across banking, education, agribusiness, and industry organizations reflects her enduring commitment to community development and inclusive financial growth.

Mrs. Coloma earned her Bachelor of Science in Business Administration, major in Accounting, from the University of the East and passed the Certified Public Accountant (CPA) licensure examination in September 1975. She is a former President of the Confederation of Central Luzon Rural Banks (CCLRB) and was recognized in 1990 by the Rural Bankers Association of the Philippines (RBAP) as Rural Banker of the Year—one of the highest distinctions in the industry.

Before joining Gatebank, she held various key positions at the Rural Bank of Pandi (Bulacan), Inc. starting in April 1974, laying the foundation for a career marked by unwavering dedication to rural banking. Her strong leadership, deep operational insight, and commitment to countryside development continue to drive the sustained success of the institutions under her guidance.

Our Board of Directors

MR. JERRY B. COLOMA, JR.
74 years of age, Filipino
Type of directorship: Non-Executive
Number of years served as director: 4 years
Number of shares held: 177,395
Percentage of shares held to total outstanding shares of the bank: 24.73%

Mr. Jerry B. Coloma, Jr., is a major shareholder and director of Gateway Rural Bank Incorporated (Gatebank). He currently serves as the president and director of Zambales Rural Bank, Inc. (Zambank). In addition to his executive roles, he is an active figure in the rural banking sector, serving as an adviser to the Zambales Rural Bankers Association (ZARBI), where he previously held the position of president. He is also a director of the Rural Bankers Association of the Philippines (RBAP), having served as its national president for the 2002–2003 term.

Mr. Coloma earned his Bachelor of Science degree in Business Administration, major in Accounting, from the University of the East. He passed the Certified Public Accountant (CPA) licensure examination on November 4, 1973, and began his professional career at Sycip Gorres Velayo & Co. (SGV), one of the country's premier accounting and professional services firms.

As the founder and key driving force behind Gatebank, Mr. Coloma has played a pivotal role in the Bank's growth and development. Through strategic leadership, sound financial stewardship, and a strong commitment to rural banking, he has helped shape Gatebank into a vital financial institution serving the needs of the local community.

ATTY. JERRY S. COLOMA, III
48 years of age, Filipino
Type of directorship: Non-Executive
Number of years served as director: 4 years
Number of shares held: 25,890
Percentage of shares held to total outstanding shares of the bank: 12.63%

Atty. Jerry S. Coloma III served as Legal Consultant for Gateway Rural Bank Incorporated (Gatebank) from 2012 to 2020. He currently holds the position of Chief Operating Officer and Director of Zambales Rural Bank, Inc. (Zambank). Previously, he was the President of Bridgeway Rural Banking Corporation (Bridge bank). He also serves as a Director in several organizations, including Cleanslate Corporation (since May 2019), Verdance Holdings Corporation (since March 2018), and ARX Inc. (since March 2022). He also holds the position of Corporate Secretary in multiple entities such as the College of Saint Lawrence, Inc. (since March 2011), Sustansiya (since May 2016), Rappler Holdings Corporation and Rappler Inc. (since April 2018), Evolution Data Centres Philippines (since September 2022), and SMEC Philippines Inc. (since December 2020).

Atty. Coloma graduated magna cum laude with a Bachelor of Science in Business Administration from the University of the Philippines and earned his Bachelor of Laws from the UP College of Law. He passed the Philippine Bar Examination in 2004. He is a name partner at MOSVELDTT Law Offices, one of the country's leading firms, and has completed both the Basic (2004) and Advanced (2018) Corporate Governance training courses.

With extensive legal experience, particularly in corporate law and governance, Atty. Coloma continues to provide leadership across various sectors, contributing his expertise to the advancement of institutions he serves.

Our Board of Directors

MS. JEREMY ROSE C. LOMIBAO
45 years of age, Filipino
Type of directorship: Non-Executive
Number of years served as director: 5 years
Number of shares held: 25,890
Percentage of shares held to total outstanding shares of the bank: 12.63%

Mrs. Jeremy Rose C. Lomibao is a graduate of the Bachelor of Science in Accountancy from the Philippine School of Business Administration and a licensed Real Estate Broker. Her professional background spans the banking, food service, and creative industries, having held key leadership roles such as Chief Operating Officer of Gateway Rural Bank Incorporated, Director and General Manager of TAJMA Food Inc., Manager of Boomtown Recording Studio, Director and Manager of Soup and Ladle Inc., and Director and Chairman of the Board of Zambales Rural Bank, Inc.

Demonstrating a strong commitment to lifelong learning and regulatory compliance, she has actively participated in a wide range of professional development programs and industry seminars organized by the Rural Bankers Association of the Philippines (RBAP), the Confederation of Central Luzon Rural Banks, the Bulacan Federation of Rural Banks, and the Bangko Sentral ng Pilipinas (BSP). Notably, she completed both the Basic and Advanced Corporate Governance Seminars held on September 19–21, 2018, underscoring her dedication to ethical leadership and sound corporate governance.

MR. RONNIE L. GARRIDO
59 years of age, Filipino
Independent Director
Type of directorship: Non-Executive
Number of years served as director: 3 years
Number of shares held: 1
Percentage of shares held to total outstanding shares of the bank: 0.00%

Mr. Garrido is a Certified Public Accountant and a graduate of the Bachelor of Science in Accountancy from Regina Carmeli College. He devoted three decades of his career to the Land Bank of the Philippines, where he gained extensive experience in financial operations and internal audit. His professional journey at the bank began as a Security Guard (January 1987 – December 1991), followed by roles as Accounting Clerk (January 1992 – June 14, 1993), Examiner (June 15, 1993 – August 31, 2001), and finally as Internal Auditor (September 1, 2001 – February 28, 2017).

Committed to continuous professional growth, Mr. Garrido has attended various seminars and training programs conducted by reputable institutions, including the Land Bank of the Philippines, SGV & Co., the Anti-Money Laundering Council Secretariat, the Center for Human Resource Strategies Asia Inc., the Civil Service Commission, and Gatebank. He further enhanced his knowledge of governance practices by completing a Corporate Governance Seminar on October 15, 2020.

Our Board of Directors

MRS. CYNTHIA T. CRUZ
63 years of age, Filipino
Independent Director
Type of directorship: Non-Executive
Number of years served as director: 9 months
Number of shares held: 1
Percentage of shares held to total outstanding shares of the bank: 0.00%

Mrs. Cruz holds a Bachelor of Science in Commerce, Major in Accounting, from the Polytechnic University of the Philippines, graduating Cum Laude. She is a Certified Public Accountant with an accomplished 40-year career in the banking industry, primarily with Rizal Commercial Banking Corporation (RCBC).

Throughout her extensive tenure at RCBC, Mrs. Cruz progressed through various key positions, including Accounting Clerk, Disbursement Clerk/Accruals, Methods Analyst, Supervisor of the Sundry Section, Section Head of Corporate Disbursement, Payroll & Sundry, Branch Operations Head, and Branch Manager. She later held senior leadership roles as Assistant Regional Sales Director (ARSD) and District Sales Director (DSD) for Northeast Luzon, positions she held from July 2008 until her retirement on September 30, 2021.

Following her retirement, Mrs. Cruz chose to dedicate her time to her family and has since embraced the role of a full-time homemaker, while continuing to bring a wealth of experience and leadership to any role she is engaged in.

Key Officers

MRS. MERCEDES S. COLOMA, CPA
President
71 years of age, Filipino

Graduate of Bachelor of Science in Business Administration Major in Accounting at the University of the East

MRS. ROSARIO SP. SAN PEDRO
Chief Operating Officer
64 years of age, Filipino

Graduate of Bachelor of Science in Business Administration Major in Banking and Finance at the University of East – Manila

MRS. ABIGAIL P. CARILLO
Chief Compliance Officer
42 years of age, Filipino

Graduate of Bachelor of Science in Accountancy at the Polytechnic University of the Philippines

MR. MARVIN JOSEPH S. GUTIRREZ
CHIEF INTERNAL AUDITOR
26 years of age, Filipino

Graduate of Bachelor of Science in Accountancy at the College of St. Lawrence Incorporated

MRS. DIANA MARIE DG. DE JESUS
CHIEF ACCOUNTANT
36 years of age, Filipino

Graduate of Bachelor of Science in Accountancy at the College of Mary Immaculate

MS. ABIGAIL C. BAGAY
EXECUTIVE ASST./CORPORATE SECRETARY
35 years of age, Filipino

Graduate of Bachelor of Science in Accountancy at the College of Mary Immaculate

MS. CAMILLE G. SENDIN
GENERAL MANAGER
31 years of age, Filipino

Graduate of Bachelor of Arts in Legal Management

MR. JOEL H. MARCELO
CREDIT RISK OFFICER
49 years of age, Filipino

Graduate of Bachelor in Agricultural Technology

MR. PAOLO M. GALVEZ
CHIEF LOAN OFFICER
35 years of age, Filipino

Graduate of Bachelor of Science in Business Administration Major in Banking & Finance

MS. IRENE A. RABAGO
HUMAN RESOURCE OFFICER
32 years of age, Filipino

Graduate of Bachelor of Science Major in Human Resource Development and Management

Branch Managers & Officer-in-Charge

Ms. Anabelle C. Ramos
Balagtas Branch

Ms. Alyanna Marie M. Rubio
Bustos Branch

Ms. Catherine N. Matias
Pandi Branch

Mr. Ferdinand A. de Guzman
Pulilan Branch

Ms. Florianne S. Garcia
SJDM Branch

Ms. Hannah C. Victoria
Malolos Branch

Ms. Hermie F. Mendoza
San Ildefonso Branch

Ms. Jastine Bea L. Vargas
San Rafael Branch

Ms. Arlene S. Ignacio
Norzagaray Branch

Ms. Roselle S. Aurelio
Plaridel Branch

Performance Assessment Program

To uphold a culture of accountability, professionalism, and continuous improvement, the Bank conducts an annual performance evaluation to assess the accomplishments and effectiveness of the Board of Directors, Board Committees, individual directors, officers, and staff. The Board of Directors, leads the self-assessment process and the evaluation of the committees and the Compliance Officer. This evaluation is designed not only to measure accomplishments but also to assess how effectively each individual or group contributes to the Bank's overall goals and governance standards. The Audit Committee is responsible for assessing the performance of the Internal Auditor, while Senior Management is evaluated by the President. All other officers and staff are evaluated by the Chief Operating Officer, General Manager, or their respective Branch Heads, as applicable.

Once the performance evaluations are completed, the results are submitted to the Board of Directors for review, together with recommendations based on the evaluation ratings. Depending on the outcomes, these may include merit increases, promotions, or other appropriate forms of recognition. All evaluation activities, supporting documents, and recommended actions are properly recorded by the Board, the President, and the designated officers to ensure transparency and accountability.

To encourage continuous improvement, the Board, the President, and relevant officers provide constructive feedbacks and practical guidance to each employee or officer evaluated. This feedback highlights accomplishments, clarifies expectations, and outlines clear steps for improvement. Follow-through actions such as targeted training, workshops, or coaching sessions are arranged as needed, based on the specific areas identified for development. This approach helps strengthen individual performance, enhance overall operational efficiency, and supports good governance practices, ultimately contributing to the Bank's long-term growth and success.

Orientation and Training Program

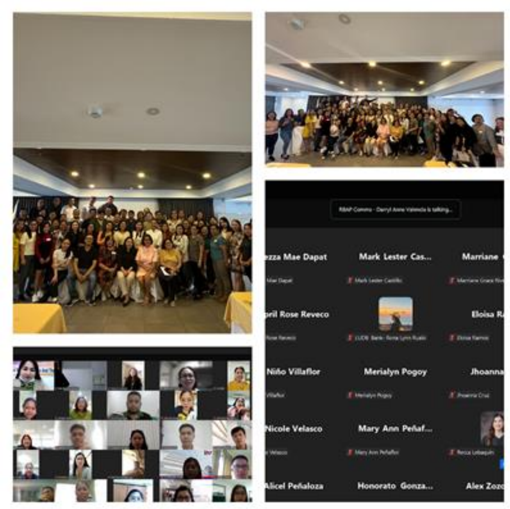





The Bank's Board of Directors and Senior Officers maintain a strong commitment to upholding the highest standards of professional conduct and continuously improving their knowledge and skills to keep pace with industry developments and regulatory changes. They recognize that ongoing learning is essential to effective governance, sound decision-making, and maintaining the trust of clients and regulators alike.

To support this commitment, the Chief Compliance Officer regularly organizes in-house learning sessions and briefings specifically for the Board and key Officers. These sessions cover a range of priority topics, including risk management practices, updates on Anti-Money Laundering (AML) laws and regulations, new banking guidelines issued by the Bangko Sentral ng Pilipinas

(BSP), and other relevant policies and compliance matters. These briefings ensure that the Bank's leadership stays informed and compliant with the latest regulatory requirements.



In line with this, the Human Resources Department (HRD) implements an annual training plan for all employees, both Officers and rank-and-file personnel. This plan is based on training needs assessments, performance evaluation results, and the operational priorities of each unit. Training activities include a mix of in-house seminars, online courses, external workshops, and participation in industry conferences or BSP-led learning sessions, depending on the identified needs.

Newly hired employees also undergo an orientation program that familiarizes them with the Bank's mission, vision, core values, operational procedures, customer service standards, and basic compliance requirements. This onboarding process helps ensure that new employees understand their roles clearly and perform their duties in line with the Bank's policies and regulatory expectations from day one.

From January to December 2024, the Bank successfully conducted a total of 28 training sessions and seminars for its Directors, Officers, and staff. Topics covered included customer relations, credit documentation, AML compliance, risk awareness, internal control procedures, and basic financial reporting, among others.

Identified Training Area	Participants
Independent Credit Review Function & Evaluation, and Responding to Credit Risk-related Directives in the ROE	President, GM, CRO & Exec. Asst.
Anti-Money Laundering Act (AMLA)	All Employees
Credit Process	Branch Manager, Officer-in-Charge, Loan Officer & Internal Auditors
Digitalization in Rural Banking	Internal Auditors, Chief Compliance Officer, and Compliance Assistant
Amendments to the Cure Period Policy Training	Branch Manager, Officer-in-Charge, Loan Officer & Internal Auditors
Basic Corporate Governance for Bank Directors and Officers	Board of Director
Amendments to the Accounting Policies and Procedures	Branch Manager, Officer-in-Charge, Bookkeeper & Internal Auditors
AML Intermediate Course on Institutional Risk Assessment (IRA) and Transaction Monitoring	Chief Compliance Officer & Chief Internal Auditor
Client Interview, Loan Documentation, and Briefing on Loan Restructuring Training	Branch Manager, Officer-in-Charge, Loan Officer, Internal Auditors, & Newly hired employees
Loan Computation and Best Practices	Branch Manager, Officer-in-Charge, Loan Officer, Internal Auditors, & Newly hired employees
Performance Management, Catalytic Coaching, and Competencies	HR Officer
Webinar on Revenue Regulation on Ease of Paying Tax (EOPT) Act	Chief Accountant
Basic Course on Cash Operation	Cashiers, Loan Officer, Internal Auditors
Loan Restructuring and Allowance for Credit Losses Booking	President, COO, GM, CLO, CRO, Chief Internal Auditor, Branch Manager, & Exec. Asst.
Policies and Procedures Manual Write-shop	Chief Compliance Officer

Identified Training Area	Participants
Basic Course on Anti-Money and Counter-Terrorism and Proliferation Financing (AML/CTPF)	Board of Director
Right of Use Asset and Finance Lease Liability	President, COO, GM, CCO, Chief Accountant, Chief Internal Auditor, Internal Auditors, Branch Manager, Acctg. Asst., Acctg Staff, & Bookkeeper
Best Practices in Accounting Schedules and Reporting	Bookkeeper
Allowance for Credit Losses Computation and Booking Part II	President, COO, GM, CCO, Chief Internal Auditor, Chief Loan Officer, Credit Risk Officer, Branch Manager, & Executive Assistant
Loan Disbursement Procedure	Branch Manager & Loan Officer
Employment Termination: Do's and Don'ts	HR Officer
New Cure Period Policy and System Enhancement	Branch Manager & Loan Officer
Credit Risk Rating	Branch Manager & Loan Officer
Rural Banking 101	President, COO, GM, CCO, Chief Internal Auditor, Compliance Asst., & Exec. Asst.
Internal Auditors and Compliance Officers Seminar/Workshop with discussion on Manuals and Banking Operations	Board of Directors, President, COO, CCO, Compliance Asst., Internal Auditors & Exec. Asst.
PESO Real Time Gross Settlement (RTGS) Forum	Chief Accountant, Accounting Assistant, & IT Officer
Know Your Money	President, COO, GM, Officers, Branch Manager, & Cashier
Anti-Money Laundering Act (AMLA)	Newly hired employees

Through this comprehensive orientation and training program, the Bank strengthens the skills and knowledge of its people, supports high-quality service delivery, and reinforces its commitment to good governance, regulatory compliance, and long-term institutional growth.

