ENTERPRISE Bank
A THRIFT BANK

ANNUAL REPORT 2018

# AT THE FRONTIERS OF CHANGE

# VISION

To be a strong regional bank within greater Mindanao and Visayas that leads in the delivery of high quality financial products and services that promote, support, and encourage entrepreneurship.

# MISSION

Provide innovative financial products and services to small and medium sized enterprises, micro entrepreneurs, especially women and to members of low income groups and to ensure that credit is utilized appropriately to improve their economic well-being.

Promote savings consciousness as a means to attaining self-sufficiency and self-reliance.

Strive to offer highest quality service and customer value by investing in human resource development.

Provide a work environment that will stimulate the employees to be innovative and enable them to realize their professional objectives.

Make certain that each employee will be given the opportunity for professional advancement as merited and have the right of economic security and stability.

Guarantee that shareholder's value is enhanced through prudent investment undertakings and efficient operations; and,

Abide by the laws and regulations of the Philippines to which it is subject and adhere to international standards within core operations.

# IN THIS REPORT

# WHO WE ARE

Enterprise Bank, Inc (formerly known as the New Rural Bank of Lianga) was founded on May 10, 1976 in Lianga, Surigao Del Sur by Mr. Ignacito U. Alvizo and other local investors as a community- based Rural Bank serving the needs of the locality. The bank embarked on the establishment of branches in 1994 when BSP deregulated the banking industry. Ten branches were established in several parts of Caraga Region,Davao Provinces and Misamis Oriental.

In 1997, Enterprise Bank, Inc. (EBI) was accredited by the People's Credit and Finance Corp. (PCFC) as one of its program partners in Mindanao. EBI then launched its microfinance program “Kalisud Mo, Tabangan ko” of KMTK, a credit program which adopts the basic Grameen Bank model of solidarity lending. KMTK became the flagship loan product of EBI and was instrumental in improving the bank's financial performance.

EBI has established itself to become a compelling financial provider that has made a difference and improved the lives of thousands of households in Mindanao.

Remarkably growing and constantly expanding its operations and services to maintain flexibility and to keep at pace with the demands of a dynamic business market, it launched another program aimed to expedite its eventual shift from being a rural bank to become an “entrepreneur’s “bank in the offing: EBI's SME Lending Program.

In generic sense, small and Medium Enterprise ( SMEs) in the Philippine play very important roles as sources of growth, employment, income, trade, innovation, entrepreneurship and opportunity for the people. It is a catalyst in expanding diversification of entrepreneurial market increasing investment base and savings rate. Recognizing its significance, the Philippine Government ratified into law the Magna Carta of Small and Medium Enterprises ( Republic Act 677) on January 24,1991 which outlines the general policies for the development of SME's encouraging the participation of private financial institutions.

EBI also shares and pursues the same objectives. With redefined vision and mission, the bank's efficient workforce has already completed the blueprints on how to better promote, support, strengthen, and encourage the growth and development of small and medium enterprises in all productive sectors of the economy particularly rural/agri-based ventures.

EBI formally started its operation as a Thrift Bank as authorized by the Bangko Sentral ng Pilipinas last October 1, 2012.

Currently, the bank has a wide spectrum of branches spread over in 13 provinces of Mindanao and Cebu City. It has a total of 30 offices; consisting of 27 regular branches and 3 branch-lites.

Enterprise Bank has 30 operational ATM's that are mostly located in rural areas where access to banking services is mostly necessary thereby providing our provincial folks the convenience of automated transactions. ATM's are located in 7 provinces of Mindanao and 2 in Visayas area, 11 of it are situated in Surigao del Sur, 8 in Agusan del Sur, 4 in Davao del Sur, 2 in Cebu City and 1 each in Misamis Oriental, Davao Oriental, Davao del Norte and Agusan del Norte. Along with EBI's deposit and loan products, the bank, in partnership with reputable third parties also provide fee-based services such as remittance and bills payment.

In 2016, Enterprise Bank, Inc. entered into a shareholders' agreement with prominent businessmen from Cebu engaged in trading, retail goods, real estate development, lending and banking. The final draft of Subscription Agreement was signed and sealed last September 5, 2016, resulting in a capital infusion that has contributed expansion of operations in the Visayas.

Alongside the earlier mentioned forging of Subscription Agreement, an application for merger of Enterprise Bank, Inc. and the Rural Bank of Ronda, Inc. was submitted. In March 23, 2018 and August 16, 2018, the Philippine Deposit Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP) have respectively approved the application of merger. Among the benefits this initiative will create is continuous increase of EBI's clientele reach and network with the addition of a new branch located in Ronda, Cebu.


**Enterprise Bank Iloilo Branch Opening**

# MESSAGE FROM THE CHAIRMAN OF THE BOARD

# AT THE FRONTIERS OF CHANGE

The year 2018 reaffirmed Enterprise Bank's resiliency and stability as a bank.

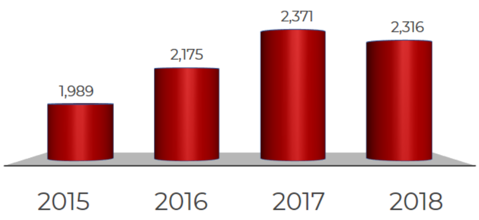
The changing times both in its internal and external environment did not hinder the Bank from delivering and staying true to its promise of fast and personalized services to its clients. On the contrary, it served as an additional impetus for the Bank to improve its operations and service to our customers especially to entrepreneurs not only in Mindanao but extending up to new areas in Visayas. To the challenges that regulations and competitions posed, the Bank's response were innovation and development which positively drove the Bank towards greater efficiency.

All of this would not have been possible without the efforts and hard work of all the people behind the institution from the Members of the Board to the Management Team down to the people on the ground. In addition, we would also like to thank our shareholders and business partners for their confidence and trust for many years.

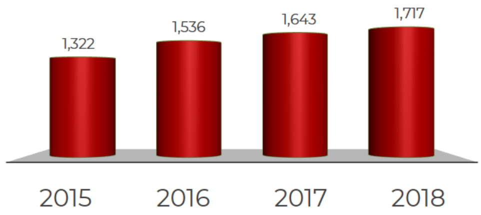
As we welcome the years ahead, we would like to invite our clients to continue growing with us as we continue and tread on the frontiers of change – resilient, strong, and better than ever.

FINANCIAL HIGHLIGHTS

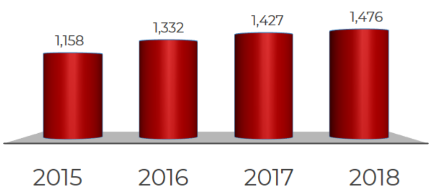
# 2018 AT A GLANCE



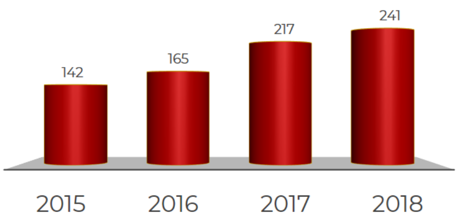

Total Assets



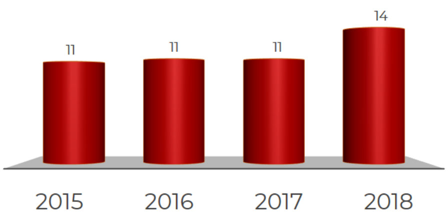

Total Loans and Other Receivables, net




Total Deposits




Total Equity




Comprehensive Income



*in millions

# THE PRESIDENT'S REPORT

The year 2018 brought in significant changes in the external and internal landscape that posed several challenges to Enterprise Bank, Inc. (EBI) in terms of meeting customers' as well as shareholders' expectations.

Among the enhancements introduced by regulatory agencies, specifically the BSP, that greatly impact on the Bank's performance are:

BSP's Circular 941 which took effect last in January 2018 amended the criteria of reporting of Past Due Loans into accounts with one missed amortizations from previously three missed amortizations created further pressure to the Bank in terms of asset quality ratios. In response the Bank intensified its remediation and recovery efforts resulting in increase of P24.7 million in the topline and reduction of Past Due portfolio (under BSP Cir. 941 definition) by Php19 million. During the last quarter of 2018, Management made a major decision of completely outsourcing the collection and recovery of its bad loans with accredited collection service providers.

The early pronouncement of the BSP that it will require the Bank to comply with Circular 981 stipulating a Minimum Liquidity Ratio (MLR) of 20% of total liabilities starting January 2019, has provided the Bank adequate enough time to prepare for the expected additional pressure on the management of its funds. The transition can be traced back five years ago when As it has already been a priority for the last six years, the Bank gradually shifted to cheaper source of funds continued to improve efficiency in operations especially in sourcing of its funds. The Bank's conscious effort towards reducing its cost of funds resulted to the continuous growth of its deposit portfolio by Php48.8 million with an improved CASA mix of 52% from a 50% share in 2018. The shift in the source of funds from high cost funds to low cost funds sustained the declining financial cost from Php111 million in 2013 to only Php78.8 million in 2018 or a 29% drop.

The significant investment made pertinent to EMV compliance has also made immediate favourable result as the ATM portfolio posted a remarkable growth of Php5.75 million. The active stance towards this widely accepted ATM-fraud-control mechanism reduced EBI's vulnerability to skimming and other fraudulent ATM-related activities.

The Department of Education, on the other hand, introduced a major recalibration in the Memorandum of Agreements of all players on the banking industry. For almost nine months, it postponed the renewal of the accreditation of the Bank and other lending institutions into its APDS facility. This created a lag in the revenue generation activities for all banks. It was revived only at the start of second semester of 2018 but with control procedures injected by the agency in all of Bank's loan granting procedures to DepEd employees. Despite the delay, EBI managed to retain its valued Class A clients and was among the pioneers to have secured the revised implementing guidelines and introduced the amendments at the beginning of the second semester 2018. For EBI, these changes favorably improved the landscape of the banking industry in terms of lending to APDS clients and allowed the Bank to further increase the share of the low-risk APDS portfolio from 31% in 2017 to 33% end-2018. Overall, consumer Loans posted more than Php55.5 million increase in loan portfolio from its Php1.001 billion 2017 level to Php1.057 billion in end-2018.

Internally, EBI has also faced various changes in almost all aspects of its operations:

At the corporate level, the Bank started the year with a new President and Chief Executive Officer installed upon effectivity of Mr. Ignacito Alvizo's (former President) retirement from the Board while Mr. Ronald E. Alvizo (former CEO) occupied the vacated Board seat and joined the new set of Board of Directors.

Manpower turn-over at the management level was notable with senior posts being vacated. But with readily available successors, operations normally resumed. Leaner but efficient organizational structure with additional manpower in the business group to beef up marketing efforts was implemented boosting the bank's adaptability to increasing demand focused on sustaining the level of the asset side and pumping in funds from its main source, deposits on the liability side. These management restructuring involved fusion of selected support departments and promotion and designation of selected Branch Heads into Sr. Branch Heads to manage and oversee other neighboring branches.

As two of the large borrowers of the Bank suffered major business decline which resulted to delayed recovery brought by foreclosures of loan collaterals, Management strived to make up with the impact brought by these soured accounts. Enhanced efforts to drive sales and marketing were carried out through introduction of new loans products (car loan, PUV loan and housing loans) to entrepreneur-clients along with an attractive employee incentive scheme. These generated the Bank new borrowers with disbursements of Php145 million loans. Enterprise Lending finally managed to post Php16.7 million growth in loan portfolio while maintaining its share at 32%.

Intensified recovery efforts from soured portfolio resulted to increase in the Bank's acquired assets to P37 million but Management strived aggressively in disposing some of its prime acquired assets through speedy negotiations in public biddings and intensified prospecting of buyers. A gain on sale of more than Php 5 million was realized from disposal of Php13.5 million worth of acquired assets.

# THE PRESIDENT'S REPORT

Consistent with the objectives of improved management structures such as strengthened risk management system, better lending operations, reduced operating costs and more importantly improved funding mix, the following initiatives started in 2018 are expected to further boost efficiency in the operations contributing to achievement of the medium term goals:

## UPGRADING

Investments were made in upgrading the bank's systems and facilities, coupled with streamlining of business processes, improvement of internal servicing, and centralized and organized records management.

## E-LEARNING

With the advent of technology, the Bank adopted an E-learning program as an additional alternative for effective but cost-efficient tool for retooling and training personnel. Webinars were introduced under the expanded training and development program of the Bank – the Expanded Branch Academy.

## BRANCHING

As branching out has been one of the best strategies in expanding business operation, EBI further increased its physical presence in Visayas particularly in Panay Island and formally opened the Iloilo Branch in January 26, 2018 bringing the total number of offices to 32. The new branch is strategically located in now one of the famous commercial hubs in the Iloilo City, the City Times Square.

## PCHC CLEARING PROJECT

Significant investment in the PCHC Clearing Project will further drive up generation of low cost deposits particularly Demand/Current Accounts and at the same time enhance the bank's reputation.

## CREDIT REVIEW UNIT

Re-instatement of a Credit Review Unit to address monitoring and evaluation of the Bank's credit risks alongside Internal Audit's continued risk-based reviews.

## PEPLINK

A shift of IT connectivity to PEPLink is expected to generate an annual savings on internet subscriptions by 2.825M while monitoring mechanism was improved and speed of connectivity significantly enhanced.

## LLM

Adoption of a Loan Loss Methodology will not just simply address BSP's primary requirement of establishing a sound loan loss methodology. It shall provide the Bank Management a holistic profile of the Bank's loan portfolio and likewise prepare and allocate for the potential losses depicted in the forecast derived from at least a 3-year historical trend.

## OUTSOURCING

As among best practices of peers in the industry on recovery includes outsourcing of collection and recovery of delinquent loan accounts from reputable providers, coupled with satisfactory performance of existing third-party collection arrangements, Management initiated steps towards full collection outsourcing of non-performing loans by January 2019 in anticipation of increasing operational efficiency primarily attributed by net reduction in manpower costs and other operating expenses.

## ROPA DISPOSAL

Aggressive disposal of acquired assets will be further sustained through installation of monitors at major branches to improve awareness of the Bank's properties for sale.

Amidst this highly competitive and highly regulated banking landscape, Enterprise Bank was able to drive up an increasing net profits for the past three years and landed at P10.3 million end-2018. Growth initiatives resulted to an overall portfolio growth of Php69 million - from last year's Php 1.745 billion accomplishment to Php 1.814 billion end-2018 - while deposits grew and financed 70% of the increment in the loan portfolio.

The additional investment from existing investors and new preferred shareholders in 2018 together with improvements in the funding cost and operating expenses; increase in portfolio of consumer and enterprise loans; and aggressive disposal of acquired assets cushioned the impact of the decline in the top line brought about by decreasing interest rates, aggressive competitors and revamp in the APDS loan portfolio.

The policy change effected involving the lowering of the minimum liquidity ratio to be maintained by the Bank resulted in the utilization of 34% of the idle liquid assets to pay off more than Php120 million in expensive loans with other financial institutions. This, together with the continued shift in funding the Bank's organic portfolio in favour of low-cost deposits, the Bank's cost of funds was significantly reduced.

# 2019 AND BEYOND

Looking forward for 2019 and the next four years, the Bank will continue to strengthen its position to be the bank of choice and convenience for MSMEs.

Following the approval of the merger of Enterprise Bank and Rural Bank of Ronda by PDIC and BSP was granted on March 23, 2018 and August 16, 2018 respectively, efforts are now concentrated to finalizing the merger process with Securities and Exchange Commission. Alongisde, it is now approaching to the final stages in the amendments of its Articles of Incorporation and By-Laws which included the relocation of the Head Office from Lianga, Surigao del Sur to Davao City, that was granted on December 20, 2018 .

In order to expand and deepen our reach, the bank will direct efforts towards new client generation, client retention, branch network expansion, risk-based pricing of its products, and enhancement of its corporate image. Leaner but efficient organizational structure with additional manpower complement for the business group to beef up marketing efforts likewise at the support group will be implemented.

Investments will continue specifically in upgrading the bank's systems and facilities, coupled with streamlining of business processes, improvement of internal servicing, and centralized and organized records management. Believing that its employees is the Bank's primary partner in making a lasting impact in the lives of the entrepreneurs and the community, improvements will also be introduced in its training program, wellness program and performance management system for the employees' holistic development.

In the coming years, the Bank will continue to navigate through these changing times – resilient and stronger as it has always been for the last 43 years.

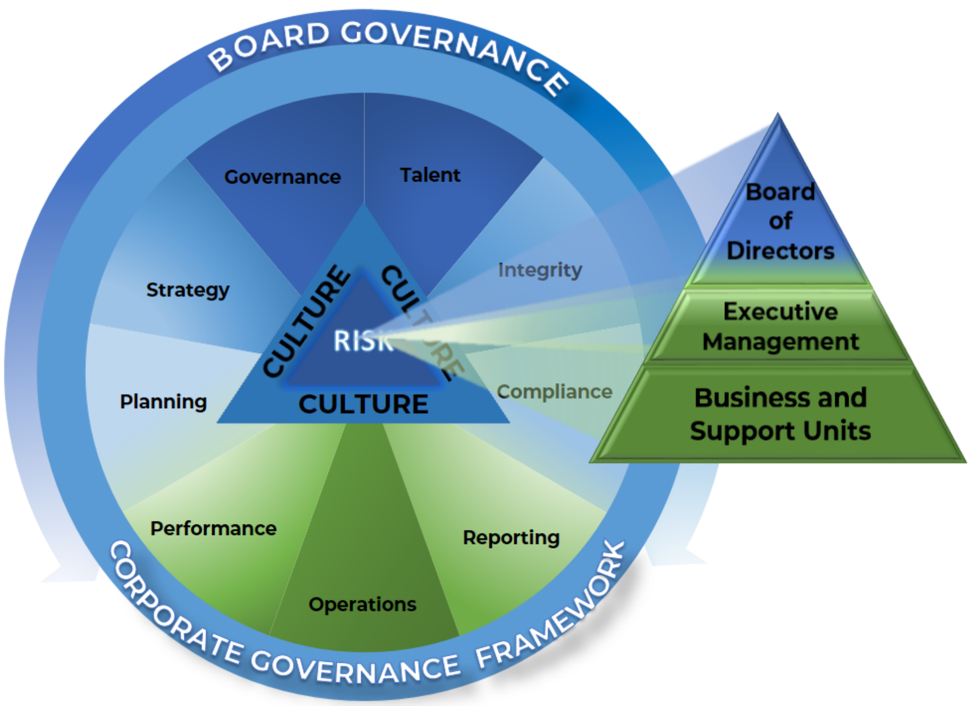
# CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Consistent with the Bank's mission of promoting savings consciousness, a Financial Literacy Program was launched wherein heads of branches led in conducting savings awareness orientation seminars participated by a total of 27 partner schools and educational institutions that cumulatively 1,820 attendees.

Further, the Bank's partnership with Savings Banks Foundation for International Cooperation (SBFIC) for the latter's Finance Dualized Education Project in the Philippines also gave opportunity for select Bank Managers and Executives to share their knowledge and expertise in the field of Microfinance.

Mr. Joel Lagura and Mr. Pedro Mangayan served as resource speakers at Atty. Orlando S. Rimando (Maco) National High School while Ms. Dorefel Barit and Mr. Orlindo Cervantes mentored the students at Lianga National Comprehensive High School (LNCHS), following the TESDA Training Regulation on Microfinance Technology NC II.