Remuneration Policy

A program crafted by Gatebank formalizes the Compensation Program for Directors and Officers. This provides clear information on the ranges of compensation provided to directors and officers of the bank.

- Directors and the corporate secretary of the bank receive a per diem for actual attendance at meetings. The said directors will also receive a director's bonus, which will be based on the results of the bank's operations.
- The salary structure for the top officers is based on the board-approved Compensation Program of the bank.

On top of the salaries, the bank's employees, including its senior management, also receive other compensation and benefits, such as:

- Performance based incentive bonus
- 13th Month pay
- Leaves (Vacation and Sick)
- Retirement Benefits based on tenure and salary

In addition, a Service Achievement or Loyalty Award is also in place to recognize the employees or officers who have dedicated years of service to the bank.

Retirement and Succession Policy

The normal retirement date for the bank's employee shall be the first day of the month that coincides with or follows the employee's 60th birthday. However, the employee may continue his or her employment subject to the approval of the Board of Directors of the bank. On the other hand, the bank does not impose a mandatory retirement age for the directors. Moreover, independent directors, as provided under Section 132 of the Manual of Regulations for Banks (MORB) may only serve as such for a maximum cumulative term of nine (9) years, after which the independent director shall be perpetually barred from serving as an independent director but may continue to serve as a regular director.

Gatebank has provided specific qualifications for an officer that will be considered the successors of the President, Chief Operating Officer, General Manager, Compliance Officer, Internal Auditors, Chief Accountant, and others mentioned as officers of the bank, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the bank (or any of its branches and offices other than the head office) either through announcement, representation, publication, or any kind of communication made by the bank.

For the succession of regular bank staff, a mentoring system is implemented by the Management such that each position shall have an understudy based on the aforementioned succession system. Gatebank develops a continuing staff development and training program on various topics by getting resource speakers who are knowledgeable in their chosen field of expertise. To avoid disruptions in branch operations and to systematize the procedures of the bank, a reliever program is also adopted.

Related Party Transactions

Gatebank has adopted a comprehensive Related Party Transactions (RPT) Policy to ensure full compliance with applicable laws, regulations, and best practices in corporate governance. The policy is designed to uphold transparency, prevent potential conflicts of interest, and mitigate the risk of abuse in transactions involving related parties.

To support the identification and monitoring of related parties, the Human Resource Officer maintains a regularly updated Related Interest (RI) database, which is reviewed monthly or as necessary. Transaction proponents are responsible for verifying whether clients or counterparties qualify as related parties prior to transaction initiation.

All RPTs undergo evaluation by the Related Party Transactions Committee, with material transactions—defined as those amounting to 1% or more of the Bank's total assets based on the most recent audited financial statements—requiring additional approvals from the Board of Directors and, where applicable, the shareholders. Related parties involved in such transactions must disclose their interests and are required to abstain from any deliberation or voting on the matter to maintain objectivity and independence.
The policy outlines the minimum information required for RPT submissions, including:

- The nature of the relationship
- Transaction type and value
- Terms and conditions
- Potential risks
- Basis for pricing comparisons

Ongoing monitoring is conducted by the Internal Audit, Compliance, and Credit units to ensure adherence to internal controls and regulatory requirements. Gatebank also promotes accountability by encouraging employees to report any suspected abuse or unethical behavior through its Whistleblowing Policy.

In line with its commitment to fair and prudent banking practices, Gatebank ensures that deposit transactions with related parties follows standard interest rate. The Board of Directors appoints the members of the RPT Committee, tasked with evaluating the fairness, transparency, and justifiability of RPT terms.

This policy applies to any transaction where the Bank is a direct participant and the related person has or is expected to have a material interest, whether direct or indirect. Through the rigorous implementation of this policy, Gatebank reinforces its dedication to responsible governance and stakeholder trust.

Self-Assessment Function

The Compliance Unit is composed of two members: the Chief Compliance Officer (CCO) and the CCO's Assistant. Its core responsibility is to ensure that the Bank fully complies with all applicable laws, regulations, and policies issued by regulatory authorities, particularly the Bangko Sentral ng Pilipinas (BSP). The Compliance Unit conducts regular compliance testing across all branches and auditable Head Office units to ensure that the Bank's operations remain consistent with applicable laws, BSP regulations, and internal policies. These testing activities follow a risk-based compliance plan and program, based on compliance risk assessments. The plan prioritizes areas with greater regulatory exposure or operational vulnerability but also includes periodic reviews of other units to maintain comprehensive coverage.

Through these reviews, the Compliance Unit is able to identify gaps in policy implementation, lapses in procedure, or potential control weaknesses. It provides timely recommendations for corrective actions and works closely with concerned units to ensure that these are properly implemented and monitored. The Unit also offers compliance guidance when needed to help operating units understand evolving regulatory requirements and internal standards. These efforts contribute to the Bank's broader goal of maintaining sound compliance practices, strengthening operational controls, and fostering a proactive culture of accountability and integrity throughout the organization.

The Internal Audit Department implements the Bank's Audit Program and reports directly to the Audit Committee. It is led by the Chief Internal Auditor, supported by a team of four (4) internal auditors, maintaining a ratio of one auditor for every two (2) branches. The Internal Audit Team conducted scheduled and risk-based audits in accordance with the approved Annual Audit Plan, covering ten (10) operating branches and eight (8) auditable units at the Head Office. These reviews assessed the adequacy, effectiveness, and efficiency of the Bank's internal control system, with recommendations for improvements provided where necessary.

Audit observations were formally reported to the Audit Committee during its regular meetings, in accordance with the Internal Audit Charter and established reporting protocols. Each report included a detailed summary of noted control deficiencies, process lapses, or compliance issues, along with corresponding recommendations for corrective actions, preventive measures, and opportunities for operational improvement. Management responses and timelines for implementation were also reviewed to ensure accountability and timely resolution of audit findings.

The internal audit process remains a critical component of the Bank's governance structure. It provides the Board and Senior Management with an independent and objective assessment of the Bank's risk management practices, internal controls, and operational efficiency. Through regular audit engagements, the Internal Audit Department helps reinforce operational discipline, improve process integrity, and identify emerging risks. More importantly, the insights generated from audit reviews support the continuous enhancement of internal systems and controls, contributing to the Bank's long-term sustainability and continuous strengthening of its governance practices.

Both the Compliance Unit and the Internal Audit Department regularly present their findings and accomplishment reports to the Board of Directors, based on their respective approved annual plans. These presentations serve as a vital component of the Bank's governance oversight process, allowing the Board to assess the effectiveness of internal controls, ensure compliance with regulatory requirements, and monitor the implementation of risk management measures across all operational units. Through these sessions, the Board is able to identify control gaps, process inefficiencies, or compliance issues that may require corrective action or policy improvement. Discussions also provide an avenue to evaluate emerging risks, propose enhancements to internal policies and procedures, and reinforce accountability at all levels of the organization. This ongoing feedback mechanism contributes meaningfully to the continuous strengthening of the Bank's internal governance environment.

Corporate Social Responsibility

Gatebank places strong emphasis on Corporate Social Responsibility (CSR) and actively collaborates with both government and private institutions to support poverty alleviation and rural development. The Bank is dedicated to expanding access to microfinance and social development services, particularly for entrepreneurial individuals from low-income communities, helping them improve their economic standing and overall quality of life.

As part of its commitment to youth development, Gatebank offers on-the-job training (OJT) opportunities for graduating college students from various schools across Bulacan, providing them with hands-on experience in banking operations and enhancing their employability. The Bank likewise supports work immersion programs for senior high school students, aligned with the K-12 curriculum, to expose them to real-world working environments and develop career readiness at an early stage.

In pursuit of financial inclusion, the Bank conducted Financial Literacy Seminars for elementary, high school, and college students within its service areas. These sessions aimed to build foundational financial skills—such as saving, budgeting, and responsible borrowing, empowering young individuals to make sound financial decisions and become financially literate citizens.

Gatebank also remains proactive in environmental sustainability. In 2024, the Bank completed the installation of solar panels at its Head Office, marking a deliberate shift toward renewable energy and greener operations. In addition, the Bank continues its implementation of color-coded waste bins across all branches and offices to promote proper waste segregation and instill environmentally responsible habits among employees and clients.

In response to national calamities, Gatebank extended humanitarian support through donations to communities affected by recent typhoons. Relief assistance included food packs, clean water, and basic necessities, demonstrating the Bank's responsiveness and compassion in times of crisis.

Through these diverse and meaningful initiatives, Gatebank affirms its role not only as a trusted rural financial institution, but also as a socially responsible partner committed to sustainability, inclusive development, and community upliftment.

Consumer Protection Practice

Gatebank places high value on its customers and is committed to delivering exceptional banking service built on more than two decades of experience. In line with this commitment, the Bank has implemented the Consumer Assistance and Management System (CAMS) to enhance customer satisfaction and ensure a seamless service experience. This system is designed to receive, document, and resolve customer concerns, complaints, and compliments, with the goal of continuously improving service delivery and promoting transparency in all banking transactions.

The Consumer Assistance Group, in coordination with Branch Managers, is tasked with handling customer issues. Customers may raise concerns through personal interactions at the branch or via the Bank's dedicated contact numbers, ensuring accessibility across multiple channels. Feedback and resolution suggestions are provided to customers within a prescribed timeframe, reinforcing Gatebank's commitment to responsive and customer-focused service.

Over-all responsibility of Board and Senior Management:

The Board of Directors has ultimate responsibility for the Bank's consumer protection framework. It approves the consumer protection policies and ensures that these are effectively implemented across all business units. The Board also oversees the performance of Senior

Management in managing consumer-related risks and promoting a culture of fairness, transparency, and accountability in all customer interactions.

As part of its oversight role, the Board ensures that consumer protection is integrated into the Bank's strategic direction, governance structure, and risk management systems. It regularly reviews reports on policy implementation, emerging consumer issues, and overall compliance with regulatory expectations.

Senior Management is accountable for the day-to-day execution of the Board-approved consumer protection policies. This includes aligning operations with applicable regulations, ensuring that staff are trained and guided by internal standards, and that systems are in place to address customer concerns promptly and effectively. Senior Management also ensures that customer welfare principles are embedded in product design, service delivery, complaints handling, and staff conduct.

Together, the Board and Senior Management ensure that the Bank's consumer protection framework remains proactive, responsive, and aligned with both regulatory requirements and customer needs.

Dividend Policy

The bank may distribute dividends to stockholders, in either cash, stock, or both, in compliance with the policies and relevant rules and regulations of the BSP, provided that the excess earnings at the end of each fiscal year are first allocated to:

a. A capital retirement fund to provide for the gradual retirement of the government equity investment in the bank, if any, in the manner and at such rate as the Rural Bank Act and the implementing rules and regulations of the Bangko Sentral ng Pilipinas may provide;
b. Establishing and maintaining a reserve for bad and/or doubtful accounts, for retirement of officers and employees, for future expansion, and for any other contingencies;
c. Replenishing any impairment to its capital.

Overview of Environmental and Social Risk Management System

Gatebank recognizes that climate change, along with broader environmental and social (E&S) risks, presents long-term challenges that may impact its operations, financial performance, and overall sustainability. In light of this, the Board of Directors and Senior Management are committed to embedding sustainability principles across the Bank's governance structure, risk management framework, strategic direction, and day-to-day operations.

The Bank is proactively cultivating a culture of environmental and social responsibility, strengthening its internal capabilities to identify, assess, and manage climate-related and E&S risks. These efforts include enhancing organizational awareness, integrating E&S considerations into existing risk processes, and promoting resilience across all levels of the institution.

Gatebank also recognizes the importance of incorporating both current and emerging environmental and social risks—such as shifting weather patterns, extended droughts, and other climate-induced disruptions—into its strategic planning. By deepening its understanding of physical and transition risks, the Bank aims to responsibly support priority sectors such as agriculture, housing, and micro, small, and medium enterprises (MSMEs) through sustainable and inclusive financing solutions.

Loans Subject to E and S Risk Exposure as of December 31, 2024

Loan Product	Current	Past Due		Total
		Performing	Non-Performing	
Agri-agra				
a. Agrarian Reform Credit Loan	₱ 14,880,940.41	₱ 300,000.00	₱ 1,373,814.70	₱ 16,554,755.11
b. Other Agricultural Credit Loan	₱ 52,945,096.23	₱ 20,958.75	₱ 8,842,285.16	₱ 61,808,340.14
Microfinance	95,434.69	43,461.54	45,622.92	184,519.15
SME Loans				
a. Small Enterprise	150,337,281.62	4,247,462.80	25,188,849.80	179,773,594.22
b. Medium Enterprise	140,566,637.53		16,517,649.15	157,084,286.68
Other Loan	120,393,777.32	2,534,791.92	19,655,836.45	142,584,405.69
Total	**₱ 479,219,167.80**	**₱ 7,146,675.01**	**₱ 71,624,058.18**	**₱ 557,989,900.99**
% to Total Loan Portfolio	**85.88%**	**1.28%**	**12.84%**	**100.00%**

Corporate Information

ORGANIZATIONAL STRUCTURE

Name of Officer	Position
1. Mercedes S. Coloma	President
2. Rosario SP. San Pedro	Chief Operating Officer
3. Abigail P. Carillo	Chief Compliance Officer
4. Marvin Joseph S. Gutierrez	Chief Internal Auditor
5. Diana Marie DG. De Jesus	Chief Accountant
6. Joel H. Marcelo	Credit Risk Officer
7. Camille G. Sendin	General Manager
8. Paolo M. Galvez	Chief Loan Officer
9. Anabelle C. Ramos	Branch Manager
10. Alyanna Marie M. Rubio	Officer-in-Charge
11. Catherine N. Matias	Branch Manager
12. Ferdinand A. de Guzman	Branch Manager
13. Florianne S. Garcia	Branch Manager
14. Hannah C. Victoria	Officer-in-Charge
15. Hermie F. Mendoza	Branch Manager
16. Jastine Bea L. Vargas	Branch Manager
17. Arlene S. Ignacio	Branch Manager
18. Roselle S. Aurelio	Branch Manager

LIST OF THE BANK'S MAJOR STOCKHOLDERS

Name of the Stockholder	Nationality	Percentage of CS Ownership	Voting Status	Percentage of PS Ownership	Voting Status
Jerry B. Coloma Jr.	Filipino	22.00%	Voting	50.01%	Non-voting
Mercedes S. Coloma	Filipino	22.00%	Voting	49.99%	Non-voting
Jerry S. Coloma III	Filipino	14.00%	Voting		
Jeremy Rose C. Lomibao	Filipino	14.00%	Voting		
Jeanne Charmagne C. Ebert	Filipino	14.00%	Voting		
Jeditte Margaret S. Coloma	Filipino	14.00%	Voting		

LIST OF BANKING UNITS

Bank Office	Contact Persons	Location	Contact Numbers
Head Office	Ms. Rosario SP. San Pedro – COO Ms. Camille G. Sendin – General Manager	2nd Floor, Gatebank Bldg., Mac Arthur Highway, Balagtas, Bulacan	(044) 802 5717/ 0947 897 0780/ 0947 899 6033
Balagtas Branch	Ms. Anabelle C. Ramos	Ground Floor, Gatebank Bldg., Mac Arthur Highway, Balagtas, Bulacan	(044) 802 5717/ 0998 843 8652
Bustos Branch	Ms. Alyanna Marie M. Rubio	Gen. Alejo Santos Highway, Poblacion, Bustos, Bulacan	(044) 617 0766/ 0998 846 9709
Pandi Branch	Ms. Catherine N. Matias	Sergio Osmeña Street, Poblacion, Pandi, Bulacan	(044) 769 1042/ 0916 694 0700
Pulilan Branch	Mr. Ferdinand A. de Guzman	National Road, Poblacion, Pulilan, Bulacan	(044) 769 9201/ 0922 802 0226
SJDM Branch	Ms. Florianne S. Garcia	Poblacion I, City of San Jose Del Monte, Bulacan	(044) 913 5336/ 0998 972 5230
Malolos Branch	Ms. Hannah C. Victoria	Paseo del Congreso, Catmon, City of Malolos, Bulacan	(044) 794 9820/ 0998 975 2473
San Ildefonso Branch	Ms. Hermie F. Mendoza	Cagayan Valley Road, San Juan, San Ildefonso, Bulacan	(044) 797 0749/ 0998 982 8915
San Rafael Branch	Ms. Jastine Bea L. Vargas	Cruz na Daan, San Rafael, Bulacan	(044) 815 6188/ 0922 846 8102
Norzagaray Branch	Ms. Arlene S. Ignacio	M. Palad Street, Poblacion, Norzagaray, Bulacan	(044) 815 8480/ 0932 867 5748
Plaridel Branch	Ms. Roselle S. Aurelio	Cagayan Valley Road, Banga 1st, Plaridel, Bulacan	(044) 794 3819/ 0998 985 8095

OUR WEBSITE

PRODUCTS AND SERVICES

- ***Deposits***

Regular Savings Deposit	Minimum deposit of One Thousand Pesos (₱ 1,000.00)
Young Saver's Account	Minimum deposit of One Hundred Pesos (₱100.00)
Time Deposit	Minimum deposit of Five Thousand Pesos (₱ 5,000.00)
Current Account	Minimum deposit of Three Thousand Pesos (₱ 3,000.00), with no interest; Inward checks are included in Metro Manila clearing
Foreign Currency Deposit with Passbook	Minimum deposit of One Hundred US Dollars (US $100)

- ***Loans***

Loan Products	Description/Projects
Agricultural Loans	Construction of farm building, Corn Production, Duck Raising, Feeds Dealership, Fish Production, Fruits dealership, Fertilizer dealership, Hog Production/Piggery business, Palay production, Palay Trading, Poultry Production, Purchase of farm equipment, Vegetable production, Vegetable dealership and Others
Commercial Loan	Business engaged in trading, trader – millers, buy – and – selling operators, fish – livestock – vegetable stores, hardware stores, pharmaceutical and medical stores, commercial malls and establishments, buildings, stores, commercial malls and establishments, and service services.
Industrial Loan	Mills, manufacturing, warehouses, welding, construction and machine shops, farm tractor fabrication and design shops, etc.
Salary Loan	Travel, Household, Other personal consumption and Others.
Other/Personal/Consumption Loans	House construction/renovation, Purchase of vehicle, Payment of hospital bills and Others

- ***Other Services***

a. Pay your bills at Gatebank Powered by ECPAY
Gatebank, in partnership with ECPay, lets you pay your bills in the most convenient, reliable, and easiest way. Pay your electric and water utilities, postpaid mobile phone, loans, insurance, cables, and internet through ECPay at any of the ten (10) branches of Gatebank.

b. Social Security System Collecting agents for member's contributions and loan payments

Capital Structure & Capital Adequacy

Gatebank's Capital Adequacy Ratio (CAR) as of December 2024 stood at 15.93%, well above the Bangko Sentral ng Pilipinas (BSP) minimum requirement of 10%. This reflects the Bank's strong capital position and its ability to absorb potential losses, demonstrating that its capital is sufficient to support its current level of risk-weighted assets.

Capital Stock	Authorized	Subscribed	Paid-up
Common	80,000,000.00	64,725,000.00	64,725,000.00
Preferred	25,000,000.00	7,000,000.00	3,250,000.00
Total	**105,000,000.00**	**71,725,000.00**	**67,975,000.00**

		BSP Report		Audited FS	
		2024	2023	2024	2023
A.	**Calculations of Qualifying Capital**				
1	**Tier 1 Capital**				
	Common Equity Tier 1 Capital	182,469,528	186,109,544	189,794,798	186,303,860
	Deduction from Tier 1 Capital	13,985,594	17,175,911	15,430,388	14,019,725
	Total Tier 1 Capital	**168,483,934**	**168,933,632**	**174,364,410**	**172,284,135**
	Common Equity Tier 1 Capital Ratio	15.26%	15.04%	15.72%	15.38%
	Tier 1 Capital Ratio	15.26%	15.04%	15.72%	15.38%
2	**Tier 2 Capital**				
	Paid-up Perpetual and Cumulative Preferred Stock	3,250,000	3,250,000	3,250,000	3,250,000
	General Loan Loss Provision	4,195,260	4,637,720	4,195,260	4,637,720
	Unsecured Subordinated Debt	-		-	-
	Sub-total	7,445,260	7,887,720	7,445,260	7,887,720
	Deduction from Tier 2 Capital	-	-	-	-
	Total Tier 2 Capital	**7,445,260**	**7,887,720**	**7,445,260**	**7,887,720**
	Total Qualifying Capital [Sum of 1 and 2]	**175,929,194**	**176,821,353**	**181,809,670**	**180,171,855**
B.	**Calculation of Risk-Weighted Assets**				
1	Total Credit Risk-Weighted Assets	990,717,541	1,015,065,468	995,389,525	1,012,045,954
2	Total Market Risk-Weighted Assets				
3	Total Operational Risk-Weighted Assets	113,458,173	107,844,657	113,458,173	107,844,657
	Total Risk-Weighted Assets [Sum of 1, 2 and 3]	**1,104,175,714**	**1,122,910,125**	**1,108,847,698**	**1,119,890,611**
C.	**Risk-Based Capital Adequacy Ratio [A divied by B]**	**15.93%**	**15.75%**	**16.40%**	**16.09%**

** The above CAR differs from the CAR reported to the Bangko Sentral ng Pilipinas (BSP) as compared to the Audited Financial Statements (AFS) due to adjustments related to deferred tax assets, leases, and liabilities, which impacted both the total qualifying capital and the risk-weighted assets.**

Financial Statements of

Gateway Rural Bank Incorporated

December 31, 2024 and 2023

And

Report of Independent Auditors

Lope Laranjo Bato & Co., CPAs

A member firm of the Leading Edge Alliance Global

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Gateway Rural Bank Incorporated** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the December 31, 2024 and 2023 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 the 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Lope Laranjo Bato & Co., CPAs, the independent auditors appointed by the Board of Directors have audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the Board of Directors, have expressed their opinions on the fairness of presentation upon completion of such audits.

Signature: Cynthia T. Cruz
Chairman of the Board

Signature: Mercedes S. Coloma
President

Signature: Abigail C. Bagay
Corporate Secretary

Signed this 8th day of April 2025

LOPE LARANJO BATO & CO.
Certified Public Accountants
(A Member Firm of the Leading Edge Alliance Global)
2/F Bato Building, Coastal Road, Zone 1, Kauswagan
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Email: llbandcocpas@gmail.com and jimbato.llb@gmail.com
Website: www.llbandcocpas.com

Firm's Accreditations:
BOA Accreditation No. 6358
Valid until September 13, 2027
BIR Accreditation No. 16-006925-000-2023
Valid until September 29, 2026
SEC Group C Accreditation No. 6358-SEC
Valid until Financial Audit 2025
BSP Group B Accreditation No. 6358-BSP
Valid until Financial Audit 2025
CDA CEA Accreditation No.120-AF
Valid until November 19, 2029
NEA Accreditation No. 2023-11-00097
Valid until December 10, 2026

Branches:

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Unit 827, South Star Plaza
Osmeña Highway
Bangkal, Makati City
Cell (+63) 9177024175
jimbato@yahoo.com

Cebu Branch
c/o Reyes & Bato Consulting
Reyes Building
A. Del Rosario Street, Guizo,
Mandaue City 6014
Cebu Province
Tel. No.: (032)272-3140

Davao Branch
Unit 211, 2F Pink Walters Bldg.
Quimpo Blvd., Ecoland, Bucana
Talomo Dist., Davao City 8000
Cell: (+63) 926-2255-317

Butuan Branch
2F McAGA Building
Purok 4 J.P Rosales Avenue
Limaha Pob. (Brgy. 14)
Butuan City 8600
Cell: (+63) 917-1131-520

Ozamiz Branch
3F-14 City Park Ave., Bldg.,
Aguada, Ozamis City,
Misamis Occidental, 7200
Tel. No.: (088)564-3481

Malaybalay Branch
2F Jamstar Building
San Isidro-Judge P. Carillo
Street, Barangay 5
Malaybalay City, Bukidnon
Tel. No.: (088)813-2797

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Ipil Zamboanga Sibugay
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Tel. No.: 0629574281
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Siquijor Branch
2F Fardenam Building
Purok Punta Siapo, Pangi
Siquijor, Siquijor
Cell No.: (+63) 945-2196-101

REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Director
Gateway Rural Bank Incorporated
Gatebank Bldg, Borol 1st Mac Arthur Highway
Balagtas, Bulacan, Philippines

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Gateway Rural Bank Incorporated, which comprise the statements of financial position as at December 31, 2024 and 2023, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to 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 Gateway Rural Bank Incorporated as at December 31, 2024 and 2023, and of its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements, 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 Philippine Financial Reporting Standards (PFRSs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

LLB & Co.

Report on Other Legal and Regulatory Requirements
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the Bangko Sentral ng Pilipinas (BSP) and by the Bureau of Internal Revenue (BIR) as disclosed in Notes 26 and 28, to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas (BSP) and with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Gateway Rural Bank Incorporated and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In compliance with Revenue Regulations V-20, we are stating that we are not related by consanguinity or affinity to the President, Manager, or any shareholder of the Bank.

Report on the Supplementary Information Required by Revised SRC Rule 68
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the reconciliation of retained earnings available for dividend declaration as required by the Securities and Exchange Commission (SEC) under the Revised Securities Regulation Code (SRC) Rule 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of Gateway Rural Bank Incorporated. The information in such supplementary schedule has been subjected to the auditing procedures applied in the audit of basic financial statements. In our opinion, the information is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

LOPE LARANJO BATO & Co.

By: **LOPE L. BATO, JR.**
Managing Partner
CPA Cert. No. 73964
TIN 102-081-516
BIR Accreditation No. 16-006925-001-2023, valid until September 29, 2026
SEC Group C Accreditation No. 73964, valid until Financial Audit 2025
BSP Group B Accreditation No. 73964, valid until Financial Audit 2025
PTR No. 6207502A, January 2, 2025, Cagayan de Oro City, Philippines

April 8, 2025
Cagayan de Oro City, Philippines

LLB-0101-2024-CDO

STATEMENTS OF FINANCIAL POSITION

Gateway Rural Bank Incorporated
Amounts in Philippine Peso

December 31	*Notes*	**2024**	2023
ASSETS			
Cash	4	**369,028,559**	320,405,000
Loans and Receivables	5	**579,083,016**	641,480,254
Bank Premises, Furniture and Equipment	6	**42,319,906**	38,296,933
Investment Properties	7	**67,982,715**	86,783,057
Other Assets	8	**40,041,433**	36,294,579
Total Assets		**1,098,455,629**	1,123,259,823
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposit Liabilities	10	**802,053,303**	807,014,270
Bills Payable	11	**37,610,417**	63,216,467
Retirement Benefits Obligation	12	**11,768,810**	11,083,352
Finance Lease Liability	13	**28,624,089**	31,419,927
Other Liabilities	14	**27,186,381**	20,971,947
Total Liabilities		**907,243,000**	933,705,963
Shareholders' Equity		**191,212,629**	189,553,860
Total Liabilities and Shareholders' Equity		**1,098,455,629**	1,123,259,823

See Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

Gateway Rural Bank Incorporated

Amounts in Philippine Peso

Years Ended December 31	*Notes*	2024	2023
INTEREST INCOME	*16*		
On loans and receivables		**71,674,382**	71,396,708
On bank deposits and investments		**761,924**	146,044
Total Interest Income		**72,436,306**	71,542,752
INTEREST EXPENSE	*17*	**21,530,589**	23,268,093
NET INTEREST INCOME		**50,905,717**	48,274,659
OTHER INCOME	*18*	**27,223,484**	65,611,818
INCOME BEFORE IMPAIRMENT LOSS		**78,129,201**	113,886,477
IMPAIRMENT GAIN (LOSS)	*9*	**2,982,394**	(4,874,515)
INCOME AFTER IMPAIRMENT LOSS		**81,111,595**	109,011,962
OPERATING EXPENSES	*19*	**72,331,453**	67,587,623
PROFIT BEFORE INCOME TAX		**8,780,142**	41,424,339
INCOME TAX EXPENSE	*21*	**1,911,419**	10,335,562
PROFIT FOR THE YEAR		**6,868,723**	31,088,777
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Loss on remeasurement of post-employment	12	**-**	(211,831)
Tax benefit		**-**	52,958
Other comprehensive income – net of tax		**-**	(158,873)
TOTAL COMPREHENSIVE INCOME		**6,868,723**	30,929,904
EARNINGS PER SHARE	*22*	**10.10**	46.28

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Gateway Rural Bank Incorporated

Amounts in Philippine Peso

December 31	*Notes*	2024	2023
SHARE CAPITAL	*26*	**67,975,000**	67,175,000
POST-EMPLOYMENT DEFINED BENEFIT RESERVE	*12*	**(1,832,169)**	(1,832,169)
SURPLUS FREE			
Balance at beginning of year		**116,904,780**	86,615,537
Profit for the year		**6,868,723**	31,088,777
Appropriation to surplus	*15*	**-**	(2,240,192)
Adjustments	*15*	**(6,009,954)**	1,440,658
Balance at end of year		**117,763,549**	116,904,780
SURPLUS RESERVE	*15*		
Balance at beginning of year		**7,306,249**	5,066,057
Appropriation for the year		**-**	2,240,192
Balance at end of year		**7,306,249**	7,306,249
		191,212,629	189,553,860

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Gateway Rural Bank Incorporated

Amounts in Philippine Peso

Years Ended December 31	*Notes*	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**8,780,142**	41,424,339
Adjustments for:			
Prior period expenses	*15*	**(3,803)**	(2,638)
Depreciation and amortization	*19*	**8,205,691**	9,256,461
Gain on disposal if investment properties	*18*	**(28,415,598)**	(15,902,178)
Reversal for allowance	*18*	**-**	(27,794,326)
Impairment (gain) loss	*9*	**(2,982,394)**	4,874,515
Retirement benefit expense	*19*	**1,251,601**	404,784
Post-employment defined benefit	*12*	**-**	(211,831)
Changes in operating resources and liabilities:			
Decrease in loans and receivables	*5*	**57,573,765**	12,425,969
Decrease (increase) in other assets	*8*	**882,255**	(1,129,546)
Decrease in deposit liabilities	*10*	**(4,960,967)**	(27,196,876)
(Decrease) increase in retirement benefits obligation	*12*	**(566,142)**	2,794,931
Increase in other liabilities	*14*	**6,214,434**	638,979
Cash generated (for) from operation		**45,978,984**	(417,417)
Income tax paid	*8, 14, 15, 21*	**(6,540,529)**	(6,743,867)
Net Cash (for) from Operating Activities		**39,438,455**	(7,161,284)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to bank premises, furniture and equipment	*6*	**(9,823,537)**	(1,315,972)
Adjustments and disposals of bank premises, furniture and equipment	*6, 15*	**(66,377)**	(518,751)
Additions to investment properties	*7*	**(21,612,806)**	(14,600,790)
Proceeds from disposals of investment properties	*7*	**68,289,712**	48,149,739
Net Cash from Investing Activities		**36,786,992**	31,714,226
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of bills payable-net	*11*	**(25,606,050)**	(59,442,483)
Finance lease	*13*	**(2,795,838)**	(2,561,990)
Proceeds from issuance of common shares		**800,000**	-
Net Cash for Financing Activities		**(27,601,888)**	(62,004,473)
NET INCREASE (DECREASE) IN CASH		**48,623,559**	(37,451,531)
CASH AT BEGINNING OF YEAR	*4*	**320,405,000**	357,856,531
CASH AT END OF YEAR	*4*	**369,028,559**	320,405,000

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Gateway Rural Bank Incorporated

Amounts in Philippine Peso

Note 1
General Information

Organization

Gateway Rural Bank Incorporated (the Bank) was incorporated and registered with the Securities and exchange Commission (SEC) on February 14, 1997, with SEC Registration No. A199702071. The Bank is presently engaged in rural banking operations. It is extending rural credit to small farmers and tenants and to deserving rural industries or enterprises. As a rural bank, it exercises all authorities and power, doing and performing all acts, and transacting all business, which may be allowed for rural bank under and in accordance with the Republic Act No. 7353 (Rural Banks Act of 1992), including all things incidental thereto and necessary and proper in connection with said purposes within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP).