# CORPORATE GOVERNANCE

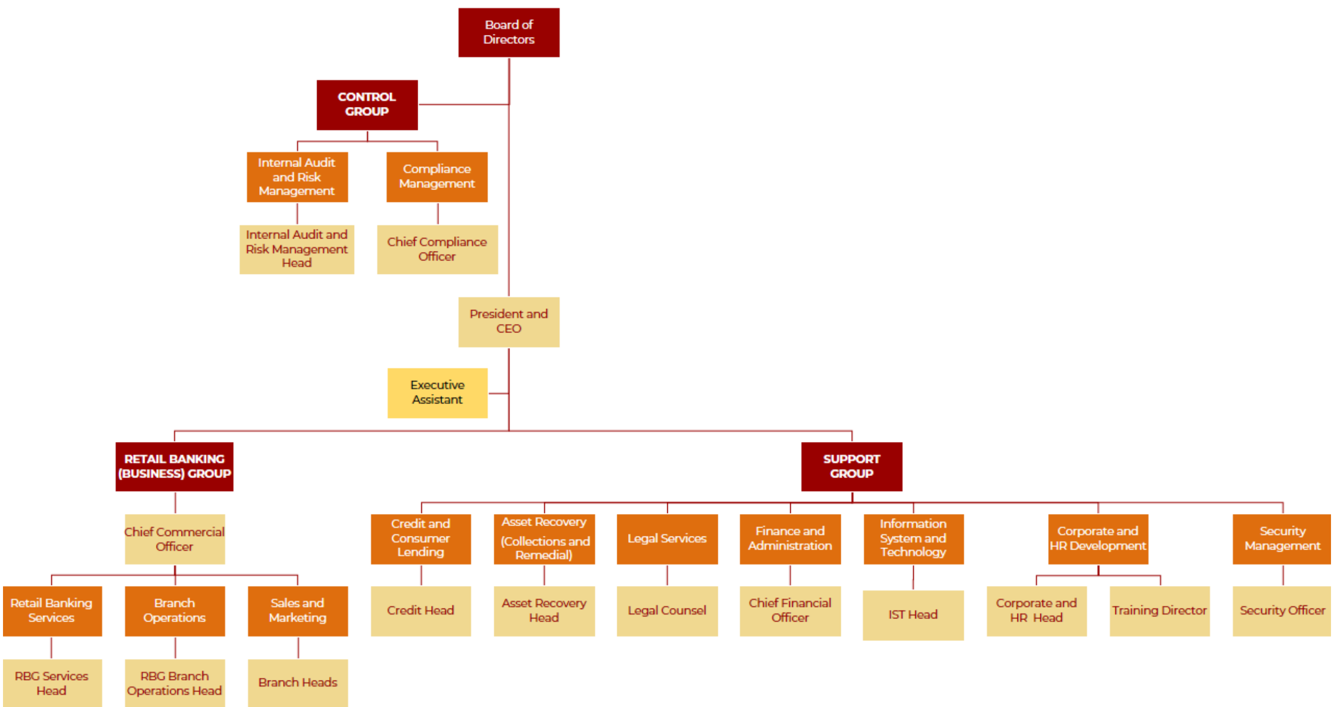


# CORPORATE GOVERNANCE

The corporate governance at Enterprise Bank, Inc. is simply drawing the line where one action stops and another begins. This consists of policies, practices and processes by which the business affairs of the bank are controlled and directed, as they reflect the balance of interest among shareholders.

Over the years, consistent with the Bank's values of honesty, commitment and loyalty, the Board of Directors has established a series of policies for the good governance of the Bank. This highest governing body of the Bank believes that good governance should be fully-embedded in the Bank's fabric and culture, and this has the widespread support of those who work for or with the Bank.

## EBI ORGANIZATIONAL STRUCTURE



From left to right: Mr. Manuel T Sia, Mr. Alberto P. Capati, Atty. Ronald E. Alvizo, Mr. Maximino A. Salang, Jr., Mr. Richard M. Rodriguez, Mr. Lung Fai Chan, and Mr. Jimmy C. Tee.

The Board of Directors, is composed of seven highly qualified professionals and business individuals carrying with them their broad range of expertise. As provided for in the Bank's Articles of Incorporation and By-Laws, compliant to the Corporate Code of the Philippines, the members of Board of Directors whose qualifications are in accordance with existing laws and regulations were elected by the holders of common stock entitled to vote. This body politic is committed to excellence in corporate governance. It establishes the overall policies and sets strategic directions in line with the Bank's mission and vision that guides senior management and business units to overall operation of the Bank. It is responsible in ensuring that a strong and effective government system is in place. While monitoring business performance and directing long-term success of the Bank, it oversees major risk-taking activities through active collaboration with management in setting risk appetite, tolerances and alignment with strategic objectives. Furthermore, it establishes structures and processes to fulfill responsibilities that consider the perspective of investors, regulators and management among others.

# THE BOARD OF DIRECTORS

**Maximino A. Salang, Jr**
*Chairman of the Board*
*Director*
*Nationality: Filipino*
*Age: 64*

Maximino A. Salang, Jr. is a businessman in Davao City, engaged in construction, heavy equipment rental, banana plantation export production and container yard (shipping van) operations. His expertise lies in marketing and business management.

He finished his degree in Bachelor of Science in Business Administration from Southwestern University in Cebu.

He has been a member of the board since 2007 and was elected as Chairman of the Board in May 2017.

As of December 31, 2018, his 212,512 held shares accounted 7.8% of the total shareholdings.

As a chairman of the Board, he lead the composition of the Board of Directors, preside over meetings, and lead the board to consensus from the disparate points of view of its members.

**Richard M. Rodriguez**
*Vice-Chairman of the Board*
*Director*
*Nationality: Filipino*
*Age: 44*

Mr. Richard M. Rodriguez is a businessman in Cebu City, engaged in academe, construction and financing operations. He is also a professor in Salazar Colleges.

Prior to joining Enterprise Bank, Inc. last January 19, 2017, he was the President of the Rural Bank of Ronda from 2012-2013 before becoming one of its directors in 2013.

Mr. Richard M. Rodriguez gained banking exposure as Branch Manager at Merchants Bank and Consumer Lending Head at Insular Savings Bank.

He finished his degree in Bachelor of Accountancy from Southwestern University in Cebu. He also finished his post-graduate degree of Master in Management from University of San Jose Recoletos in 2011 and has taken up units in Bachelor of Laws at Southwestern University in Cebu.

He has been an active member of the Board since 2017 owning 132,290 shares that accounted to 4.87% of total shareholdings of as of December 31, 2018.

Mr. Alberto P. Capati is an international consultant for enterprise and entrepreneurship development, business development services, and technical-vocational education and training. He has work experiences in different countries in Asia, Africa, Europe, and the Middle East.

He started his career in small and medium enterprises development while working at the University of the Philippines Institute for Small-Scale Industries as a training associate and eventually as the Director for Training and the Director for Operations. He was also a Chief Executive Officer and Chairperson of the 888 Loans Corporation and the former President and Chairman of the Board of the Philippine CEFE Network Foundation, Inc.

Mr. Capati finished his Bachelor of Arts Degree at the Ateneo de Manila University and completed the academic units for Masters in Business Administration at De La Salle University. Along the course of his professional career, he also obtained diplomas and certifications from various institutions in the Philippines and abroad.

He has been an active member of the Board since 2014 and has accumulated 90,321 shares that accounted to 3.32% of the total shareholdings of the Bank as of December 31, 2018.

**Alberto P. Capati**
*Director*
*President and Chief Executive Officer*
*Nationality: Filipino*
*Age: 67*

**Jimmy C. Tee**
*Director*
*Nationality: Filipino*
*Age: 54*

Mr. Jimmy C. Tee is a prominent businessman in Cebu City, He is engaged in property development and marketing operations.

He is also one of board of directors of Rural Bank of Ronda, Inc. from 2012 and became one of EBI's directors last January 19, 2017.

He finished a degree of Education from Nan An Institute in 1982.

As of December 31, 2018, he holds 164,193 commons shares equivalent to 6% of total shareholdings.

# THE BOARD OF DIRECTORS

**Atty. Ronald E. Alvizo**
*Director*
*Nationality: Filipino*
*Age: 51*

Mr. Alvizo is a lawyer with 14-year experience in microfinance and rural banking operations. He studied Bachelor of Laws at the Ateneo de Davao University and earned his Masters Degree in Entrepreneurship at the Asian Institute of Management.

He was also one of the pioneering organizers of the Mindanao Microfinance Council, an organization of microfinance institutions working towards the professionalization of the industry.

Atty. Ronald Alvizo was also a Director of the Rural Bankers Association of the Philippines and a member of the technical committee that developed the micro-housing product of the Development Bank of the Philippines.

Prior to his appointment as the Chief Executive Officer of the Bank in 2017, he has served more than 10 years as an Executive Director. In 2018, he was nominated by Mr. Ignacito U. Alvizo to take over the board seat after the latter's retirement in December 2017.

He is holding 12,367 shares which comprised to 0.46% of the Bank's shareholdings.

**Lung Fai Chan**
*Independent Director*
*Nationality: Filipino*
*Age: 58*

Mr. Lung Fai Chan is a businessman engaged in manufacturing and trading business.

He finished a degree of Architecture from University of Sto. Tomas in 1982.

He became one of EBI's directors last January 19, 2017 and held 105,063 shares which constituted to 3% of the bank's shareholdings.

Mr. Manuel T. Sia, Jr. is a respected banker not only locally but also internationally. He became the Executive Vice-President of Planters Development Bank from 1999-2002. He also worked as Senior Vice President with Bank Internasional Indonesia for 8 years. He became President of Chamber of Thrift Banks and Savings Bankers Association of the Philippines in 1982.

With his expertise in banking operations he was hired as a consultant at Capital Plus Exchange Corporation and financial advisor of La Savoie Development Corporation.

Mr. Sia is a graduate of BSBA Economics at University of the Philippines, Diliman. He finished his Master in Economics from Ateneo de Manila University in 1966.

He was elected as one of EBI's directors last January 19, 2017 owning only one share.

**Manuel T. Sia, Jr.**
*Independent Director*
*Nationality: Filipino*
*Age: 73*

**Ignacito U. Alvizo**
*Founder*
*Chairman Emeritus*
*Nationality: Filipino*
*Age: 73*

The Founder of the Bank, Mr. Ignacito U. Alvizo, is the lone major stockholder of the Bank owning 38% of the Bank's outstanding shares while all other shareholders have shareholdings of not more than 10%. Mr. Alvizo was appointed by the Board of the Directors as the Chairman Emeritus or ex—officio member whose role would be to act as adviser or observer during board meetings which he is requested to participate but with no voting right.

## BOARD OF DIRECTORS MEETINGS 2018

| Name of Director | Position Held | Meetings Attended | Rating % |
|---|---|---|---|
| Maximino A. Salang, Jr. | Chairman | 5 | 100% |
| Richard M. Rodriguez | Vice-Chairman | 5 | 100% |
| Alberto P. Capati | Director | 5 | 100% |
| Jimmy C. Tee | Director | 4 | 80% |
| Ronald E. Alvizo | Director | 5 | 100% |
| Lung Fai Chan | Independent Director | 4 | 80% |
| Manuel T. Sia, Jr. | Independent Director | 5 | 100% |
| | **Total Meetings Held** | **5** | **100%** |

# THE BOARD COMMITTEES

To assist the Board of Directors in carrying out its functions, certain responsibilities are delegated to the Board Committees in order to ensure that there is an independent oversight of internal control and risk management. These Board Committees includes the Credit Committee (CreCom), Asset and Liability Committee (ALCo), Audit, Risk and Compliance Committee (ARCCo) and Executive Committee (EXCo). The chairman of each committee reports to the Board of Directors on the matters discussed during the committee meetings.