Bank Address

The Bank's registered office, which is also its principal place of business, is located at Gatebank Building, Borol 1st, Mac Arthur, Highway, Balagtas, Bulacan, Philippines. It has 10 branches namely, Balagtas, Bustos, Pandi, Pulilan, San Jose Del Monte, Malolos, San Ildefonso, San Rafael, Norzagaray, and Plaridel.

Approval of the Financial Statements

The financial statements of the Bank for the years ended December 31, 2024 and 2023 were authorized for issue by the Bank's Board of Directors (BOD) on April 8, 2025.

Note 2
Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the year presented, unless otherwise stated.

Basis of Preparation of Financial Statements

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The financial statements are presented in Philippine peso, which is the Bank's functional and presentation currency. All values are rounded to the nearest peso unless otherwise stated.

The financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs includes statements named PFRSs and 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 SEC.

Changes in Accounting Policies
The Bank's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements effective as at January 1, 2024.

Unless otherwise indicated, the adoption of these new standards did not have an impact on the financial statements of the Bank.

Effective beginning on or after January 1, 2024

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

  The amendments to PAS 1 are the following:
  - 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.

- Amendments to PFRS 16 Leases—Lease Liability in a Sale and Leaseback

  The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

  The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in PFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

  A seller-lessee applies the amendments retrospectively in accordance with PAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied PFRS 16.

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

  The amendment to PAS 7 requires an entity (the buyer) to disclose qualitative and quantitative information about its supplier finance arrangements, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.

  Amongst other characteristics, PAS 7 explains that a supplier finance arrangement provides the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date.

Standards and Interpretation Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Bank does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025
- PFRS 17, Insurance Contracts
- Amendment to PFRS 17, "Initial Application of PFRS 17 and PFRS 9 - Comparative Information"

  An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

  The above standards are not applicable to the Bank since the Bank does not have activities that are predominantly connected with insurance or issue insurance contracts.

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

Effective beginning on or after January 1, 2026
- Amendments to PFRS 9 and PFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, Hedge Accounting by a First-time Adopter
  - Amendments to PFRS 7, Gain or Loss on Derecognition
  - Amendments to PFRS 9, Lessee Derecognition of Lease Liabilities and Transaction Price
  - Amendments to PFRS 10, Determination of a 'De Facto Agent
  - Amendments to PAS 7, Cost Method

Effective beginning on or after January 1, 2027
- PFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- PFRS 18 "Presentation and Disclosure in Financial Statements"

Deferred effectivity
- Amendments to PFRS 10, Consolidated Financial Statements,
- PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; and

The Bank continues to assess the impact of the above new and amended accounting standards and interpretations when these become effective. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Accounting policies currently being used are as follows:

Cash
Cash and cash equivalents include cash and other cash items, due from BSP and due from other banks include cash on hand, savings, and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Financial Assets
Financial assets are recognized only when the Bank becomes a party to the contractual provisions of the financial statements.

Financial assets are classified based on their contractual cash flow characteristics and the business model for holding the instruments. Financial assets are initially measured at fair value plus transaction costs, except FVPL. Financial assets classified as FVPL are initially measured at fair value; transaction costs are expensed immediately.

Financial assets that are debt instruments

Financial assets measured at Fair Value through Profit or Loss (FVPL)
A financial asset shall be measured at fair value through profit or loss, except in the following cases:
- The financial asset is part of a hedging relationship, in which case, the provisions of PFRS 9 on the hedge accounting shall apply;
- The financial asset is measured at fair value through other comprehensive income (FVOCI); or
- The financial asset that is a debt instrument is measured at amortized cost.

Financial assets measured at fair value through profit or loss shall consists of the following:

i. Financial assets held for trading (HFT), which include stand-alone and/or embedded derivatives, except a derivative that is a financial guarantee contract or designated and effective hedging instruments, as defined in PFRS 9;
ii. Financial assets designated at fair value through profit or loss (DFVPL) as defined in PFRS 9.

    The Bank may, at initial recognition, irrevocably designate financial assets that are debt instruments as measured at fair value through profit or loss in accordance with the condition mentioned under PFRS 9, subject to the following requirements:
    - Bank shall have in place appropriate risk management systems including related risk management policies, procedures, controls; and
    - Bank shall apply the fair value option only to instruments for which fair values can be reliably estimated.
iii. Other financial assets which are mandatorily measured at fair value through profit or loss (MMFVPL) refers to financial assets that are required to be measured at fair value through profit or loss under PFRS 9, other than those that are HFT and DFVPL.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)
A financial asset measured at FVOCI shall meet both of the following conditions:
- The financial asset is held within a business model whose objective is achieving by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets measured at amortized cost
A financial asset that is a debt instrument, other than those that are designated at fair value through profit or loss, which meet both of the following conditions:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

Financial assets that are equity instruments

Financial assets that are equity instruments shall be classified under any of the following categories:

a. Financial assets measured at fair value through profit or loss which shall include financial assets HFT;

b. Financial assets at Fair Value through Other Comprehensive Income (FVOCI) which shall consists of:
    i. Financial asset designated at fair value through other comprehensive income (DFVOCI). Bank may, at initial recognition, irrevocably designate financial assets that are equity instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies, as measured at fair value through other comprehensive income.
    ii. Financial assets mandatorily measured at fair value. This includes investment in an equity instrument, previously accounted at cost per PAS 39, which does not have a quoted price in an active market for an identical instrument.

Impairment of Financial Assets
The Bank uses an expected credit loss (ECL) model in measuring credit impairment, in accordance with the provisions of PFRS 9. In this respect, the Bank recognized credit impairment/allowance for credit losses even before and objective evidence of impairment becomes apparent. The Bank considers past events, current conditions, and forecasts of future economic conditions in assessing impairment.

a. The Bank applies the ECL method on credit exposures covered by PFRS 9, which include the following:
    i. Loans and receivables that are measured at amortized cost;
    ii. Investments in debt instruments that are measured at amortized cost or fair value through other comprehensive income (FVOCI); and
    iii. Credit commitments and financial guarantee contracts that are not measured at fair value through profit or loss (FVPL).
b. Credit exposures are classified into three stages using the following horizons in measuring ECL:
    i. Stage 1 – credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk.

       Stage 1 recognizes twelve (12)-month expected credit losses.

    ii. Stage 2 – Credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition.

       Stage 2 recognizes Lifetime expected credit losses.

    iii. Stage 3 – Credit exposures with objective evidence of impairment, thus considered as "non-performing"

c. The Bank promptly recognizes and maintains adequate allowance for credit losses at all times. It shall adopt the principles provided under the Enhanced Standards on Credit Risk Management in implementing sound and robust credit risk measurement methodologies that adequately considers ECL. In this respect, the ECL methodology shall not be considered as a separate and distinct process but as an important element of the entire credit risk management process.

Twelve (12)-Month ECL

a. Bank considers reasonable and supportable information, including forward-looking information that affects credit risk in estimating the 12-month ECL. The Bank exercises experienced credit judgement and considered both qualitative and quantitative information that may affect the assessment.
b. Zero allowance for exposures under Stage 1 shall be rare. It shall be expected only for exposures with zero percent (0%) credit risk-weight under the Risk-Based Capital Adequacy Framework, such as Philippine peso-denominated exposure to the Philippine National Government and the Bangko Sentral.

Lifetime ECL

a. The Bank evaluates the change in the risk of default occurring over the expected life of the exposures in assessing whether these shall be moved to a lifetime ECL measure. Although collateral will be used to measure the loss given a default, tis should not be primarily used in measuring risk of a default or in transferring to different stages.
b. Bank shall measure lifetime ECL of the following:
    - Exposures that have significantly increased their credit risk from origination (Stage 2); and
    - Non-performing exposures (Stage 3).

Assessment of forward-looking information

Bank shall clearly demonstrate how forward-looking information, including macroeconomic factors, have been reflected in the ECL assessment and how these are linked to the credit risk drivers of the exposures. Experienced credit judgement is essential in assessing the soundness of the forward-looking information and in ensuring that these are adequately supported.

Transfers from Stage 1 to Stage 2- Assessing of the significant increase in credit risk

The Bank transfers credit exposures from Stage 1 to Stage 2 if there is significant increase in credit risk from initial recognition

a. Bank shall establish well-defined criteria on what constitute significant increase in credit risk. Bank shall consider a wide range of information, which includes among others, information on macroeconomic conditions, economic sector, and the geographical region relevant to the borrower, and other factors that are borrower specific. The criteria on what constitutes significant increase in credit risk shall consider, at a minimum, the list provided in PFRS 9.
b. Bank shall classify exposures to Stage 2 if the exposures have potential weakness, based on current and/or forward-looking information, they warrant management's close attention. Said weaknesses, if left uncorrected, may affect the repayment of these exposures. Bank shall also classify to Stage 2 if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.
c. The BSP shall apply the following indicators of significant increase in credit risk in Banks noted to have weak credit loss methodologies:
    - Exposures considered especially mentioned under Section 143 of the new digitized MORB;
    - Exposures with missed payment for more than thirty (30) days; and

- Exposures with risk ratings downgraded by at least two (2) grades (e.g., exposure with risk rating of "3" on the origination date was downgraded to risk of "5" on the reporting date) for Banks with below fifteen (15) risk rating grades, and three (3) grades for Banks with fifteen (15) or above risk rating grades.

Transfers from Lifetime ECL to Twelve (12) month ECL

Bank shall transfer the exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Exposures should exhibit both the quantitative and qualitative indicators of probable collection prior their transfer. The quantitative indicator is characterized by payments made within an observation period (e.g., regularly pays during the minimum observation period). The qualitative indicator pertains to the result of assessment of the borrower's financial capacity (e.g., improvement in counterparty's situation).

As a general rule, full collection is probable when payments of interest and/or principal are received for at least six (6) months.

Banks shall observe the following guidelines for exposures that were reconstructed:

a. Non-performing restructured exposures that have exhibited improvement in creditworthiness of the counterparty may only be transferred from Stage 3 to Stage 1 after a total one (1) year probation period (i.e., six (6) months in Stage 3 before transferring to Stage 2 , and another six (6) months in Stage 2 before transferring to Stage 1; or directly from Stage 3 to Stage 1, without passing through Stage 2, after twelve (12) months); and
b. Restructured accounts classified as "performing" prior to restructuring shall be initially classified under Stage 2. The transfer from Stage 2 to Stage 1 will follow the six (6) month rule mentioned above.

Multiple exposures to specific counterparties

In measuring ECL of multiple exposures to a single counterparty or multiple exposures to a single counterparty or multiple exposures to counterparty belonging to a group of related entities, the following shall apply:

a. *Exposures to non-retail counterparties.* Banks with multiple exposures to a non-retail counterparty shall measure ECL at the counterparty level. In particular, the Banks shall consider all exposures to a counterparty as subject to a lifetime ECL when any of its material exposure is subjected to lifetime ECL;
b. *Exposures to a retail counterparty.* Banks with multiple exposures to a retail counterparty shall measure ECL at the transaction level. In particular, Banks may classify one transaction under Stage 1 and another transaction under Stage 3. However, Banks are not precluded from taking into account the potential of cross default, such that if one exposure is classified under Stage 3 all other exposures may be classified under Stage 3; and
c. *Exposures to counterparties belonging to a group of related entities.* Banks with multiple exposures to counterparties that belong to the same group of related entities shall measure ECL at the counterparty level (per entity). Banks shall likewise consider in determining the stage under which the exposures shall be classified.

Banks shall not recognize interest income on non-performing exposures except when payment is received. On the other hand, interest oncome recognized on non-performing exposures (Stage 3 accounts) for purposes of preparing the audited financial statements (AFS) shall be disclosed in the AFS. This shall likewise be included in the list of reconciling items between the prudential reports and the AFS that is being submitted to the BSP.

Considering that the Bank operation is considered simple, it adopted simple loan loss methodologies fundamentally anchored on the principle of recognizing Expected Credit Losses (ECL) in accordance with PFRS 9 as discussed above. The Bank looked beyond the past due or missed amortization in classifying exposures and in providing an allowance for credit losses. The Bank used Appendix 15 of the MORB as a guide, at minimum, in implementing the simple loan loss methodologies in recognizing Expected Credit Losses (ECL).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods, or services directly to a debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers and all receivables from customers and other Banks. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. Increases in estimates of future cash receipts from financial assets that have been reclassified in accordance with PFRS 9 and PFRS 7 (Amendments) shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate.

Derecognition of financial assets occurs when the right to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Bank Premises, Furniture, Fixtures and Equipment
Land is stated at cost less any impairment in value, while depreciable properties, including building, furniture, fixtures and equipment, and leasehold improvements, are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged against profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of the property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Building	25 years
Furniture and fixtures	3-5 years
Information technology equipment	3-5 years
Other Office equipment	3-5 years
Transportation equipment	3-5 years
Leasehold rights and improvements	10 years
Other intangible assets	3-5 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

Investment Properties
Investment properties pertain to properties held by the Bank for sale in the next 12 months.

Investment properties are initially measured at the carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium or discount less allowance for impairment losses based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for impairment losses plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property).

Real properties acquired in settlement of loans and receivables are booked under ROPA accounts as follows:

- upon the date of entry of judgement in case of juridical foreclosure; or
- upon the date of Sheriff's Certificate of Sale in case of extrajudicial foreclosure; or
- upon the date of notarization of Deed of Dacion in case of dacion in payment.

These properties are carried at cost, which is the fair value at acquisition date including certain transaction cost, less accumulated depreciation, and impairment in value. Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying values of the cost of the real properties acquired. Investment properties acquired through a non-monetary 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 measurable, where the net carrying value of the related loans and receivable is used. The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain (loss) on asset exchange' account in the statement of comprehensive income. Subsequent to initial recognition, real properties acquired in settlement of loans and receivables are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is computed on a straight-line basis over the estimated useful life from the time of acquisition of the investment properties but not to exceed 10 years.

The transfer of a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on derecognition of an investment property is recognized in the statement of profit or loss in the year of derecognition. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance, security maintenance and other holding costs are normally charged to income in the period in which the costs are incurred.

Impairment of Non-Financial Assets
The Bank equity investments, Bank premises, furniture, fixtures and equipment, investment properties and other assets are subject to impairment testing. All individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. Any amount recovered is recognized in profit or loss during the period.

Financial Liabilities
Financial liabilities include deposit liabilities, bills payable and other liabilities.

Financial liabilities are recognized when the Bank becomes a party to the contractual agreement of the instrument. All interest and related charges are recognized as an expense in the statement of profit or loss under the caption Interest Expense.

Deposit liabilities and other liabilities are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.
Bills payables are recognized initially at fair value, which is the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable and subordinated notes payable are subsequently measured at amortized cost; any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Other liabilities and deposit liabilities are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments.
Dividends distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Provisions
Provisions, if any, are recognized when the Bank has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount of obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision.

Provisions are reviewed at each statement of financial condition date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements.

Impairment of Financial Liabilities
A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled. 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 liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be measured reliably. The following are the specific recognition criteria in recognizing revenue:

a. Interest income and expenses are recognized in profit or loss for all instruments measured at amortized cost using the effective interest method.

   The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.
   Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

b. Service charges, fees and commissions are generally recognized when the service has been provided. Other non-finance charges on loans and penalties on delinquent accounts are recognized upon actual collection.
c. Income from assets sold or exchanged – Income from assets sold or exchanged is recognized when the title to the assets is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included as part of Other Income account in the statement of profit or loss.

d. Rental income – Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in profit or loss as part of Other Operating Income.

e. Interest income from Bank deposits and investments is recognized on the accrual method.

Expense Recognition
Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Leases
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets (ROU)
The Bank recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets is 1 to 25 years for Office space.

ii. Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Determining the lease term of contracts with renewal options
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in Note 13.

iii. Short-term leases and leases of low-value assets
The Bank applies the lease of low-value assets recognition exemption to leases of staff house that are considered of low value (i.e., ₱10,000 and below). Lease payments on leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Employees' Benefits
The Bank's employees are provided with the following benefits:

- *Retirement Benefits Obligation.* Retirement benefits are established based on actuarial valuations as required under PAS/IAS 19 Employee Benefits and PAS/IAS 26, Accounting and Reporting by Retirement Benefit Plans.

- *Termination Benefits.* Termination benefits are payable when employment is terminated 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 made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial condition date are discounted to present value.

- *Compensated Absences.* Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the balance sheet date. The amounts recognized are included in Trade and Other Payables account in the balance sheet at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement

Earnings per Share
Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to common shareholders (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Income Taxes

Current tax
Current tax asset and current tax liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of asset and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credit from the excess of Minimum Corporate Income Tax (MCIT) over the Regular Corporate Income Tax (RCIT), and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credit from MCIT and unused NOLCO can be utilized. Deferred tax assets and deferred tax liabilities, however, is not recognized on temporary differences that arise from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statements of financial position date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Provisions and Contingent Liabilities
Provisions, if any, are recognized when the Bank has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount of obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements.

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

Note 3
Significant Accounting Judgments and Estimates

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

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

Leases
Bank as lessor
The Bank has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures, and equipment. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Bank as lessee
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options
The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities
The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Bank's right-of-use assets and lease liability are disclosed in Notes 6 and 13, respectively.

Classifying Financial Assets Measured at Amortized Cost
The Bank follows the guidance of PFRS 9 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as Financial Asset Measured at Amortized Cost. This classification requires significant judgment. In making this judgment, the Bank considers its intention and ability to hold such investments to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Bank fails to keep these investments at maturity (other than for the allowed specific circumstances, e.g., selling more than an insignificant amount close to maturity), it will be required to reclassify.
The investments would therefore be measured at fair value and not at amortized cost through profit or loss or fair value through other comprehensive income.

Impairment of Financial Assets
The Bank follows the guidance of PFRS 9 in determining when an investment is permanently impaired. This determination requires significant judgment. In making this judgment, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Distinction Between Operating and Finance Leases
The Bank has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources and liabilities.

Fair Value Determination for Investment Properties and Other Properties
The Bank classifies its acquired properties as Property and Equipment if used in operations, as Investment Properties if intended to be held for capital appreciation, as Financial Assets if qualified as such in accordance with PFRS 9 or as Other Properties if held for sale but the depreciable properties are not yet disposed within three years. At initial recognition, the Bank determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

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

Impairment Losses on Financial Assets
The Bank reviews its investments and loans and receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgment as to whether there is any observable data indicating that there has been measurable decrease in the estimated future cash flows from a portfolio of similar financial assets.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic condition that correlates with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates and volatility rates. However, the amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income. The total impairment losses on financial assets recognized in profit or loss is presented in Note 9. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as impairment gain.

Estimating Useful Lives of Property and Equipment and Investment Properties
The Bank reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts. The carrying amount of property and equipment are presented in Note 6, while the carrying amount of investment properties are presented in Note 7. Based on management's assessment as of December 31, 2024, there is no change in the estimated useful lives of the assets.

Actual results, however, may vary due to changes in estimates brought about by changes in factors such as physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of the assets.

Principal Assumptions for Management's Estimation of Fair Value
Investment properties are measured using the cost model. The fair value disclosed in Note 7 to the financial statements are mainly based on existing market conditions and actual transactions at the reporting date, such as selling price, expected timing of sale and appropriate discount rates. The expected selling price is determined based on current appraised values of the properties or similar properties in the same location and condition.

Impairment of Non-Financial Assets
The Bank assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific asset, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Bank is required to make estimates and assumptions that can materially affect the Bank's financial statements.

Valuation of Post-Employment Defined Benefits
The determination of the Bank's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. While the Bank believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in assumption may materially affect employee benefits obligation.

Provision and Contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision are discussed in Note 2.

Note 4
Cash

For purposes of presenting the cash flows, cash consists of the following as of December 31, 2024, and 2023:

December 31	**2024**	2023
Cash and other cash items	**16,272,598**	14,829,566
Due from Bangko Sentral ng Pilipinas (BSP)	**40,795,018**	61,234,087
Due from other banks	**311,960,943**	244,341,347
	369,028,559	320,405,000

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches after the bank's clearing cut-off time until the close of the regular banking hours. This account includes $231,392 USD in 2024 and $18,095 USD in 2023, which was converted to functional currency (Peso) using the exchange rate as of December 31, 2024, and 2023, respectively. The PDSWAR used to convert this from US Dollar to Peso is ₱57.845 in 2024 and ₱55.370 in 2023.

Due from Bangko Sentral ng Pilipinas (BSP) represents the Bank's demand deposit with the BSP in compliance with BSP's reserve requirements. Section 252 of the MORB further provides that such deposit with the Bangko Sentral are not regular current accounts, drawings against such deposit shall be limited to (a) settlement of obligations with the Bangko Sentral, and (b) withdrawals to meet cash requirements.

Due from other banks consist of:

December 31	**2024**	2023
Demand deposits	**230,555,170**	220,891,776
Savings deposits	**80,794,794**	22,841,028
Time deposit	**610,979**	608,543
	311,960,943	244,341,347

Due from other banks earned an average interest rate of 0.25% for the years ended December 31, 2024, and 2023, respectively.

December 31	2024	2023
Rizal Commercial Banking Corporation (RCBC)	**124,800,907**	135,517,345
Land Bank of the Philippines (LBP)	**98,610,677**	74,970,063
Bank of the Philippine Islands (BPI)	**4,317,814**	14,450,872
Development Bank of the Philippines (DBP)	**4,497,835**	10,901,408
China Banking Corporation	**45,987,191**	4,766,655
BDO Unibank Inc.	**33,746,519**	3,735,004
	311,960,943	244,341,347

Note 5
Loans and Receivables

The composition of loans and receivables is as follows:

December 31	Notes	2024	2023
Loans:			
Small scale enterprise		**179,773,594**	255,474,873
Loans to individual for other purposes		**142,584,406**	161,329,173
Medium scale enterprise		**157,084,287**	107,777,274
Other agricultural credit loan		**61,808,340**	52,695,151
Agrarian reform credit loan		**16,554,755**	27,288,959
Microfinance loan		**184,519**	244,909
Total		**557,989,901**	604,810,339
Allowance for impairment losses	9	**27,970,524**	25,985,939
Net loans receivable		**530,019,377**	578,824,400
Other Receivables:			
Sales contract receivable		**42,386,905**	65,965,180
Accrued interest receivable		**1,556,981**	1,463,916
Accounts receivable		**7,295,728**	4,878,414
Total		**51,239,614**	72,307,510
Allowance for impairment losses	9	**2,175,975**	9,651,656
Net other receivables		**49,063,639**	62,655,854
		579,083,016	641,480,254

The amount presented is net of unamortized discount amounting to ₱46,871 and ₱78,031 for December 31, 2024, and 2023, respectively.

Accounts receivable is composed of:

December 31	2024	2023
Receivable from borrowers	**840,742**	570,034
Health card	**387,750**	269,387
EC pay	**270,327**	209,155
SSS maternity	**-**	850
Receivable-others	**5,796,909**	3,828,988
	7,295,728	4,878,414

Accounts receivable is non-interest bearing and ₱557,861 allowance was provided since per bank's assessment, the amount will not be collected (see Note 9).

Receivable from borrowers pertains to notarial, documentary stamp and other necessary expenses that will be paid by the bank for the account of the borrower relating to loan availed in the bank which will be deducted from the borrowers account upon release. Receivable other pertains to the withholding tax for time deposit that are accrue monthly but are only transfer as a liability when there is an actual roll-over for time deposit. Due to the volume of the time deposit, the accruals form the significant portion of accounts receivables.

The loans receivable from the Bank's customers are categorized as follows:

The maturity profile of the loans is as follows:

December 31	2024	%	2023	%
Due within one year	**25,469,160**	**4.56%**	18,191,507	3.01
Over one year to five years	**246,686,169**	**44.21%**	261,774,669	43.28
Due more than five years	**285,834,572**	**51.23%**	324,844,163	53.71
Total	**557,989,901**	**100.00%**	604,810,339	100

Breakdown by Age of Accounts

December 31	2024	%	2023	%
Current	**479,219,168**	**85.88%**	538,257,881	89.00
Past due performing	**7,146,675**	**1.28%**	23,562,071	3.90
Past due-non-performing	**70,317,126**	**12.60%**	35,536,835	5.87
In litigation	**1,306,932**	**0.23%**	7,453,552	1.23
Total	**557,989,901**	**100.00%**	604,810,339	100

The non-performing loans as defined under MORB 304 amounted to ₱71,624,058 and ₱42,990,387 on December 31, 2024, and 2023, respectively.

Generally, non-performing loans refer to loans that even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests are probable and payments of interests and/or principal are received for at least six (6) months; or (b) written-off. Portion of the past due accounts and accounts under litigation are covered by real estate mortgages, which could be foreclosed to reduce possible losses from non-collection.

The Bank's loans to Directors, Officers, Stockholders and Related Interests (DOSRI) amounted to ₱0 as of December 31, 2024, respectively (see Note 26).

Sales contract receivable (SCR) refers to real and other properties acquired and subsequently sold on an installment basis whereby the title of the property is transferred to the buyer only upon full payment of the agreed selling price. SCR is initially recorded at the present value of the installment receivable discounted at imputed rate of interest. A discount shall be accreted over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss in accordance with Revenue from Contracts with Customers". Furthermore, SCR shall be subject to impairment provision of PFRS 9.

Sales contract receivable represents the outstanding balance of receivable for the sale of investment properties through agreed installment payment terms. Contracts to sell were also entered into between the Bank and several borrowers, wherein the latter reacquire the loan through equal installment payments for a period of six months to five years.

Accrued interest receivables represent accruals of amortization on loans receivables that are due within three (3) months. The accrued interest receivable from loans is considered not impaired.

Accounts receivable is non-interest bearing and allowance, per management, assessment on the collectability of this account was provided.

The carrying amount of sales contract receivable as of December 31, 2024, and 2023 are as follows:

December 31	*Note*	**2024**	2023
Sales contract receivable–performing		**30,853,738**	23,547,404
Sales contract receivable–nonperforming		**11,533,167**	42,417,776
Total		**42,386,905**	65,965,180
Allowance for impairment losses	9	**1,618,114**	9,111,656
Total		**40,768,791**	56,853,524

The loan breakdown as to their status is as follows:

December 31, 2024	Stage 1	Stage 2	Stage 3	**Total**
Loans receivable:				
Performing				
Current	479,219,168	-	-	**479,219,168**
Past due	-	7,146,675	70,317,127	**77,463,802**
	479,219,168	7,146,675	70,317,127	**556,682,970**
Non-performing				
Past due	-	-	-	-
In-Litigation	-	-	1,306,932	**1,306,932**
	-	-	1,306,932	**1,306,932**
Total	479,219,168	7,146,675	71,624,058	**557,989,901**
Expected Credit Loss Allowance	(6,805,436)	(4,926,940)	(16,238,148)	**(27,970,524)**
Carrying Amount	476,608,992	2,219,735	55,385,910	**530,019,377**

The computation and booking of the allowance consider the internally developed loan loss estimation methodology with reference on Section 143 of MORB (See Note 9). The amount reported in stage 3 includes the loans that is under six (6) months curing period, thus, upon cut-off date, still to be reported as part of stage 3.

Note 6
Bank Premises, Furniture and Equipment

The property and equipment, which are stated at cost, consists of the following:

December 31	**2024**	2023
Land	**5,715,543**	5,715,543
Building	**21,447,336**	13,168,983
Furniture and fixtures	**2,525,796**	2,556,226
Information technology equipment	**5,768,845**	5,384,475
Other office equipment	**10,464,275**	9,514,519
Transportation equipment	**8,867,883**	8,740,333
Leasehold rights and improvements	**91,846**	125,744
Other intangible assets	**3,700,631**	3,617,123
Right-of-use assets	**43,367,290**	43,265,752
Total	**101,949,445**	92,088,698
Less accumulated depreciation on		
Bank premises, furniture, and equipment	**35,206,688**	32,376,342
Right-of-use assets	**24,422,851**	21,415,423
Net Book Value	**42,319,906**	38,296,933

The reconciliation of the movements of the accounts follows:

December 31, 2024	*Beg. Balance*	*Additions*	*Retirements/ Adjustments*	***End Balance***
Cost				
Land	5,715,543	-	-	**5,715,543**
Building	13,168,983	8,278,353	-	**21,447,336**
Furniture and fixtures	2,556,226	-	30,430	**2,525,796**
Information technology equipment	5,384,475	384,370	-	**5,768,845**
Other office equipment	9,514,519	949,756	-	**10,464,275**
Transportation equipment	8,740,333	127,550	-	**8,867,883**
Leasehold rights and improvements	125,744	-	33,898	**91,846**
Other intangible assets	3,617,123	83,508	-	**3,700,631**
	48,822,946	9,823,537	64,328	**58,582,155**
Accumulated Depreciation				
Building	5,884,865	1,112,743	-	**6,997,608**
Furniture and fixtures	2,293,355	74,510	47,642	**2,320,223**
Information technology equipment	4,094,373	201,741	29,887	**4,266,227**
Other office equipment	9,151,403	751,718	-	**9,903,121**
Transportation equipment	7,405,842	649,522	-	**8,055,364**
Other intangible assets	3,546,504	117,641	-	**3,664,145**
	32,376,342	2,907,875	77,529	**35,206,688**
Net Book Value	16,446,604	6,915,662	(13,201)	**23,375,467**

December 31, 2023	Beg. Balance	Additions	Retirements/ Adjustments	End Balance
Cost				
Land	5,715,543	-	-	**5,715,543**
Building	12,598,603	570,380	-	**13,168,983**
Furniture and fixtures	2,951,158	-	394,932	**2,556,226**
Information technology equipment	5,999,410	-	614,935	**5,384,475**
Other office equipment	9,024,816	659,636	169,933	**9,514,519**
Transportation equipment	8,662,868	77,465	-	**8,740,333**
Leasehold rights and improvements	1,509,612	-	1,383,868	**125,744**
Other intangible assets	3,608,632	8,491	-	**3,617,123**
	50,070,642	1,315,972	2,563,668	**48,822,946**
Accumulated Depreciation				
Building	5,370,830	514,035	-	**5,884,865**
Furniture and fixtures	2,714,673	144,759	566,077	**2,293,355**
Information technology equipment	4,367,969	906,322	1,179,918	**4,094,373**
Other office equipment	8,561,309	338,029	(252,065)	**9,151,403**
Transportation equipment	6,796,748	762,794	153,700	**7,405,842**
Leasehold rights and improvements	1,065,175	386,065	1,451,240	-
Other intangible assets	3,425,978	112,035	(8,491)	**3,546,504**
	32,302,682	3,164,039	3,090,379	**32,376,342**
Net Book Value	17,767,960	(1,848,067)	(526,711)	**16,446,604**

No disposal was made on the Bank's furniture, fixture and equipment for the years ended December 31, 2023 and 2024.

The Bank recognizes a right-of-use asset on its existing lease contracts as follows:

December 31	Note	2024	2023
Cost			
Beginning balance		**43,265,752**	43,265,752
Adjustments		**101,538**	-
		43,367,290	43,265,752
Accumulated Depreciation			
Beginning balance		**21,415,423**	18,459,503
Additions to current year		**2,959,067**	2,955,920
Adjustments	15	**48,361**	-
End Balance		**24,422,851**	21,415,423
Net Book Value		**18,944,439**	21,850,329

The adjustments to the right- of-use asset is due to the changes in the rate and adjustments in rental payments that were used in the computation of the present value of the right-of-use asset presented in the current year.

The balances of the right-of-use asset at the end of the year is as follows:

December 31	2024	2023
Pandi	**14,197,040**	14,197,040
Bustos	**2,916,298**	2,916,298
Malolos	**5,053,791**	5,053,791
San Ildefonso	**2,555,242**	2,555,242
San Rafael	**3,195,095**	3,195,095
Pulilan	**2,455,793**	2,455,793
San Jose Del Monte	**9,314,925**	9,314,925
Plaridel	**3,679,106**	3,577,568
Total	**43,367,290**	43,265,752

The detail of depreciation is as follows:

Years Ended December 31	Note	2024	2023
Bank premises, furniture, and equipment		**2,907,875**	3,164,039
Investment properties	7	**2,181,149**	3,136,502
Right-of-use asset		**2,959,067**	2,955,920
		8,048,091	9,256,461

Note 7
Investment Properties

Investment properties consist mainly of parcels of land and improvements acquired in settlement of loans which are held for capital appreciation. Per MORB Section 382, the carrying amount of ROPA shall be allocated to land, building, other non-financial assets, and financial assets. Buildings and other non-financial assets shall be depreciated over the remaining useful life of the assets, which shall not exceed ten (10) years and three (3) years from the date of acquisition, respectively. Land, buildings, and other non-financial assets shall be subject to the impairment provisions of PAS 36 "Impairment".