## CRECOM

The **Credit Committee** approves loan proposal endorsed by the Credit Department and determines levels of limits or restrictions pertaining to credit operations. It sets target market definitions and risk acceptance criteria of the Bank. The committee also reviews and recommends lending policies, standards and procedures that seeks to be responsive to the needs of the target market while satisfying the bank's desired financial outcome and social mission.

## ALCO

The **Asset and Liability Committee** monitors the status and results of implemented asset/liability management strategies and the current and the prospective capital levels of the bank to determine sufficiency in relation to expected growth, interest rate risk, price risk and asset mix/quality. It also reviews current and prospective liquidity position, monitors alternative funding resources of the bank, outlook for interest rates and economy at local, regional and international levels. The committee utilizes tools in monitoring maturity and re-pricing gaps of its assets and liabilities.

### CRECOM MEETINGS 2018

| Name of Committee Member | Position Held | Meetings Attended | Rating % |
|---|---|---|---|
| Alberto P. Capati | Chairman | 22 | 100% |
| Richard M. Rodriguez | Director/Member | 22 | 100% |
| Maximino A. Salang, Jr. | Director/Member | 21 | 95% |
| Atty. Ronald E. Alvizo | Director/Member | 9 | 41% |
| Kent A. Young | Member/ CCO | 22 | 100% |
| | **Total Meetings Held** | **22** | **100%** |

### ALCO MEETINGS 2018

| Name of Committee Member | Position Held | Meetings Attended | Rating % |
|---|---|---|---|
| Richard M. Rodriguez | Chairman | 12 | 100% |
| Alberto P. Capati | Member/President | 12 | 100% |
| Atty. Ronald E. Alvizo | Member/ Director | 9 | 75% |
| Kent A. Young | Member/Chief Commercial Officer | 12 | 100% |
| Joy G. Politico | Member/Chief Financial Officer | 12 | 100% |
| | **Total Meetings Held** | **12** | **100%** |

## EXCO

The **Executive Committee** is a core group of officers of the Bank given authority by the Board of Directors to oversee on its behalf the bank's management operation and ensure alignment of plans and programs of the bank vis-à-vis approved strategic or business plan. It is responsible in setting up the budget for the Bank and approves any proposed suggestions or amendments for the budget. It also reviews the bank's performance vis-à-vis quarterly and annual goals in terms of growth, efficiency, profitability, asset quality and productivity.

## ARCCO

The **Audit, Risk and Compliance Committee** assists the Board of Directors in fulfilling its oversight responsibilities over the Bank's financial reporting policies, practices, internal and external audit function, as well as, risk management and compliance functions. It possesses the authority to provide functional supervision over the Internal Audit Department, Risk Management Office and Compliance Management Office to ensure effective and efficient performance of their function.

**EXCO MEETINGS 2018**

| Name of Committee Member | Position Held | Meetings Attended | Rating % |
|---|---|---|---|
| Alberto P. Capati | Chairman | 12 | 100% |
| Richard M. Rodriguez | Director/Member | 11 | 92% |
| Maximino A. Salang, Jr. | Director/Member | 9 | 75% |
| Atty. Ronald E. Alvizo | Director/Member | 10 | 83% |
| Kent A. Young | Member/ CCO | 12 | 100% |
| Joy G. Politico | Member/CFO | 12 | 100% |
| | **Total Meetings Held** | **12** | **100%** |

**ARCCO MEETINGS 2018**

| Name of Committee Member | Position Held | Meetings Attended | Rating % |
|---|---|---|---|
| Manuel T. Sia, Jr. | Chairman | 4 | 100% |
| Lung Fai Chan | Member | 3 | 75% |
| Maximino A. Salang, Jr. | Member | 3 | 75% |
| Jimmy C. Tee | Member | 3 | 75% |
| Niezl C. Delica | Member/ Head of Audit and Risk | 4 | 100% |
| Dorefel A. Barit | Member/ Chief Compliance Officer | 4 | 100% |
| | **Total Meetings Held** | **4** | **100%** |

## RPT

The **Related Party Transactions Committee** assists the Board of Directors in fulfilling its oversight responsibilities in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. It possesses the authority to approve all material related party transactions, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting; and delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors.

### RPT MEETINGS 2018

| Name of Committee Member | Position Held | Meetings Attended | Rating % |
|---|---|---|---|
| Manuel T. Sia, Jr. | Chairman | 4 | 100% |
| Lung Fai Chan | Member | 3 | 75% |
| Maximino A. Salang, Jr. | Member | 4 | 100% |
| Jimmy C. Tee | Member | 3 | 75% |
| | **Total Meetings Held** | **4** | **100%** |

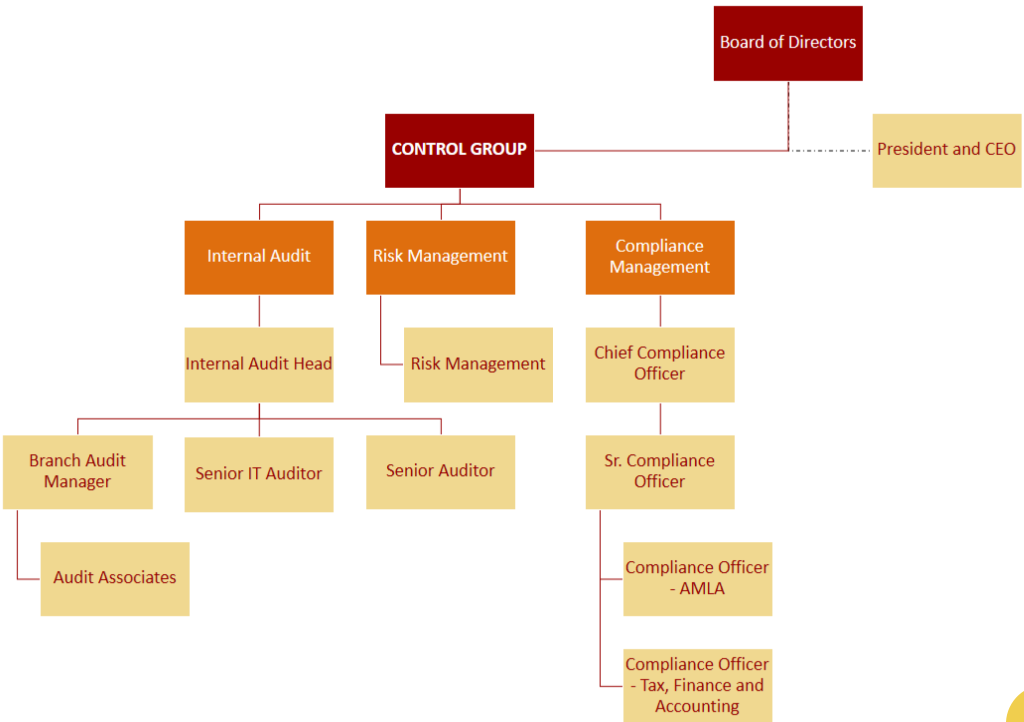
## SELF-ASSESSMENT FUNCTIONS

Among best practices and standards adopted by Enterprise Bank to strengthen controls and internal compliance is depicted through the presence of established independent units of the Bank – the Internal Audit, Compliance and Risk Management Departments. These departments have been delegated by the Board to perform oversight functions whose appointed department heads perform quarterly reporting to the ARCCo. Meanwhile, during the course of regular banking days within the span of time after every ARCCo meetings, these departments report to the President matters needing immediate attention by Senior Management and collaboration with functional units of the Bank for the implementation of self-assessment activities.

Internal Audit Department (IAD) assists the Bank and the Board in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. IAD is mandated to ensure adherence of all operating units to policies and procedures approved by the Board as imposed and implied in its operations and product manuals. The Internal Audit Head who leads the department ensures that the internal audit function complies with sound internal auditing standards (Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regularity authorities/government agencies, as well as with Internal Auditors' Code of Professional Ethics). IAD's recommendations to improve operations are timely discussed and coordinated with the Management through the President and CEO where progress reports of Management actions plans are discussed deliberated and reported during ARCCo meetings.

The Compliance Department functions independently and reports directly to the Board through ARCCo to oversee and coordinate the implementation of the bank's compliance system. Led by the Chief Compliance Officer, the department's primary duties include the identification, monitoring and controlling of compliance risk.

The Risk Management Office is responsible for the development and oversight of the institution's risk management program. It oversees the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.



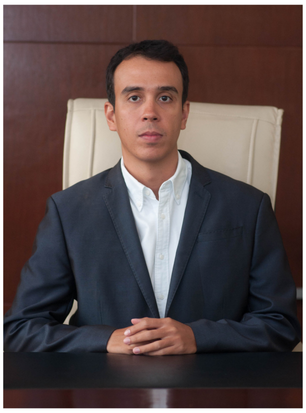
# THE CORPORATE OFFICERS

**Alberto P. Capati**
*President and*
*Chief Executive Officer*
*Nationality: Filipino*
*Age: 67*

Mr. Capati is an international consultant focused in enterprise and entrepreneurship development, business development services, and technical-vocational education and training. He gained his work experiences in different countries in Asia, Africa, Europe, and the Middle East.

Among his domestic experiences includes being a training associate and eventually as the Director for Training and the Director for Operations at the University of the Philippines Institute for Small-Scale Industries. He also served as Chief Executive Officer and Chairperson of the 888 Loans Corporation and the former President and Chairman of the Board of the Philippine CEFE Network Foundation, Inc.

He became President and CEO of the Bank in January 1, 2018.



**Kent Patrick A. Young**
*Corporate Secretary*
*SVP/Chief Commercial Officer*
*Nationality: Filipino*
*Age: 36*

Prior to Mr. Young's employment in Enterprise Bank, Inc. in May 2010, he was a Group Manager for the Advisory Services of Thompson Reuters, a Consultant Analyst of Altus Transactional Services and worked in the Treasury Division of Keppel Bank for various positions as Money Market Trader and Chief Foreign Exchange Trader.

He is a certified Money Market and Foreign Exchange Trader who finished a degree in Business Management in Ateneo de Manila University and earned post graduate units in Computational Finance in De L Salle University.

**Joy G. Politico**
*Treasurer and*
*Chief Financial Officer*
*Nationality: Filipino*
*Age: 43*

A Certified Public Accountant who completed a degree with cum laude honors in Bachelor of Science in Accountancy and post graduate degree in Business Administration at Ateneo de Davao University

Prior to joining Enterprise Bank, Inc. she handled various significant posts in Punongbayan & Araullo as Audit Junior, Audit Senior, until Senior Manager for Audit and Assurance.

**Ma. Conchita B. Dañocup**
*Credit Head*
*Nationality: Filipino*
*Age: 54*

A Certified Public Accountant who also earned cum laude honors in Accountancy at the Ateneo de Davao University.

Prior to joining the Enterprise Bank, Inc. in June 2014, she gained her 22-year banking experience at One Network Bank, Inc. where she handled positions such as Branch Accountant, Chief Accountant, Branch Manager, Cluster Head until the Credit Department Head position.

She also enjoyed being a freelance management consultant and a part time faculty member of the Ateneo de Davao University way back 2011.

**Atty. Claire Marie B. Mauro**
*Chief Compliance Officer and Legal Counsel*
*Nationality: Filipino*
*Age: 42*

A laywer who earned her degree in the Bachelor of Laws in Ateneo de Davao University and a degree in BS Agriculture at the University of the Philippines - Los Baños.

Prior to joining the Bank in May 2014, she served as Data Anayst of an international company engaged in banana exports, a technical staff of the Department of Agriculture Region XI and an administrative Assistant of an international beverage company.

**Jenisie D. Porot**
*Internal Audit Head*
*Nationality: Filipino*
*Age: 28*

A Certified Public Accountant who earned a degree in Bachelor of Science in Accountancy at the University of Mindanao - Tagum College.

Prior to joining Enterprise Bank, Inc. in April 2015, she handled posts in Accounting in two private companies in the span of three years after a year and a half service as an Internal Audit Staff of a rural bank in Kapalong, Davao del Norte.

**Reymon R. Erezo**
*Risk Management Officer*
*Nationality: Filipino*
*Age: 39*

A former college instructor of the University of Mindanao, Mr. Erezo earned his graduate diploma degree in Econometrics at the University of Southeastern Philippines after his return to the Bank in August 2015.

He attended various external and internal capability building trainings in Enterprise Risk Management.

The composition of the Bank's Senior Management team is deliberated by members of Key Officers of the Bank and some members of the Board particularly Executive Directors whose candidates for the positions to be filled-in are pre-screened led by the head of the Human Resource Management Department. The candidates' fitness are primarily based on education, training, possession of competencies relevant to function and integrity. Required number of banking experience are also considered for certain positions mandated by the Bangko Sentral ng Pilipinas. The selection process is then finalized with the Board of Directors' resolution for the appointment of the fit candidate.

# OTHER MEMBERS OF THE MANAGEMENT TEAM

**Mark Louie T. Salinas**
*Retail Banking Services Head*
*Nationality: Filipino*
*Age: 39*

Mr. Salinas earned a degree in Bachelor of Science in Computer Engineering in the University of San Jose Recoletos and earned nine units in Masters in Business Administration at the University of Southeastern Philippines.

He joined Enterprise Bank. Inc. since July 2002 and has gained his 16-year of relevant banking experience through various posts in the banking operations ranging from Accounting, Clearing, Treasury, Sales and Brach Operations.

**Elias M. Tanjili**
*Retail Banking Branch Operations Head and Training Director*
*Nationality: Filipino*
*Age: 50*

Mr. Tanjili is a seasoned banker who earned his 19-year commercial banking experience in RCBC after a 2-year service in a cooperative rural bank.

He joined Enterprise Bank, Inc. in January 2012.

A graduate of BS. Commerce major in Accounting at the Ateneo de Davao University.

**Ian Y. Caangay**
*Information System and Technology Head*
*Nationality: Filipino*
*Age: 39*

Mr. Caangay earned his 17-year banking experience from three bank including Enterprise Bank, Inc. He served four years in Micro Enterprise Bank in various positions in the field of accounting, audit, IT and loans before the bank was acquired by Planters Bank Development Bank which he served as credit investigator and appraiser prior to joining EBI in September 2011.

He earned a degree in BS Accountancy at Ateneo de Davao University and 18 post graduate units in Information Technology in the University of Southeastern Philippines.

**Ruby L. Candado**
*Corporate and HR Dev't. Head*
*Nationality: Filipino*
*Age: 36*

Ms. Candado earned a degree in Business Economics in Mindanao State University – Iligan Institute of Technology and completed 36 post graduate units for Diploma in Economics at the University of Southeastern Philippines.

She joined Enterprise Bank, Inc. since June 2006 and handled various posts in the field of Finance, Planning, Risk Management and Human Resource Development.

From left to right: Ms. Jenesie D. Porot, Mr. Elias M. Tanjili, Ms. Ruby L. Candado, Mr. Ian Y. Caangay, Mr. Reymon R. Erezo, Atty. Claire Marie B. Mauro, Ms. Maria Conchita B. Dañocup, and Ms. Joy G. Politico

## PERFORMANCE ASSESSMENT PROGRAM

It is the policy of Enterprise Bank, Inc. to provide feedback, review progress, identify gaps and address potential issues for the advancement of its employees and even members of the Board.

The members of the Board undergoes performance review through annual self-assessment of themselves through an adopted performance self-assessment questionnaires which will help them assess their competence and independence of the body, commitment to corporate governance, transparency, committee activity and audit and risk oversight. They also conduct self-assessment review of their Board committee memberships aided by questionnaires aimed to determine the effectiveness and fitness of the committee composition, processes undertaken by the committee in the course of conducting their oversight functions and the tasks undertaken by the committee based on Board's mandate.

Aided with performance management tools and assessment questionnaires, the Bank led by its Human Resource Management Department ensure the conduct of at periodic performance reviews (monthly, quarterly, semi-annual and annual) as it deemed fits and applicable to its employees for regularization, promotion, transfer to other fields, annual salary review, succession planning and training and development.

## ORIENTATION AND EDUCATION PROGRAM

It is a corporate vision to accord deserving employees a venue for professional advancement by means of training and specialized courses in field of expertise and continuing education during off-work hours which is deemed beneficial to both the individual and the Bank.

In order for its employees to become effective in their jobs, the bank regularly conducts training needs analysis to know what are the skills needed to enhance. The bank then provides both external and internal training as deemed necessary. Employees who are recommended to be sent to external trainings are granted full assistance.

In 2018, the Bank institutionalizes an improved new-employee and BOD on-boarding program aimed to provide the new entrant to the company a complete "Know Your Organization" two-day sessions. For some specialized and technical positions, a special on-boarding program are conducted. Branch Academy trainings are in-house platforms also provided to newly hired and newly promoted personnel for them to better appreciate the responsibilities of each department and the Bank as a whole; and to prepare them for the actual job.

Members of the Board are required to attend external trainings related to Corporate Governance, AMLA seminars and the like. Participation in meetings initiated by the Chamber of Thrift Banks was also instrumental for the Board of Director to be kept abreast of the latest trends in the banking industry and on updates in the regulations.

The Bank also takes advantage of the technology in its launching of webinars. Through webinars, employees are provided with reading materials, audio visual presentations and educational videos to get updated and well-informed of the latest trends pertinent to enriching skills and competencies gearing towards productivity and efficiency. In each participation of the webinars, the employee-participants are then required to undergo a post-lecture exam to assess how the employee-participant have understood and appreciated the topic provided.

# RETIREMENT PROGRAM

Enterprise bank is concerned with the welfare of its employees, and ensures the provision of benefits even during separation. It is the policy of the Bank to comply with the requirement of the law to provide employees retirement benefits subject to the terms and conditions of the established Retirement Program.

The plan established is a non-contributory retirement plan which provides for post-employment or retirement benefit plan and termination benefit plan.

The retirement benefits are provided to employees through a defined benefit plan that defines an amount of retirement benefit an employee will receive on retirement, dependent on age, years of service and salary. The Bank's defined benefit retirement plan covers all regular full-time employees whose retirement benefits are paid in lump sum payments at the time of the allowable retirement age - 60 or 65. An early retirement at the age of 50 is considered a management-initiated program follows a different set of terms and conditions approved by the management and the board.

Moreover, 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.

Further, voluntary separation benefits are also considered by the Bank's retirement plan for employees who have served at least five consecutive years in accordance with the vesting schedule set forth in the program while employees separated due to death or disability are granted with all accrued retirement benefits plus a fixed amount.

For Members of the Board holding management positions and forms part of the manpower complement of the Bank are qualified for the retirement benefit plan in place, otherwise, the Director shall receive benefits prescribed in the Bank's by-laws.

A Director of the Bank is required to serve at least one year effective from the date of his election. Unless a director shall sooner resign, be removed from office, or becomes unable to act by reason of death, disqualification, or otherwise, he shall hold office during the term for which elected and until his qualified successor is elected in next annual meeting of the stockholders.

## SUCCESSION PROGRAM

In order to ensure continuous coverage of primary duties critical to the ongoing operations of Enterprise Bank, Inc. and its services to clients, the Bank adopts policies and procedures for short-term replacement and permanent appointment of second line management personnel in the event of an unplanned and/or extended absence, retirement and/or resignation of the incumbent.

The Bank undertakes a systematic effort and process of identifying and developing suitable employees by cultivating talents from within the organization through planned development activities like mentoring, training and job rotation to replace key positions. It involves having the right leadership in place at every level to ensure continuity of management within an organization.

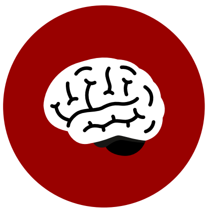
# REMUNERATION POLICY

Enterprise Bank's By-Laws provides no compensation to be paid to any director as such but the director of the Bank may be allowed reasonable honoraria for actual attendance at meetings to defray fare and other actual expenses incurred in connection thereto and in recognition of the valuable management time devoted.