The reconciliation of the carrying amount of investment properties is as follows:

December 31	Note	2024	2023
Land		**59,088,238**	65,191,904
Building		**21,435,804**	34,382,266
Total		**80,524,042**	99,574,170
Accumulated depreciation – net		**(11,853,231)**	(12,103,017)
Allowance for impairment losses	9	**(688,096)**	(688,096)
Net Carrying Amount		**67,982,715**	86,783,057

December 31	Note	2024	2023
Balance at beginning of year		**93,400,287**	120,217,561
Additions		**21,612,806**	14,600,790
Disposals		**(34,489,051)**	(35,244,181)
Total		**80,524,042**	99,574,170
Accumulated depreciation – net		**(11,853,231)**	(12,103,017)
Allowance for impairment losses	9	**(688,096)**	(688,096)
		67,982,715	86,783,057

Real and other properties acquired (ROPA) are acquired by the Bank in settlement of loans through foreclosure or dation in payment and/or for other reasons, whose carrying amount will be recovered principally through a sale transaction.

The Bank recognized net gain on disposal of investment properties amounting to ₱28,415,598 and ₱15,902,178 as of December 31, 2024, and 2023, respectively (See Note 18).

December 31, 2024	Land	Building
Balance at beginning of year	65,191,904	34,382,266
Additions	17,304,243	4,308,563
Adjustments	(3,095,166)	(3,078,717)
Disposals	(20,312,743)	(14,176,308)
	59,088,238	21,435,804

Movements in the Bank's accumulated depreciation on investment properties are as follows:

December 31	*Notes*	**2024**	2023
Balance at beginning of year		**12,103,017**	11,963,135
Depreciation expense	6	**2,181,149**	3,136,502
Total		**14,284,166**	15,099,637
Disposals		**(2,430,935)**	(2,996,620)
Balance at end of year - net		**11,853,231**	12,103,017

ROPA are booked initially at the carrying amount of the loan (i.e. ROPA are booked initially at the carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium or discount less allowance for impairment losses based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for impairment losses plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure of the acquired real estate property).

Before foreclosing or acquiring any property in settlement of loans, the Bank properly appraised the property to determine its true economic value. If the amount of real and other properties acquired (ROPA) to be booked exceeds ₱5 million, an independent appraiser acceptable to the BSP conducts the appraisal. The Bank made an in-house appraisal of all ROPA at least every other year. Moreover, immediate re-appraisal is conducted on ROPA, which materially decline in value.

Allowance for impairment losses is set up for any anticipated losses based on appraisal reports, current negotiations, and programs to dispose these properties. The ROPA's latest appraisal date was made on various date from 2023 to 2024. Real and other properties acquired have an estimated fair value of ₱195,833,205 in 2024 and is solely composed of real estate properties.

Note 8
Other Assets

This account consists of the following:

December 31	*Note*	**2024**	2023
Deferred tax asset		**13,561,731**	13,949,106
Retirement fund	12	**12,867,952**	12,192,671
Provident fund	14	**5,498,032**	5,498,032
Prepaid income tax	21	**4,629,109**	559,127
Supplies		**764,447**	1,359,939
Petty cash		**55,000**	55,000
Prepayments		**20,890**	98,679
Deferred charges		**-**	5,667
Miscellaneous asset		**2,644,272**	2,576,358
		40,041,433	36,294,579

Deferred tax asset consists of the following:

December 31	*Note*	**2024**	2023
Beginning balance		**13,949,106**	19,435,285
Provision for impairment loss	9	**(745,599)**	1,218,629
Reversal of provision for impairment loss	9	**-**	(6,948,582)
Post-employment defined benefit reserves	12	**-**	52,958
Provision for post-employment benefits plan	12	**312,900**	101,196
Finance lease liability	13	**45,324**	89,620
		13,561,731	13,949,106

Deferred tax assets represent the tax effect of temporary differences arising from the application of PFRS 16, Leases and other adjustments for the prior and current year. Since not all account has been provided with deferred tax asset, an additional recognition which form part of an adjustment to retained earnings was made for December 31, 2024.

Provident fund is a contributory funds of the Bank and its employees. The source of funds comes from 3% monthly contribution from the employee's basic salary and the Bank shall contribute 5% from the employee's basic salary which is recognized as expense for the year (See Note 19).

Miscellaneous assets consist of refundable deposits from various suppliers.

Note 9
Allowance for Impairment Losses

The accounting of the movement of the allowance for impairment losses consists of the following:

December 31	*Loan Receivable (See Note 5)*	*Sales Contract Receivable (See Note 5)*	*Account Receivable (See Note 5)*	*Investment properties (See Note 7)*	*Total*
December 31, 2022	53,780,265	4,237,141	540,000	688,096	59,245,502
Provision	-	4,874,515	-	-	4,874,515
Reversal	(27,794,326)	-	-	-	(27,794,326)
December 31, 2023	25,985,939	9,111,656	540,000	688,096	36,325,691
Provision	4,493,286	(7,493,542)	17,861	-	(2,982,394)
Adjustment	(2,508,701)	-	-	-	(2,508,701)
December 31, 2024	27,970,524	1,618,114	557,861	688,096	30,834,595

Allowance for impairment losses for loans receivables is set up in accordance with BSP guidelines in the classification of loans, and the provisioning requirements for classified loan accounts The Bank already follows the loan loss provision matrix for its computation for the allowance as required by MORB 143 Appendix 15. The adjustment in the loan receivable reflects the impairment loss associated with amounts that have been transferred to Real and Other Property Acquired (ROPA).

Note 10
Deposit Liabilities

This account consists of:

December 31	2024	2023
Savings deposits:		
Active	**252,619,815**	231,946,904
Dormant	**6,078,055**	8,401,506
Total savings deposits	**258,697,870**	240,348,410
Demand deposits	**72,269,852**	64,397,256
Time deposits	**471,085,581**	502,268,604
Total	**802,053,303**	807,014,270

Regular savings deposits earn annual fixed interest of 0.15% per annum. These are withdrawable upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook.

Time deposits earn an annual interest ranging from 0.25% to 5% and are due within ninety (90) days to five (5) years, renewable at the option of the depositor. The FCDU in savings deposit amounted to $228,135 USD and $18,160 for 2024 and 2023, respectively, was converted to the functional currency (Peso) using the exchange rate as of December 31, 2024, and 2023, respectively.

The interest expense of the Bank related to the deposit liabilities amounted to ₱16,720,823 and ₱16,378,365 for 2024 and 2023, respectively (See Note 17).

The analysis of the residual maturity of time deposits are as follows:

December 31	2024	%	2023	%
Due within one year	**353,820,246**	**75.11**	390,486,932	77.74
Over one year to five years	**117,265,335**	**24.89**	111,781,672	22.26
Total	**471,085,581**	**100.00**	502,268,604	100.00

Note 11
Bills Payable

This account is composed of the following:

December 31, 2024				Maturity	
Name of Creditor	**Type of Collateral**	**Purpose**	**Amount**	**Due in 1 year**	**Due more than 1 year**
LBP	Assignment of borrowers' PNs and REM	To Augment working Capital via rediscounting of eligible sub-borrower's promissory note	32,193,750	32,193,750	
DBP	Assignment of borrowers' PNs and REM		5,416,667	-	5,416,667
			37,610,417	32,193,750	5,416,667

December 31, 2023				Maturity	
Name of Creditor	**Type of Collateral**	**Purpose**	**Amount**	**Due in 1 year**	**Due more than 1 year**
LBP	Assignment of borrowers' PNs and REM	To Augment working Capital via rediscounting of eligible sub-borrower's promissory note	11,039,800	11,039,800	
DBP	Assignment of borrowers' PNs and REM		52,176,667	40,260,000	11,916,667
			63,216,467	51,299,800	11,916,667

The bills payable is secured by the borrowers' secured promissory notes discounted at 85% of the face value. The Bank is in compliance with the covenants and warranties on loans as of end of year.

The interest expense of the Bank related to bills payable amounted to ₱3,018,193 and ₱4,883,189 for 2024 and 2023, respectively, based on interest rates of 6.930% for LBP and 2.500% for DBP (See Note 17).

Note 12
Retirement Benefits Obligation

The Bank's retirement benefits obligations as of the year end were established based on actuarial valuations as required under PAS/IAS 19 *Employee Benefits* and PAS/IAS 26, *Accounting and Reporting by Retirement Benefit Plans*. The computed retirement benefits obligation approximates the recorded retirement liability, thereby stating fairly the Bank's retirement benefit liability at the end of the year.

Normal retirement shall be the first day of the month coincident with or next following the employee's 60th birthday. The retirement shall represent 100% of the employee's basic monthly salary in the final year of service multiplied by the number of years in service provided that he has served the Bank for at least five (5) years of credited service.

The employee may opt to continue employment beyond normal retirement date but not beyond age 65. Such late retirement, however, shall be subject to the approval of the Board of Directors of the Bank on as case to case as yearly extension basis. The retirement shall represent 100% of the employee's basic monthly salary in the final year of service multiplied by the number of years in service, including the extension of service.

An employee is allowed by the Bank to optional retirement of he has been employed for at least five (5) years regardless of age. The retirement shall represent 50% of the employee's basic monthly salary in the final year of service multiplied by the number of years in service if he has served for five (5) to less than ten (10) years, otherwise, the retirement shall represent 100% of the employee's basic monthly salary.

The amounts presented below are based on the actuarial valuation report obtained from an independent actuary for the period December 31, 2023.

The movements in the present value of the post-employment defined benefits obligation are as follows:

December 31	2024	2023
Balance at beginning of year	**11,083,352**	9,318,973
Current service cost	**577,511**	577,511
Interest expense	**674,089**	673,053
Remeasurements – Actuarial losses (gains) from:		
Experience adjustments	**-**	1,053,742
Benefits paid	**(566,142)**	(539,927)
Balance at end of year	**11,768,810**	11,083,352

The movements of the retirement fund shown below: (see Note 8)

December 31	2024	2023
Balance at beginning of year	**12,192,671**	11,232,221
Interest income	**-**	845,780
Return on plan assets (excluding amounts included in net interest)	**-**	(841,911)
Contributions to the plan	**1,241,424**	1,496,508
Benefits paid	**(566,142)**	(539,927)
Balance at end of year	**12,867,952**	12,192,671

The amount classified as plan asset by the actuary for the purpose of computation for the account is a cash in bank, under the name of the Bank but is managed by the board of directors and officer as trustees. However, since the control is not yet transferred to the third party, such did not qualify as plan asset thus, was not presented net of liability.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

Years Ended December 31	2024	2023
Reported in profit or loss:		
Current service cost	**577,511**	577,511
Net interest expense	**674,089**	(172,727)
	1,251,600	404,784
Reported in other comprehensive income:		
Actuarial (gains) losses arising from:		
Changes in financial assumptions	**-**	1,053,742
Return on plan assets (excluding amount included in net interest)	**-**	(841,911)
	-	211,831

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

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

Discount rates	**6.08%**
Expected rate of salary increases	**4.00%**

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 17.52 years for both males and females.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The plan exposes the Bank to actuarial risk such as interest rate risk, longevity risk and salary risk.

Interest Rate Risk

The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will partially offset by an increase in the return on the plan's investments in debt securities and cash and cash equivalents and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan consists of cash and cash equivalents and government securities.

Longevity and Salary Risk

The present value of the defined benefit obligation is calculated be reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The maturity profile of estimated undiscounted expected benefit payments from the plan is within ten years as of December 31, 2024, as per management computation.

The estimated weighted average duration of the defined benefit obligation at the end of the reporting period is thirty-one (31) years.

Note 13
Finance Lease Liability

This account represents the present value of the finance lease payments for the year ended December 31, 2024, amounting to ₱28,624,089. This amount consists of rental payments that are not paid as of the date of application of PFRS 16, Leases, discounted using the rate of 5.92%.

December 31	Note	2024	2023
Maturity Analysis – contractual undiscounted cash flows			
Less than one year		**4,983,173**	4,739,866
One to five years		**19,891,878**	23,589,902
More than five years		**13,439,521**	14,484,602
Total undiscounted lease liabilities		**38,314,571**	42,814,370
Lease liabilities included in the statement of financial position			
Current		**3,378,271**	2,958,036
Non-current		**25,245,818**	28,461,891
Total Finance Lease Liability		**28,624,089**	31,419,927

December 31	Note	2024	2023
Interest on lease liabilities	17	**1,791,573**	1,945,178
Variable lease payment not included in the measurement of lease liabilities		**-**	-
Expenses relating to short-term leases		**-**	-
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets		**-**	-

The following expenses relate to deferred tax asset as follows:

December 31	Note	2024	2023
Depreciation expense on right of use assets	6	**2,959,067**	2,955,920
Interest on lease liability	17	**1,791,573**	1,945,178
Total rental payments during the year		**(4,569,346)**	(4,542,616)
Less short-term lease presented as rent expense		**-**	-
Over claim of expenses for income tax purposes	21	**181,294**	358,482
Deferred tax asset (25% of temporary difference)	8	**45,324**	89,620

The Bank leases land and buildings to be use as office for eight (8) of its branches. These lease contracts typically run for a period of 10-25 years, with an option for renewal for an additional period subject to mutual agreement between the Bank (lessee) and the lessors. There are no existing provisions for variable lease payment in any of the Bank's lease contracts.

Note 14
Other Liabilities

This account consists of the following:

December 31	2024	2023
Accounts payable-provident fund	**4,134,602**	3,841,241
Accrued interest payable	**4,536,425**	3,190,443
Accounts payable	**3,998,211**	3,880,880
Accrued expenses	**3,916,457**	4,718,262
Unearned income	**7,379,252**	3,018,936
Percentage tax payable	**1,871,074**	916,416
Due to the Philippine Deposit Insurance Corporation	**813,914**	810,443
SSS, Philhealth and Pag-ibig payable	**237,102**	260,885
Due to Treasurer of the Philippines	**135,000**	182,680
Withholding tax payable	**164,344**	151,761
	27,186,381	20,971,947

Accounts payable provident fund refers to the contributory retirement of the employees and the employer. Accrued expense refers to accruals of year end expenses, accrual of leave credits and incentive bonus of officers and staff. The unearned income pertains to the loans need to be amortized which in accordance with the PFRS 9 (Classification and Measurement of Financial Assets and Financial Liabilities) per BSP recommendation (See Note 5).

Note 15
Adjustments

Adjustments to retained earnings have been made for the years 2024 and 2023. These consist of the following:

December 31	Note	2024	2023
Adjustments on real and other properties acquired		**(6,173,884)**	-
Funding (reversal) of retirement benefits obligation		**-**	1,435,336
Accumulated depreciation-right of use asset	6	**-**	7,960
Prior period adjustments on foreign currency denominated unit		**(3,803)**	(2,638)
Other adjustments		**167,733**	-
		(6,009,954)	1,440,658

The adjustments to Real and Other Properties Acquired (ROPA) were made in response to the observations of the Bangko Sentral ng Pilipinas (BSP) Examination Team during the regular examination as of the cut-off date of 30 September 2024. These adjustments address the improper recording of ROPA transactions, which were noted to be inconsistent with the provisions of Section 382 of the Manual of Regulations for Banks (MORB).

Other adjustments consist of adjustments on tax expense, payments of percentage tax, right-of-use asset, lease liability, advances, and other reclassifications.

Surplus Reserve

The Bank aims to expand the business operation; thus, a surplus reserve was appropriated for the plan expansion of the Bank which already amounted to ₱7,306,249 for both 2024 and 2023 inclusive of additional appropriation amounting to ₱2,240,192 for 2023 only.