Moreover, salaries of the executive officers of the Bank are fixed following remuneration system approved by the Board of Directors. For the year 2018, among the highest paid officers of the Bank are personnel handling the positions of President and CEO, Chief Commercial Officer, Chief Financial Officer and Credit Head.

At all times, the Bank adheres to Labor Standards in the payment of wages and benefits to its employees. Its compensation and incentive structure is in accordance to mandates set by the regulators and the Bank's By-laws.  The Bank is concerned with the welfare of its employees, and ensures the provision of competitive and equitable salaries.

As a standard basis in classifying the positions, the Bank adapts the Point Rating Scale Methods in assessing the value of jobs available in the organization and in pricing them correspondingly in accordance with defined compensable factors. Under this method, jobs are broken down based on various identifiable factors as follows:



**Knowledge**

- Education
- Experience

**Skills**

- Complexity
- Relationship with Others
- Attention and Concentration

**Responsibility**

- Profit Realization and/ or Cost Control and Planning
- Supervisor or Direction
- Confidential Information

**Effort**

- Mental and Visual
- Physical

**Working Conditions**

- Health and Safety Hazards
- Physical Condition

Each level has an established pay range for hiring, minimum, midpoint and maximum rate which serves as a guide for both Human Resource Management and Compensation and Benefits Units in determining appropriate price for a new entrant or a newly promoted employee. Also provided are defined Steps in each Rank for ladderized salary movement where the granting of increase is not driven by promotion in rank but on consistently creditable performance within the established job perimeters.

## INCENTIVE STRUCTURE

The Incentive Structure varies considering peculiarities in the department belonging to the business group and the defined performance parameters and standards set year on year. On the over-all, while the management palpably recognizes achievements beyond expectation, it also considers contribution to the bottom line in the administration of reward.

## DIVIDENDS POLICY

Enterprise Bank's dividend policy is determined by agreement of the Board of Directors. It shall be distributed to stockholders, either in cash or stock or both, subject to the policy and pertinent rules and regulations of the Bangko Sentral ng Pilipinas. Section 5 of the Bank's By-Laws stipulates the manner that dividends are distributed. The dividends to be distributed are the remaining sums after the Bank's earnings are appropriately applied for capital retirement fund to provide for the gradual retirement of the redeemable preferred stock-government and redeemable preferred stock-private, establishment and maintenance of reserve for bad and/or doubtful accounts and replenishment of any impairment to capital.

# CONSUMER PROTECTION

Consumer protection is regarded as a core function complementary to BSP's prudential regulation and supervision, financial stability, financial inclusion and financial education agenda. Hence, all BSP-supervised financial institutions are mandated to follow at least the minimum guidelines for institutionalizing consumer assistance mechanism in their operations.

In view of Circular No. 857 series of 2014, for the protection of Enterprise Bank, Inc. and to assure that every customer's needs are met and are satisfied with the services they receive, the Bank created the Consumer Assistance Management System (CAMS).

The Board's responsibility to ensure delivery of effective recourse to its consumers is depicted in the consumer assistance policies and procedures embodied in the CAMS – which is designed to instill within the bank's day to day operations the promotions of transparency, fairness and ease of access for financial consumers including the resolution of complaints.

The Senior Management is responsible for the effective implementation of the CAMS and adoption of the established risk management system tools and practices. This responsibility is further delegated to the Consumer Assistance Officer who monitors the consumer assistance process, analyzes nature of complaints, develops recommendations and solutions and reports to Senior Management and the Board (through ARCCo) status of the complaints.

At the branches and offices, personnel designated to perform consumer assistance activities submits complaints report to the Consumer Assistance Officer. They are also provided with appropriate trainings for the job to be equipped with knowledge on the structure and implementation of the bank's consumer assistance mechanism.

Processes and procedures in identifying, measuring, monitoring and controlling consumer protections risks are aligned with the established risk management system and tools of the Bank closely coordinated with the Risk Management Office and Compliance Department.

Enterprise Bank ensures that complaints received are acted upon and are treated with utmost care and confidentiality. It is also recorded in a complaints/request register maintained and being utilized for monitoring, risk analysis and action planning.

# CONSUMER ASSISTANCE CHANNEL

01

*Customer may lodge their concerns through any reasonable mean, such as, a centralized web portal, walk-in or personal visit, letter, e-mail, telephone and facsimile.*

02

*The Bank maintains a customer/client assistance help desk or hotline dedicated for customers concerns and service and manned by Customer Assistance Group.*

03

*The bank encourages to resolve customer/client complaints by providing alternative modes of resolution, such as conciliation, mediation and arbitration, in order to achieve settlement of the issues at the bank level.*

# RISK MANAGEMENT

The Board and Management of Enterprise Bank, Inc. believes that risk management is an essential element of good governance, thus it fully supports a bank-wide RM that looks into the adequacy of controls in addressing all the risk of the Bank. It adopts an integrated risk management approach that encompasses all possible risk the bank could encounter, the Enterprise Risk Management.

Overall risk management oversight is instigated by the Board of Directors of the Bank who established Board committees to oversee the increasingly varied risk management activities of the Bank with active participation of the Senior Management.

The board oversight approves the RM Framework of the bank, as well as, the RM policies and procedures and other forms of controls proposed to manage the risks. Risk management and appetite statement of EBI is manifested in the policies, processes and procedures adopted to operate the deposit-taking and lending activities of the Bank. It is undertaken in the context of the Bank's vision, mission and strategies considering existing structure, products and services, communication processes and infrastructure support.

The Audit, Risk and Compliance Committee (ARCCo) proactively assists the Board of Directors in fulfilling its oversight responsibilities over the Bank's financial reporting policies, practices, internal and external audit functions, as well as, risk management and compliance functions. At the Management level, the President of Enterprise Bank acts as the comprehensive risk officer that sets the risk priorities of the bank and aligns business and risk strategies.

Specific risks are mapped with the proper management committees. The Executive Committee provides general oversight of the strategic and business risks of EBI. The Asset-Liability Committee provides risk oversight in balancing the Bank's financial assets, ensuring a sound mix of assets and liabilities. The Credit Committee oversees, reviews and recommends prudent lending policies, standards and procedures in respect to lending operations in order to avoid undue credit risk and potential loss that defeats achievement of reasonable returns as determined and approved by the Board. The Management Committee ensures the smooth implementation of EBI's plans and programs and oversees operational risks. These committees provide recommendations and valuable inputs to the President and the Board for decision-making. The Risk management Office performs an independent function within the Bank and is responsible for establishing and maintaining the banks risk policy framework.

With a working Enterprise Risk Management approach, EBI expects to increase operational efficiencies, enhance Bank resilience as manifested by a strong capital base and sustain growth through the achievement of target profitability level. An effective risk management should likewise expand EBI's client reach and enable the Bank to generate revenues that would allow it to continue and increase its contributions to its social development mandate or corporate social responsibility.

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 to total equity excluding: (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP; (b) total outstanding unsecured credit accommodations to DOSRI; (c) deferred tax asset or liability; (d) sinking fund for redemption of redeemable preferred shares; and, (e) 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 Monetary Board of the BSP. The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base aimed at upholding stockholders', creditors' and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. It has complied with the requirement on the ratio of combined capital accounts against the risk assets.

| | AMOUNT (IN MILLIONS) |
|---|---|
| Tier 1 Capital | 181.52 |
| Tier 2 Capital | 75.97 |
| **Total Qualifying Capital** | **257.50** |
| Capital requirements for credit risk | 2,171.30 |
| Capital requirements for market risk | 0.00 |
| Capital requirements for operational risk | 364.03 |
| | |
| **Total CAR (%)** | **10.16%** |
| **Tier 1 CAR** | **7.16%** |

Breakdown of Qualifying Capital (in millions)

| | TIER 1 | TIER 2 | TOTAL |
|---|---|---|---|
| Core Capital | | | |
| Paid up Common Stock | 251.67 | - | 251.67 |
| Retained Earnings | (21.30) | - | (21.30) |
| Undivided Profits | 10.31 | - | 10.31 |
| Paid up Perpetual and Cumulative Preferred Stock | - | - | |
| Paid-up limited life redeemable preferred stock with | - | 51.57 | 51.57 |
| the replacement upon redemption | - | | |
| General Loan Loss Provision | - | 14.41 | 14.41 |
| Unsecured Subordinated Debt | - | 10.00 | 10.00 |
| Deductions | | - | |
| Deferred Tax Asset | 59.16 | - | 59.16 |
| Unbooked valuation reserves | - | - | - |
| Unsecured Loans to DOSRI | - | - | - |
| Total Operational Risk-weight Assets | - | - | - |
| **Total Qualifying Capital** | **181.52** | **75.97** | **257.50** |

## OVERALL ANTI-MONEY LAUNDERING AND TERRORIST FINANCING RISK MANAGEMENT

Consistent with the Bank's mission of full compliance to existing laws and regulations, the Board and Management are in unison in combating and condemning any money laundering and terrorist financing activities. Measures undertaken by the bank involves heavy reliance on its enhanced KYC policies and procedures to assess the risk profile of its clienteles in relation to AMLA compliance. Other risk mitigating control is cross-referencing the account names of newly opened accounts against the UN Sanction List. Any applicant assessed as high risk or will potentially expose the Bank to money laundering and terrorist financing will not be allowed to open an account with the Bank.

Managing risks associated with money laundering and terrorist financing is both undertaken in the branches and head office. Branch personnel are trained and equipped to detect and diligently report suspicious transactions to the Compliance Department. Transactions, whether falling under CTR or STR, are further assessed by the Compliance Department to make the appropriate directive to the concerned branch or office to adopt measures such as conducting enhanced due diligence or immediate account closure with due notice to the account holder. The Compliance Department then processes the reports for submission to the AMLC on a timely manner.