Note 16
Interest Income

This account consists of:

Years Ended December 31	Note	2024	2023
Interest income on loans receivables		**65,450,194**	67,341,832
Interest income on SCR receivables		**6,224,188**	4,054,876
Total		**71,674,382**	71,396,708
Interest income on bank deposits	4	**761,924**	146,044
Interest income on loans receivables		**72,436,306**	71,542,752

Service charges and processing fees include service income, finance charges, notarial fees, and other processing fees passed-on by the Bank to the borrowers relative to loan releases. Interest rates on loans ranges from 8% to 25% per annum. Penalty rate on past due loans is 3% per month. Interest income from fees and commission includes the FCDU account amounting to ₱205,041 and ₱478 for 2024 and 2023, respectively.

Note 17
Interest Expense

This account consists of the following:

Years Ended December 31	Note	2024	2023
Deposit liabilities	10	**16,707,863**	16,378,365
Borrowed funds	11	**3,018,193**	4,883,189
Finance lease	13	**1,791,573**	1,945,178
Interest expense others		**12,960**	61,361
		21,530,589	23,268,093

Interest expense others consist of interest expense on redeemable preferred shares and savings deposit – FCDU.

Note 18
Other Income

This account consists of the following:

Years Ended December 31	Notes	2024	2023
Gain on disposal of investment properties	7	**28,415,598**	15,902,178
Fees and commission income		**2,127,443**	971,175
Reversal of allowance for impairment loss	9	**-**	27,794,326
Loss – SCR Recission		**(21,057,928)**	-
Miscellaneous income		**17,738,371**	20,944,139
		27,223,484	65,611,818

Miscellaneous income pertains to charges on bank statement, service charge on interbranch transaction, service charge on loans, pre-termination fee and related accounts.

Note 19
Other Operating Expenses

This account consists of the following:

Years Ended December 31	Note	2024	2023
Compensation and employees' benefits:			
Salaries and wages		**29,207,698**	26,106,181
Director's fees		**1,920,000**	1,360,000
SSS, Philhealth, Pag-ibig and employees' premium		**2,295,303**	1,931,798
Depreciation and amortization	6	**8,205,691**	9,256,461
Taxes and licenses	28	**6,453,365**	5,763,632
Communications		**3,178,617**	3,316,659
Light, power, and water		**2,357,226**	2,275,812
Insurance	20	**2,346,538**	2,506,274
Documentary stamp taxes	28	**2,239,195**	1,884,853
Security, messengerial and janitorial services		**2,176,965**	1,996,216
Litigation and assets acquired		**1,888,825**	2,904,071
Management and other professional fees		**1,440,353**	1,204,358
Stationery and supplies used		**1,313,942**	1,052,626
Retirement benefits expense	12	**1,251,601**	404,784
Fuel, oil and lubricants		**1,199,365**	1,012,129
Repairs and maintenance		**1,101,800**	896,831
Representation		**902,601**	1,068,312
Provision to provident fund	8	**829,483**	753,717
Information technology		**405,725**	357,477
Fees and commission expense		**268,560**	324,608
Banking and supervision fees		**198,822**	223,739
Donations		**185,668**	115,868
Travel and transportation		**180,108**	102,465
Membership fees and dues		**60,080**	40,162
Fines, penalties and other charges		**3,117**	27,440
Miscellaneous		**720,805**	701,150
		72,331,453	67,587,623

Security services amount to ₱1,915,847 for security, messengerial, and janitorial expenses. The agency fee amounted to ₱692,210 which was the only amount subjected to expanded withholding tax.

Note 20
Details of Insurance Expense

This account consists of the following:

Years Ended December 31	2024	2023
Philippine Deposits Insurance Corporation	**1,637,597**	1,625,952
Others	**708,941**	880,322
	2,346,538	2,506,274

Others pertain to insurance paid on fidelity bonds, car, and motorcycle, and building and furniture and fixtures.

Note 21
Income Tax

Under current tax regulations, the applicable income tax rate is twenty percent (25%). Interest allowed as a deductible expense is reduced by an amount equivalent to twenty percent (20%) of interest income subjected to final tax. Also, entertainment, amusement and recreation (EAR) expense is limited to one percent (1%) of net revenues, as defined, for sellers of services beginning September 1, 2002.

The details of the account were derived by the following computations:

Years Ended December 31	2024	2023
Normal income tax	**5,781,701**	4,796,676
Deferred tax expense (income) relating to		
origination and reversal of temporary differences	**(399,734)**	5,539,137
	6,181,435	10,335,813

The current tax expense was derived from the following computations:

Years Ended December 31	*Notes*	2024	2023
Profit before income tax		**8,780,142**	41,424,339
Non-taxable income:			
Interest income already subjected to final tax	16	**(761,924)**	(146,044)
Reversal of provision for impairment losses	18	**-**	(27,794,326)
Non-deductible expense:			
Interest expense		**190,481**	36,511
Fines and penalties	19	**3,117**	27,440
Temporary differences:			
Provision for impairment losses	9	**(2,982,394)**	4,874,515
Retirement benefits expense	12	**1,251,600**	404,784
Benefits paid	12	**(566,142)**	-
Finance lease liability	13	**181,294**	358,482
Taxable income		**6,096,174**	19,185,701
Tax rate		**25%**	25%
Normal Income Tax		**1,524,044**	4,796,425
Minimum Corporate Income Tax (MCIT)		**800,535**	1,220,014
Normal income tax or MCIT whichever is higher		**1,524,044**	4,796,425
Prior year's excess credit		**(559,127)**	-
Tax payments from prior quarters		**(5,295,899)**	(4,594,992)
Creditable withholding tax		**(298,127)**	(760,560)
Income tax payable (Prepaid tax)		**(4,629,109)**	(559,127)

The current regulations also provide for MCIT of 2% on modified gross income and allow a three-year NOLCO. Any excess of the MCIT over the regular income tax is deferred and can be used as a tax credit against future income tax liability while NOLCO can be applied against taxable income, both in the next three years from the year of occurrence.

The computation of MCIT follows:

Years Ended December 31	*Notes*	2024	2023
Gross receipts	16	**72,436,306**	71,542,752
Less: Allowable deductions			
Salaries and wages	19	**33,423,001**	29,397,979
Interest expense	17	**21,530,589**	23,268,093
Insurance on PDIC	20	**1,637,597**	1,625,952
Contributions to Retirement/Provident Fund	19	**829,483**	753,717
Provision for Pensions and Other Post Retirement		**1,251,601**	404,784
Supervision fee		**198,822**	223,739
Total		**58,871,092**	55,674,264
Gross Income		**13,565,213**	15,868,488
Add Other Income	18	**27,223,484**	65,611,818
Less Interest Income Subjected Final Tax	16	**(761,924)**	(146,044)
Total Gross Income		**40,026,773**	81,334,262
Tax rate		**2%**	1.5%
Minimum Corporate Income Tax		**800,535**	1,220,014

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The deferred tax expense relating to origination and reversal of temporary differences is computed as follows:

December 31	*Notes*	2024	2023
Reversal of impairment loss	9	**-**	6,948,582
Allowance for impairment loss	9	**(745,599)**	(1,218,629)
Retirement benefits obligation	12	**312,900**	(101,196)
Finance lease liability	13	**45,324**	(89,620)
Deferred tax (benefit) expense		**(387,375)**	5,539,137

Note 22
Earnings per Share

Basic earnings per share is calculated by dividing net profit by the weighted average number of common shares during the year computed as follows:

Years Ended December 31	*Note*	2024	2023
Profit for the year		**6,686,723**	31,088,777
Profit attributable to preferred shares		**-**	-
Net profit attributable to common shares		**6,686,723**	31,088,777
Weighted average number of outstanding			
common shares	26	**643,250**	639,250
Basic Earnings per Share		**10.10**	46.28

As of December 31, 2024, the Bank has no outstanding potentially dilutive securities, hence, basic earnings per share is equal to diluted earnings per share.

Note 23
Related Party Transactions

Other transactions with related parties

The key management compensation and employees' benefits is as follows:

Years Ended December 31	2024	2023
Salaries and wages	5,717,204	5,129,793
Benefits and allowances	2,392,664	2,319,365
	8,109,868	7,449,158

Key management personnel compensations are presented as part of compensation and employees' benefits under other operating expenses in the statements of profit or loss (See Note 19). There are no outstanding liabilities related to key management compensation in 2024 and 2023.

There were transactions entered by the Bank involving businesses owned by its stockholders. These businesses and the amount of payment are as follows: (a) Lease Contract with Jerry B. Coloma Jr., and Mercedes S. Coloma. The Bank has paid its rent amounting to ₱2,107,480 and ₱1,851,015 for December 31, 2024 and 2023, respectively (b) Legal Consultancy with Atty. Jerry S. Coloma III one of the partner of MOSVELDTT (Molo, Sia, Dy, Tuazon, Ty, Coloma Law Offices).The Bank has paid the total retainers fee for its legal services amounting to ₱40,000 for both December 31, 2024 and 2023. All these dealings are within the so-called arm's length transactions without any special arrangements or accommodations.

Note 24
Risk Management Objectives and Policies

The Bank is exposed to a variety of financial risks in performing its activities. The main types of risks to which the Bank is exposed to include market risk, credit risk, liquidity risk, operations risk, and legal and regulatory risk.

The Bank's risk management is coordinated in close cooperation with the BOD and focuses on actively securing the Bank's short to medium-term cash flows by minimizing the exposure to financial markets. The Bank does not actively engage in trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Bank is exposed to are described below and in the succeeding pages.

The BOD is primarily responsible for approving the credit policies and the overall risk capacity of the Bank. Board Committees have been established by the BOD to oversee the increasingly varied risk management activities of the Bank with the active participation of senior management.

The Audit Committee is an advisory committee whose main function is to assist and act on behalf of the BOD and provides oversight of the Bank's financial reporting. It serves as principal agent of the BOD in ensuring independence of the Bank's external auditors and the internal audit function, the integrity of management, and the adequacy of disclosures and reporting to stockholders.

The Corporate Governance Committee is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and guidelines. It oversees the periodic performance evaluation of the BOD and its committees and executive management.

In compliance with BSP Circular 747, the Bank has revised its compliance manual to incorporate the revised compliance framework for banks. The manual is designed to guide the identification of business risks to mitigate factors that might be detrimental to the Bank's business model and its ability to generate returns from operations.

Market Risk

The Bank is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing, and financing activities.

(a) Foreign Currency Risk
Most of the Bank's transactions are carried out in Philippine pesos, its functional currency. The Bank's exposures to currency exchange rates may arise from deposits with other banks denominated in currencies other than the Philippine peso. As of December 31, 2024, and 2023, the Bank has no significant foreign currency risk exposure as it has no significant foreign currency denominated deposits with other banks.

(b) Interest Rate Risk
The Bank's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. As of December 31, 2024, and 2023, the Bank has no significant exposure to interest rate risk as most of its financial instruments have fixed rates.

Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met by maintaining a balanced loan portfolio. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

The analysis of maturity groupings of financial resources, financial liabilities as of December 31, 2024, are presented below:

	Note	*One year and below*	*Over one year*	***Total***
Cash and cash equivalents	*4*	369,028,559	-	**369,028,559**
Loans receivable	*5*	25,469,160	532,520,741	**557,989,901**
		394,497,719	532,520,741	**927,018,460**
Deposit liabilities	*10*	684,787,968	117,265,335	**802,053,303**

Minimum Liquidity Ratio (MLR)

To promote short-term resilience to liquidity shocks, banks shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. MLR is computed as follows:

December 31, 2024	
Stock of liquid assets (a)	**369,028,559**
Qualifying liabilities (b)	**787,272,603**
Minimum liquidity ratio (a/b)	**46.87%**

The Bank honors all cash requirements on an ongoing basis. To address the negative gap, the management avoids raising funds above market rates through the forced sale of assets.

Credit Risk

The Bank takes on exposure to credit risk, which is the risk that the counterparty will cause a financial loss to the Bank by defaulting on an obligation. Significant changes in the economy, or in the prospects of a particular industry segment that may represent a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date.

The Bank has significant concentration on credit risk. There are no risks involved on cash, due from BSP and due from other Banks since the counterparties are reputable Banks.

The Bank mitigates its credit risk by requiring security, particularly for loans. The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans are mortgages over real estate properties. To minimize credit loss, the Bank seeks additional collateral from the counterparty when impairment indicators are observed for the relevant individual loans.

The Bank's maximum exposure to credit risk before collateral held or other credit enhancement is shown below:

December 31, 2024	*Note*	*Neither Past Due Nor Impaired*	*Past Due But Not Impaired*	*Past Due non-performing*	**Total**
Due from other banks and BSP	*4*	352,755,961	-	-	**352,755,961**
Loans receivable - net	5	480,526,100	7,146,675	70,317,126	**557,989,901**
		833,282,061	7,146,675	70,317,126	**910,745,862**
		91.49%	**0.78%**	**7.72%**	**100%**

High grade cash and cash equivalents are short-term placements and working cash fund; and special Bank deposit which are placed, invested, or deposited in local Banks belonging to the top ten (10) Banks in the Philippines in terms of resources and profitability. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with propensity of deteriorating to mid-range age brackets.

These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

As part of Bank's policy, deposits with other Banks are only maintained with reputable financial institutions.

In respect for loans and receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans and receivables that are not past due or impaired to be good.

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

The Bank's loans are actively monitored to avoid significant concentrations of credit risk in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of persons exceeding 25% of its net worth.

Loans receivable of Gateway Rural Bank Incorporated is summarized as follows:

	Agri/Agra Loan	Small and Medium Entities	Other Purpose Loan
Security of Loans	Real Estate Mortgage / Unsecured	Real Estate Mortgage / Unsecured	Real Estate Mortgage / Unsecured
Term of Loans	90 days to 15 years	90 days to 10 years	1 month to 15 years
Interest Rate	8% to 18% per annum	8% to 22% per annum	8% to 25% per annum
Purpose	Farm Production/ Land Improvement/ Purchase of farming Equipment/ Working Capital for Livestock Production	Additional Working Capital	Additional funds to sustain necessities and other expenses.

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when several counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Bank's financial strength and undermine public confidence.

Given the Bank's diverse base of counterparties, mostly various individual buyers of real estates, it is not exposed to large concentration of credit risks.

Operations Risk

Operations risks are risks arising from the potential inadequate information systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls and fraud or unforeseen catastrophes that may result in unexpected loss. Operations risks include the risk of loss arising from various types of human or technical error, settlement or payment failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Bank has established measures to mitigate the effects of risks related to operations through its senior management. At year-end, the Bank also ensures that disclosures are made in the financial statements for any significant accounts, if any, which may have been affected by such risks.

Legal Risk

Legal risk pertains to the Bank's exposure to losses arising from cases decided not in favor of the Bank where significant legal costs have already been incurred, or in some instances, where the Bank might be required to pay damages. The Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Bank may incur significant legal expenses as a result of these events, but the Bank may still end up with non-collection or non-enforcement of claims. The Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified advisors, who were endorsed to and carefully approved by senior management. At year-end, the Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have risen from legal proceedings involving the Bank.

Regularities risk refers to the potential risk for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The monitoring of the Bank's compliance with these regulations, as well as the study of the potential impact of new laws and regulations, is the primary responsibility of the Bank's Compliance Officer. The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Audit Committee and the BOD.

Note 25
Capital Management Objectives, Policies and Procedures

i. Objectives, Policies and Procedures

The Bank manages its capital to ensure that it has the ability to continue as a going concern while maximizing the return to shareholders. The Bank's Board of Directors reviews regularly its capital structure based on the carrying amount of equity, less cash, as presented on the face of the statement of financial condition. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

The Bank balances its overall capital structure principally through the payment of interest on capital stock (the Bank may adjust the amounts to be paid as interest on capital stock or increase the amounts allocated for statutory reserves, as needed), campaign for additional deposits and intensify its capital build-up programs.