# FINANCIAL STATEMENTS

# REPORT OF INDEPENDENT AUDITORS

*The Board of Directors and Shareholders*
**Enterprise Bank, Inc. (A Thrift Bank)**

*Qualified Opinion*

*We have audited the financial statements of Enterprise Bank, Inc. (A Thrift Bank) which comprise the statements of financial position as at December 31, 2018, 2017 and 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2018 and 2017, and notes to financial statements, including a summary of significant accounting policies.*

*In our opinion, except for the effects of the matters described in the Bases for Qualified Opinion Section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Enterprise Bank, Inc. (A Thrift Bank) as at December 31, 2018 and 2017, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).*

*Bases for Qualified Opinion*

*The following form the bases of our qualified opinion:*

*(a) As explained in Note 5 to the financial statements, the 2017 financial statements were restated for the additional allowance for expected credit losses (ECL) representing a change in the accounting estimate of the adequacy of the 2016 and prior years' loan loss provisions, determined in December 31, 2018, amounting ₱57,291,292. The booking of additional ECL affected the deferred tax assets account by ₱17,187,388 and the opening balance of the 2017 surplus and undivided profits by ₱40,103,904. In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in (a) in the period of the change, if the change affects that period only, or (b) the period of the change and future periods, if the change affects both. It is our opinion that the additional ECL should have been booked only in 2018.*

*(b) As also explained in Note 5 to the financial statements, the Bank did not book the required 2018 additional ECL of ₱97,223,439, the minimum ECL computed using Appendix 18 of BSP Circular No. 855, Series of 2014, since the Bank considers such amount as an offset against the remaining balance of the unamortized incentives granted by BSP, totaling ₱97,693,175, scheduled for booking annually until 2021. These incentives covered: a) the losses incurred by the Bank due to Typhoon Yolanda in 2014, which amounted ₱2,893,175, and b) the incentives granted on September 28, 2017 (based on the onsite examination of BSP completed on March 29, 2017), which allowed the Bank to book on staggered basis for a period of five (5) years from 2017 until 2021, the deficiency in the ECL of ₱158 million with a net unamortized balance as at December 31, 2018 amounting ₱94,800,000.*

*Had the Bank booked the required ECL as of December 31, 2018, as explained in the preceding two paragraphs, its reported profit for the year ended December 31, 2018, reported at ₱10,307,064, will reverse to a net loss of ₱38,588,382, and its loans and other receivables presented in the statement of financial position at ₱1,717,126,297 will be reduced by the amount of the additional ECL of ₱97,223,439. Corollary to the booking of this additional ECL, the Bank's deferred tax assets will be increased by ₱29,167,032 representing the anticipated tax benefits of the additional ECL.*

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

*<u>Responsibilities of Management and Those Charged with Governance for the Financial Statements</u>*
*Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

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

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

*<u>Auditors' Responsibilities for the Audit of the Financial Statements</u>*
*Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.*

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

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

Luilab L Garsuta, CPAs

*PTR No. 4070910 A*
*January 3, 2019*
*Cagayan de Oro City*

*April 8, 2019*
*Cagayan de Oro City, Philippines*

# STATEMENTS OF FINANCIAL POSITION

*Enterprise Bank, Inc. (A Thrift Bank)*

| *December 31* | **2018** | *2017* | *2016* |
|---|---|---|---|
| | | *(As Restated)* *(Notes 5, and 15)* | *(As Restated)* *(Notes 5 & 15)* |
| **ASSETS** | | | |
| **Cash and Cash Equivalents** *(Note 4)* | **Php 294,534,674** | *Php 446,987,887* | *Php 386,345,910* |
| **Loans and Other Receivables** *(Note 5)* | **1,717,126,297** | *1,642,907,716* | *1,535,860,178* |
| **Investments in Government bonds** *(Note 6)* | **33,154,412** | *32,964,528* | *5,000,000* |
| **Bank Premises, Furniture, Fixtures and Equipment** *(Note 7)* | **84,933,019** | *82,298,176* | *76,265,131* |
| **Investment Properties** *(Note 8)* | **92,815,093** | *65,517,368* | *65,799,756* |
| **Other Assets** *(Note 9)* | **93,416,031** | *99,911,408* | *105,798,116* |
| | **Php 2,315,979,526** | *Php 2,370,587,083* | *Php 2,175,069,091* |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Liabilities** | | | |
| *Deposit liabilities (Note 10)* | **Php 1,475,668,453** | *Php 1,426,822,254* | *Php 1,332,103,655* |
| *Bills payable (Note 11)* | **436,604,366** | *557,939,117* | *504,942,524* |
| *Unsecured subordinated debt (Note 12)* | **50,000,000** | *50,000,000* | *50,000,000* |
| *Other liabilities (Note 13)* | **113,022,788** | *118,422,559* | *122,887,761* |
| *Total Liabilities* | **2,075,295,607** | *2,153,183,930* | *2,009,933,940* |
| **Shareholders' Equity** | | | |
| *Share capital (Note 14)* | **251,672,600** | *242,376,400* | *198,667,300* |
| *Surplus and undivided losses (Notes 14 and 15)* | **(10,988,681)** | *(24,973,247)* | *(33,532,149)* |
| *Total Shareholders' Equity* | **240,683,919** | *217,403,153* | *165,135,151* |
| | **Php 2,315,979,526** | *Php 2,370,587,083* | *Php 2,175,069,091* |

*See Notes to Financial Statements.*

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Enterprise Bank, Inc. (A Thrift Bank)*

| *Years Ended December 31,* | **2018** | *2017* |
|---|---|---|
| **INTEREST INCOME** | | |
| *Loans and discounts (Note 5)* | **Php 232,957,478** | *Php 236,862,962* |
| *Bank deposits and investments (Notes 4 and 6)* | **4,724,744** | *3,588,702* |
| | **237,682,222** | *240,451,664* |
| **LESS INTEREST EXPENSE** | | |
| *Bills payable (Notes 11 and 12)* | **31,297,016** | *33,108,981* |
| *Deposit liabilities (Note 10)* | **47,473,218** | *50,468,889* |
| | **78,770,234** | *83,577,870* |
| **NET INTEREST INCOME** | **158,911,988** | *156,873,794* |
| **PROVISION FOR EXPECTED CREDIT LOSSES (ECL)** *(Notes 5 and 8)* | **356,467** | *1,074,000* |
| **PROFIT AFTER PROVISION FOR ECL** | **158,555,521** | *155,799,794* |
| **LOAN PROCESSING FEES AND OTHER INCOME** *(Notes 8 and 16)* | **88,988,818** | *85,010,781* |
| **PROFIT BEFORE OTHER EXPENSES** | **247,544,339** | *240,810,575* |
| **OTHER EXPENSES** | | |
| *Compensation and fringe benefits (Note 17)* | **91,341,195** | *92,967,055* |
| *Other operating expenses (Note 18)* | **128,298,650** | *124,449,568* |
| *Depreciation (Notes 7 and 8)* | **13,097,556** | *10,857,199* |
| *Total Other Expenses* | **232,737,401** | *228,273,822* |
| **PROFIT BEFORE INCOME TAX EXPENSE** | **14,806,938** | *12,536,753* |
| **INCOME TAX EXPENSE** *(Note 19)* | **4,499,874** | *3,309,507* |
| **PROFIT FOR THE YEAR** | **10,307,064** | *9,227,246* |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | |
| *Item that may not be subsequently reclassified to profit or loss:* | | |
| *Actuarial and re-measurement losses (Note 17)* | **3,677,502** | *1,559,471* |
| **COMPREHENSIVE INCOME FOR THE YEAR** | **Php 13,984,566** | *Php 10,786,717* |
| **Earnings Per Share** *(Note 20)* | | |
| *Basic* | **Php 4.24** | *Php 4.21* |
| *Diluted* | **Php 4.24** | *Php 4.21* |

*See Notes to Financial Statements.*

## STATEMENTS OF CHANGES IN EQUITY

*Enterprise Bank, Inc. (A Thrift Bank)*

| *December 31* | **2018** | *2017* |
|---|---|---|
| | | *(As Restated)* *(Notes 5 and 15)* |
| **SHARE CAPITAL** *(Note 14)* | | |
| **Preferred Shares** – *Php 100 par value* | **Php –** | **Php –** |
| **Common Shares** – *Php 100 par value* | | |
| *Opening balances* | **242,376,400** | *198,667,300* |
| *Additional shares issued during the year* | **9,296,200** | *43,709,100* |
| *Closing balances* | **251,672,600** | *242,376,400* |
| *Total Share Capital* | **251,672,600** | *242,376,400* |
| **SURPLUS RESERVES** *(Note 14)* | | |
| **Surplus Reserves** | | |
| *Opening balances* | **28,430,427** | *19,952,713* |
| *Transfer from surplus to reserve (Note 14)* | **–** | *8,477,714* |
| *Closing balances* | **28,430,427** | *28,430,427* |
| **Accumulated Actuarial Gains/(Losses)** *(Note 17)* | | |
| *Opening balances, as originally stated* | **3,579,759** | *–* |
| *Set-up actuarial losses in prior years* | **–** | *2,020,288* |
| *Opening balances, as restated* | **3,579,759** | *2,020,288* |
| *Actuarial gain on defined benefit plan, net of tax effect (Note 17)* | **3,677,502** | *1,559,471* |
| *Closing balances* | **7,257,261** | *3,579,759* |
| **Surplus and Undivided Profits (Losses)** | | |
| *Opening balances, as originally stated* | **(16,879,529)** | *9,129,674* |
| *Adjustments to restate beginning balances (Note 15)* | **(40,103,904)** | *(66,862,639)* |
| *Opening balances, as restated* | **(56,983,433)** | *(57,732,965)* |
| *Transfer from surplus free to reserve (Note 14)* | **–** | *(8,477,714)* |
| *Profit for the year* | **10,307,064** | *9,227,246* |
| *Closing balances* | **(46,676,369)** | *(56,983,433)* |
| *Total Reserves* | **(10,988,681)** | *(24,973,247)* |
| | **Php 240,683,919** | *Php 217,403,153* |