The Bank's overall strategy has remained unchanged for several year. Its reported capital as of December 31, 2024 and 2023, is summarized as follows:

December 31	*Note*	**2024**	2023
Total shareholders' equity		**191,212,629**	189,553,860
Less cash on hand and other cash items	*4*	**16,272,598**	14,829,566
Capital		**207,485,227**	174,724,043
Total shareholders' equity		**191,212,629**	189,553,860
Borrowings (total liabilities)		**907,243,001**	933,705,963
Overall financing		**1,098,455,630**	1,123,259,573
Capital-to-Overall Financing Rate		**18.89%**	15.56%

ii. Regulatory Capital

The lead regulator of the Bank, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

Under current Banking regulations, the combined capital accounts of each Bank should not be less than an amount equal to ten percent of its risk assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total equity excluding:

a) Un-booked valuation reserves and other capital adjustments as may be required by the BSP;
b) Total outstanding unsecured credit accommodations to directors, officers, stockholders, and related interests (DOSRI);
c) Deferred tax asset or liability;

d) Goodwill;
e) Sinking fund for redemption of redeemable preferred shares; and
f) Other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the MB of the BSP.
The regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital for the following:

a) Investments in equity of unconsolidated subsidiary Banks and other financial allied undertakings, but excluding insurance companies;
b) Investments in debt capital instruments of unconsolidated subsidiary Banks;
c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;
d) Reciprocal investments in equity of other Banks/enterprises; and
e) Reciprocal investments in unsecured subordinated term debt instruments of other Banks/quasi-Banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of: *(i)* an aggregate ceiling of 5% of total Tier 1 capital of the Bank excluding Hybrid Tier 1; or *(ii)* 10% of the total outstanding unsecured subordinated term debt issuance of the other Bank/quasi-Banks.

Provided that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio. At the end of each reporting period, the Bank has complied with the prescribed ratio of qualifying capital to risk-weighted assets.

The Bank's regulatory capital position as of December 31, 2024 and 2023, is as follows:

December 31	**2024**	2023
Tier 1 capital:		
CET1 capital	**189,794,798**	186,303,860
Less required deductions	**15,430,388**	14,019,725
Net Tier 1 Capital	**174,364,410**	172,284,135
Net Tier 2 Capital	**7,445,260**	7,887,720
Total Qualifying Capital	**181,809,670**	180,171,855
Credit Risk-Weighted Assets	**995,389,525**	1,012,045,954
Operational Risk-Weighted Assets	**113,458,173**	107,844,657
Total Risk-Weighted Assets	**1,108,847,698**	1,119,890,611
Risk-Based Capital Adequacy Ratio	**16.40:1**	16.09:1
CET 1 Ratio	**15.26:1**	15.38:1
Tier 1 Ratio	**15.26:1**	15.38:1

The above CAR differs from the CAR per FRP of the Bank due to the adjustments in deferred tax assets, leases, and liabilities which resulted in an increase in total qualifying capital and a decrease in risk-weighted assets.

Per BSP Circular No. 1151 dated August 24, 2022, the monetary board approved the amendments to the relevant provisions of the Manual of Regulations for Banks (MORB) aimed at increasing the minimum capital requirements for rural banks. Rural Banks with 6 to 10 branches are required to comply with the minimum capital of ₱120 million. RB's availing of the capital build-up track shall submit to the Bangko Sentral an acceptable capital build-up program within six (6) months from the date of effectivity of the Circular. The Bank is compliant with the minimum capital as of December 31, 2024.

Note 26
Supplementary Information Required by the Bangko Sentral ng Pilipinas (BSP)

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular 1074, Amendments to Regulations on Financial Audit of Banks.

(a.) Selected Financial Performance Indicators

The financial ratios of the Bank for the years 2024 and 2023 have been computed as follows:

December 31	**2024**	2023
Return on average equity *(Net profit / Average total capital accounts)*	**10.16%**	46.28%
Return on average assets *(Net profit / Average total assets)*	**0.62%**	2.70%
Net interest margin *(Net interest income / Average interest earning assets)*	**9.15%**	11.68%
Debt to equity ratio *(Total liabilities/Total equity)*	**4.74:1**	4.93:1
Capital-to-risk assets *(Shareholders' equity / Risk assets)*	**9.32%**	8.46%

(b.) Description of capital instruments issued.

The details of the preferred and common shares are as follow:

	Shares		**Amount**	
	2024	2023	**2024**	2023
Common Shares - ₱100 par value				
Authorized	**800,000**	800,000	**80,000,000**	80,000,000
Issued and outstanding				
Balance at beginning of year	**639,250**	639,250	**63,925,000**	63,925,000
Issued during the year	**800**	-	**800,000**	-
Balance at end of year	**647,250**	639,250	**64,725,000**	63,925,000
Preferred Shares - ₱100 par value				
Preferred Stock (Private)				
Authorized	**120,000**	120,000	**12,000,000**	12,000,000
Issued and outstanding	**32,500**	32,500	**3,250,000**	3,250,000
Preferred Stock (Public)				
Authorized	**130,000**	130,000	**13,000,000**	13,000,000
	679,750	671,750	**67,975,000**	67,175,000

Private Preferred Shares

1. Except when otherwise provided by law and shall be issued only against the equity investment of qualified private persons, natural or juridical, Private Preferred Shares shall be non-voting, on-participating, cumulative and redeemable at the option of the Bank.

2. It shall have preference over Common Shares in the assets of the corporation in the even to liquidation to the extent to their par value together with accrued interest and unpaid dividends, if any.

3. It shall likewise have preference over Common Shares in the distribution of dividends which shall be cumulative and shall be fixed at Eight Percent (8%) per annum and shall be paid to holders of Private Preferred Shares before any cash and/or Shares dividend is declared and paid to holders of Common Shares.

4. It shall be non-voting, non-participating, cumulative and redeemable at the option of the Bank.

B. Public Preferred Shares

1. Public Preferred Shares which shall be issued against equity investment by Land Bank of the Philippines, Development Bank of the Philippines, or any other government-owned or control bank or financial institution pursuant to Section 8 of Republic Act no.7853 (Rural Bank Act of 1992).

2. Public Preferred Shares shall be non-voting. They are preferred only as to asset upon liquidation and entitled to dividends without preference from the date of issuance at the rate provided under the Section 8 of R.A No. 7353.

   The rate is as follows:

First and second year	4%
Third and fourth year	6%
Fifth and six years	8%
Seventh and eighth year	10%
Ninth to fifteenth year	12%

3. Public Preferred Shares held by the Land Bank of the Philippines, or any government-owned or controlled bank or financial institution may be retired in the manner provided for in Section 8 of R.A.No.7353.

4. When all the Public Preferred Shares of the Bank has been sold to private shareholders, the Articles of Incorporation of the Bank shall be amended to reflect the conversion of the Public Preferred Shares into Common Shares.

5. No retirement or purchase by the Bank of its shares subscribed by private shareholders shall be made unless an equal amount to Public Preferred Shares is retired or purchased so long as the government holds Public Preferred Shares in the Bank.

(c.) Significant Credit Exposures for Loans

The breakdown of this account classified as to concentration of credit is as follows:

December 31	**2024**	%	2023	%
Real estate, renting and business activities	**244,648,765**	**43.84**	215,268,812	35.59
Wholesale and retail trade	**64,899,708**	**11.63**	79,571,964	13.16
Agricultural, forestry and fishing	**78,363,095**	**14.04**	79,984,110	13.22
Construction	**86,052,702**	**15.42**	114,090,905	18.86
Transportation and storage	**28,831,833**	**5.17**	45,031,367	7.45
Manufacturing	**17,183,895**	**3.08**	21,453,141	3.55
Electricity, gas, steam and air-conditioning supply	**7,443,206**	**1.33**	8,486,640	1.40
Accommodation and food service activities	**15,876,360**	**2.85**	15,926,170	2.63
Education	**1,964,378**	**0.35**	2,422,704	0.40
Human health and social work activities	**4,749,106**	**0.85**	5,443,230	0.90
Water supply, sewerage, waste management and remediation activities	**1,268,316**	**0.23**	1,393,194	0.23
Other service activities	**6,708,537**	**1.20**	15,738,102	2.60
Total	**557,989,901**	**100.00**	604,810,339	100

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30% of total loan portfolio.

(d.) Credit Status of Loans

The breakdown of total loans as to status:

December 31	**2024**	%	2023	%
Current	**479,219,168**	85.88	538,257,881	89.00
Past Due Performing Loans	**7,146,675**	1.28	23,562,071	3.90
Past Due Non-Performing Loans	**70,317,126**	12.60	35,536,835	5.87
Items in litigation	**1,306,932**	0.23	7,453,552	1.23
Total	**557,989,901**	100.00	604,810,339	100.00

December 31, 2024	*Current*	*Past Due Performing Loans*	*Past Due Non-Performing Loans*	*Litigation*	***Total***
Agrarian Reform Loans	14,880,940	300,000	211,138	1,162,677	**16,554,755**
Other Agri. Credit	52,945,096	20,959	8,717,740	124,546	**61,808,341**
Microenterprise loan	95,435	43,462	25,914	19,709	**184,520**
Small Enterprise	150,337,282	4,247,463	25,188,850	-	**179,773,595**
Medium Enterprise	140,566,638	-	16,517,649	-	**157,084,287**
Other purpose	120,393,777	2,534,791	19,655,835	-	**142,584,403**
TOTAL	**479,219,168**	**7,146,675**	**70,317,126**	**1,306,932**	**557,989,901**
	85.88%	**1.28%**	**12.60%**	**0.23%**	**100%**

(e.) Analysis of Loan Portfolio as to Type of Security

Portion of the past due accounts and accounts under litigation are covered by real estate mortgages, which could be foreclosed to reduce possible losses from non-collection.

The breakdown of this account classified as to security is as follows:

December 31	**2024**	%	2023	%
Secured:				
Real estate and chattel mortgage	**550,549,519**	**98.67**	54,175,626	8.96
Deposit Hold-out	**80,456**	**0.01**	51,097	0.01
Others	**461,416**	**0.08**	80,139,391	13.25
Total	**551,091,391**	**98.76**	134,366,114	22.22
Unsecured	**6,898,510**	**1.24**	470,444,225	77.78
Total	**557,989,901**	**100.00**	604,810,339	100

(f.) Information on Related Party Loans

In the ordinary course of business, the Bank has loans, deposits and other transactions with its related parties and with certain DOSRI.

i. Loans to related parties

The Bank's related parties include its Directors, Officers, Stockholders and Related Interests (DOSRI) and key management as describe below. None of the transactions incorporates special terms and conditions and gives or receives no guarantee. Outstanding balances are generally settled in cash. Under Bank's policy, these loans and other transactions are made substantially on the same terms and conditions as with other individuals and businesses of comparable risks.

The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Bank. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Bank, whichever is lower.

The following are information related to DOSRI/related party loans:

December 31	**2024**	2023
Total Outstanding DOSRI/related party loans to total loan portfolio	**-**	-
Percent of DOSRI/related party loans to total loans	**0%**	0%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0%**	0%
Percent of past-due DOSRI/related party loans to total DOSRI loans	**0%**	0%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**0%**	0%

The Bank has complied with the requirements set by BSP with regards to the limits on DOSRI loans. Total interest income on DOSRI loans is presented as part of interest income on loans in the statement of profit or loss. The outstanding balance of these loans is presented as part of others under loans and receivables in the statement of financial position (See Note 5).

(g.) Secured Liabilities and Assets Pledged as Security

The Bank has secured liabilities consisting of bills payable amounted to ₱37,610,417 and ₱63,216,467 for years ended December 31, 2024, and 2023, respectively. The total loan receivables were pledge for this rediscounting agreement amounting to ₱558,036,772 and ₱604,888,370 for December 31, 2024, and 2023, respectively.

(h.) Contingencies and Commitments Arising from Off-balance Sheet Items

The Bank is a lessee under non-cancelable leases covering offices and certain branches. The leases have terms ranging from ten to twenty-five year for the year ended December 31, 2024, with renewal options and include fixed rates and escalation rates ranging from 5% to 10% per annum. There are contingent liabilities such as litigations and claims that arise in the normal course of the Bank's operations which are not reflected in the financial statements. The Bank's management is of the opinion that losses, if any, as of December 31, 2024, from these claims will not have any material effect on the Bank's financial statements.

Note 27
Reclassification

Certain amounts and figures as of December 31, 2023, financial statements had been reclassified to conform to the presentation of the Bank's financial statements for the period ended December 31, 2024.

Note 28
Supplementary Information Required by Bureau of Internal Revenue (BIR)

Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002. The regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The following is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

a. Gross receipt tax

In lieu of the value-added tax, the Bank is subject to the gross receipts tax (GRT) imposed on all banks and non-bank financial intermediaries pursuant to Section 121.2 of the Philippine Tax Code. For the year ended December 31, 2024, and 2023, the Bank paid GRT amounting to ₱5,030,818 and ₱5,119,460. For 2023, there are GRT shouldered by the borrowers.

b. Taxes on importation

The Bank does not have any landed cost, customs duties and tariff fees in 2024 and 2023 since it does not have any importation during the year.

c. Excise tax

The Bank did not have transactions in 2024 and 2023 which are subject to excise tax.

d. Documentary stamp tax

The Bank remitted documentary stamp as follows:

Year Ended December 31, 2024	
DST paid on certificate time deposits	**1,878,861**
DST paid on loans	**1,340,520**
DST paid on annotation of loans	**559,500**
	3,778,881

Only the DST paid on the certificate of time deposits were claimed as expense since the rest of the documentary stamp tax were shouldered by the borrowers.

e. Taxes and licenses

The details of taxes and licenses for the years ended December 31, 2024 and 2023, is as follows:

Years Ended December 31	**2024**	2023
Gross receipt tax	**5,758,414**	5,119,460
Business permit	**596,134**	573,365
LTO registration	**92,317**	65,307
BIR annual registration fee	**6,500**	5,500
	6,453,365	5,763,632

f. Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2024, consist of:

Year Ended December 31, 2024	**Tax base**	**Amount paid**
Salaries and wages	**18,907,424**	**543,124**
Rental	**4,919,621**	**245,981**
Directors	**1,920,000**	**96,000**
Goods	**944,242**	**9,442**
Professional fees	**20,000**	**3,000**
Security services	**692,210**	**13,844**
Management and technical consultants	**1,715,443**	**85,772**
	29,118,940	**997,163**

g. Deficiency tax assessments and tax cases

As of December 31, 2024, the Bank does not have any final deficiency tax assessments from the BIR, nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR.

Revenue Regulations (RR) No. 34-2020

The Bank is not covered by the requirements and procedures for related party transactions under Section 2 of RR No. 34-2020.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2024
Amounts in Philippine Peso

GATEWAY RURAL BANK INCORPORATED
Gatebank Bldg., Borol 1st Mac Arthur Highway,
Balagtas, Bulacan, Philippines

Unappropriated Retained Earnings, beginning of reporting period			**116,904,780**
Add:	**Category A: Items that are directly credited to Unappropriated Retained Earnings**		
	Reversal of Retained Earnings Appropriation/s	-	
	Effect of restatements or prior-period adjustments	-	
	Others (describe nature)	-	-
Less:	**Category B: Items that are directly debited to Unappropriated Retained Earnings**		
	Dividend declaration during the reporting period	-	
	Retained Earnings appropriated during the reporting period	-	
	Effect of restatements or prior-period adjustments	**(6,009,954)**	
	Others (describe nature)	-	**(6,009,954)**
Unappropriated Retained Earnings, as adjusted			-
Add/Less: Net Income (loss) for the current year			**6,868,723**
Less:	**Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)**		
	Equity in net income of associate/joint venture, net of dividends declared	-	
	Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
	Unrealized fair value adjustment (mark-to-market gains) o financial instruments at fair value through profit or loss (FVTPL)	-	
	Unrealized fair value gain of Investment Property	-	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
	Sub-total		-
Add:	**Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
	Realized foreign exchange gain, except those attributable to cash and cash equivalents	-	
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	

	Realized fair value gain of Investment Property	-	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
	Sub-total		-
Add:	**Category C.3: Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)**		
	Reversal of previously recorded foreign exchange gains, except those attributable to cash and cash equivalent	-	
	Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
	Reversal of previously recorded fair value gain of Investment Property	-	
	Reversal of other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously (describe nature)	-	
	Sub-total		-
	Adjusted Net Income /Loss		-
Add:	**Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
	Depreciation on revaluation increment (net of tax)	-	
	Sub-total		-
Add/Less:	**Category E: Adjustments related to relief granted by the SEC and BSP**		
	Amortization of the effect of reporting relief	-	
	Total amount of reporting relief granted during the year	-	
	Others (describe nature)	-	
	Sub-total		-
Add/Less:	**Category F: Other Items that should be excluded from the determination of the amount of available for dividends distribution**		
	Net movement of treasury share (except for reacquisition of redeemable shares)	-	
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
	Net movement in the deferred tax asset and deferred tax liabilities related to same transactions, e.g., set up of right of use of asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	-	
	Adjustment due to deviation from PFRS/GAAP – gain(loss)	-	
	Sub-total		-
Total Retained Earnings, end of the reporting period available for dividend			**117,763,549**

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