*See Notes to Financial Statements.*

## STATEMENTS OF CASH FLOWS

*Enterprise Bank, Inc. (A Thrift Bank)*

| *Years Ended December 31,* | **2018** | 2017 |
|---|---|---|
| | | *(As Restated)* *(Notes 5, 15 and 18)* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| *Profit before income tax expense* | **Php 14,806,938** | *Php 12,536,753* |
| *Add adjustments for:* | | |
| *Depreciation (Notes 7 and 8)* | **13,097,556** | *10,857,199* |
| *Provision for retirement benefits (Note 17)* | **2,603,803** | *521,863* |
| *Provision for ECL on loans and other receivables (Notes 5 and 8)* | **356,467** | *1,074,000* |
| *Operating income before changes in working capital* | **30,864,764** | *24,989,815* |
| *Changes in working capital, excluding cash and cash equivalents:* | | |
| *Decrease (increase) in:* | | |
| *Loans and other receivables (Note 5)* | **(74,218,581)** | *(164,383,830)* |
| *Other assets (Note 9)* | **6,138,910** | *22,544,096* |
| *Increase (decrease) in:* | | |
| *Deposit liabilities (Note 10)* | **48,846,199** | *94,718,599* |
| *Other liabilities (Note 13)* | **(11,998,486)** | *(5,564,174)* |
| *Net cash provided (used in) by operations* | **(367,194)** | *(27,695,494)* |
| *Income taxes paid (Note 19)* | **(504,962)** | *(2,732,398)* |
| *Net Cash Used in by Operating Activities* | **(872,156)** | *(30,427,892)* |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| *Proceeds from additional bills payable (Note 11)* | **547,550,847** | *613,580,618* |
| *Settlements of bills payable (Note 11)* | **(668,885,598)** | *(560,584,025)* |
| *Issuance of additional common stock (Note 14)* | **9,296,200** | *43,709,100* |
| *Re-measurement of gains on defined benefit plans (Notes 15 and 17)* | **3,677,502** | *1,559,471* |
| *Direct charges to surplus and undivided profits (Note 15)* | **–** | *37,876,089* |
| *Net Cash (Used in) Provided by Financing Activities* | **(108,361,049)** | *136,141,253* |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| *Increase in held-to-maturity investments (Note 6)* | **(189,884)** | *(27,964,528)* |
| *Additions to bank premises, furn., fixt. & equipment – net (Note 7)* | **(13,391,177)** | *(16,422,661)* |
| *Increase in investment properties (Note 8)* | **(29,638,947)** | *(684,195)* |
| *Net Cash Used for Investing Activities* | **(43,220,008)** | *(45,071,384)* |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(152,453,213)** | *60,641,977* |
| **OPENING CASH AND CASH EQUIVALENTS** | **446,987,887** | *386,345,910* |
| **CLOSING CASH AND CASH EQUIVALENTS** *(Note 4)* | **Php 294,534,674** | *Php 446,987,887* |

*See Notes to Financial Statements.*

# NOTES TO FINANCIAL STATEMENTS

*Enterprise Bank, Inc. (A Thrift Bank)*

*As of and for the Years Ended December 31, 2018 and 2017*

---

**Note 1**
**Organization**

*The Enterprise Bank, Inc. (A Thrift Bank) (to be referred henceforth as 'Bank') was originally organized on May 10, 1976, to engage and carry on the business of a rural bank. On June 28, 2012, the Securities and Exchange Commission approved the conversion of the Bank from a rural bank to thrift bank. On July 24, 2012, the Bangko Sentral ng Pilipinas (BSP) granted the Bank the authority to operate as Thrift Bank. The Bank started to operate as a Thrift Bank on October 1, 2012.*

*The Bank's registered office and principal place of business is located at Poblacion Lianga, Surigao del Sur. It operates 31 offices within the islands of Mindanao and Visayas.*

*Recent Developments*

*The Bank is presently obtaining the approval of Bangko Sentral ng Pilipinas (BSP) for a merger with the Rural Bank of Ronda, Inc., a rural bank with principal office address at the Municipality of Ronda, Province of Cebu, with the Bank as the surviving entity. The Bank already submitted to BSP all the required documentations of the merger on December 16, 2016 and is presently applying and complying with the requirements of the Securities and Exchange Commission (SEC) for the required amendments of its Articles of Incorporation. The merger will secure for the Bank a stronger foothold in the Cebu Province market by adding a new branch on top of the existing branches in Talisay City, which operated in 2010, and in Tipolo, Mandaue City, which opened in 2016. The Bank expects to obtain benefits provided by BSP Memorandum No. M-2016-023, dated December 21, 2016, on this merger.*

---

**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.*

*Statement of Compliance*

*The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include 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.*

*Basis of Preparation*

*The financial statements have been prepared under historical cost conventions. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in Philippine peso, which is the Bank's functional and presentation currency and all values are recorded to the nearest peso except when otherwise indicated. The accounting policies used in the preparation of these financial statements have been consistently applied since the previous year.*

*The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at statement of financial position date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at statement of financial position date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.*

*Presentation of Financial Statements*

*The Bank's statements of financial position are presented broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) are disclosed in Note 23. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.*

*In accordance with PAS/AIS 1, Presentation of Financial Statements, a third statement of financial position is presented since the Bank restated its accounts and the adjustments made had a material effect on the information presented in the statement of financial position at the beginning of 2017.*

*In implementing PFRS 9 for the first time, the Bank has not restated comparative information for 2017 for financial instruments in the scope of PFRS 9. Therefore, the comparative information for 2017 is reported under PAS/IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of PFRS 9, if any, have been recognized directly in Surplus and Undivided Profits (Losses) as of January 1, 2018 and are disclosed accordingly.*

*Changes in Accounting Policies Beginning January 1, 2018*

*The Bank has not adopted early any standard, interpretation or amendment that has been issued but is not yet effective. The Bank has adopted new financial reporting standards impacting the Bank beginning January 1, 2018. These standards are the following:*

- *PFRS 9 Financial Instruments*

  *The Bank has adopted PFRS 9 from January 1, 2018 for the first time. The Bank adopted the new guidance for accounting for financial instruments and applied the Standard using the transitional relief allowing the Bank not to restate prior periods. Differences, if any, arising from the adoption of PFRS 9 in relation to classification, measurement, and impairment were recognized in Surplus and Undivided Profits (Losses). Accordingly, the Bank is not required to present a third statement of financial condition as at that date.*

*The standard introduced new classification and measurement models for financial assets.*

*A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognized in a business combination) in other comprehensive income (OCI). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.*

*For financial liabilities designated at fair value through profit or loss, the Standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.*

*In implementing PFRS 9, the Bank made the following classifications:*

| *Financial Assets and Liabilities* | *Category* |
|---|---|
| *Cash and cash equivalents* | *Fair value through profit or loss* |
| *Loans and other receivables* | *Amortized cost* |
| *Investments in Government bonds* | *Amortized cost* |
| *Deposit liabilities* | *Amortized cost* |
| *Bills payables* | *Amortized cost* |
| *Unsecured subordinated debt* | *Amortized cost* |
| *Trade and other payables* | *Amortized cost* |

*New impairment requirements use an 'expected credit loss' (ECL) model to recognize an allowance for impairment losses. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.*

*The adoption of PFRS 9 beginning January 1, 2018 did not have any material impact in the new classifications of financial assets since the business models adopted by the Bank under PFRS 9 were considered a continuation of the nature of classifications of the said financial assets under PAS/IAS 39. Moreover, the Bank has complied with (although with exceptions as discussed in Note 5 to the financial statements) the requirements of BSP Circular No. 855, Series of 2014 and BSP Circular No. 941 Series of 2017, which are basically implementation guidelines of the requirements of PFRS 9.*

- *PFRS 15 Revenue from Contracts with Customers*
  *The Bank also adopted PFRS 15 for the recognition of income outside the purview of PFRS 9. The new guidance adopted beginning January 1, 2018. This guidance was applied using a modified retrospective ('cumulative catch-up') approach under which changes having a material effect on the statement of financial condition as at January 1, 2018 presented together as a single adjustment to the opening balance of Surplus and Undivided Profits (Losses). Accordingly, the Bank is not required to present a third statement of financial condition as at that date.*

*The standard provides a single comprehensive model for revenue recognition.*

*The core principle of the standard is that the Bank shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the specific accounting policies in the following sections. Credit risk is presented separately as an expense rather than adjusted against revenue.*

*Contracts with customers are presented in the Bank's statement of financial condition as a contract liability, a contract asset, or a receivable, depending on the relationship between the Bank's performance and the member/customer's payment. Member/customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalized as an asset and amortized over the contract period.*

*The Bank has initially applied PFRS 15 beginning January 1, 2018 for its income other than those covered by PFRS 9; but the adoption did not have a material effect on the Bank's financial statements.*

*New and Revised PFRSs in Issue but not yet Effective*
*The Bank has not yet applied the following new and revised PFRS standards that have been issued but not yet effective:*

- *PFRS 16, Leases*
- *PFRS 17, Insurance Contracts*
- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
- *Amendments to PAS/IAS 28 Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRS Standards 2015-2017 Cycle Amendments to PFRS 3 Business Combinations, PFRS 11 Joint Arrangements, PAS/IAS 12 Income Taxes and PAS/IAS 23 Borrowing Costs*
- *Amendments to PAS/IAS 19 Employee Benefits 'Plan Amendment, Curtailment or Settlement'*
- *PFRS 10 Consolidated Financial Statements and IAS 28 (amendments)*
- *PFRIC 23 Uncertainty over Income Tax Treatments'*

*The Bank management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods, except as noted below:*

*PFRS 16 Leases*
*PFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. PFRS 16 will supersede the current lease guidance including PAS/IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of PFRS 16 for the Bank will be January 1, 2019.*

*The Bank management anticipates minimal impact of leases on the financial statements of the Bank hence it decided that the Bank will devote attention to this matter only when the required adoption begins by January 1, 2019.*

*PFRS 17 Insurance Contracts*
*The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 Insurance Contracts.*

*The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.*

*The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard and the transition date is the beginning of the period immediately preceding the date of initial application.*

*The Bank management does not anticipate that the application of the Standard in the future will have an impact on the Bank's financial statements.*

*Amendments to PFRS 9 Prepayment Features with Negative Compensation*
*The amendments to PFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of PFRS 9.*

*The Bank management does not anticipate that the application of the Standard in the future will have an impact on the Bank's financial statements.*

*Amendments to PAS/IAS 28 Long-term Interests in Associates and Joint Ventures*
*The amendment clarifies that PFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying PFRS 9 to long-term interests, the Bank does not take into account adjustments to their carrying amount required by PAS/IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with PAS/IAS 28).*

*The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019.*
*Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of PFRS 9.*

*The Bank management does not anticipate that the application of the Standard in the future will have an impact on the Bank's financial statements.*

*Annual Improvements to PFRS Standards 2015–2017 Cycle Amendments to PFRS 3 Business Combinations, PFRS 11 Joint Arrangements, PAS/IAS 12 Income Taxes and PAS/IAS 23 Borrowing Costs*
*The Annual Improvements include amendments to four Standards.*

*PAS/IAS 12 Income Taxes*
*The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that*

*generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.*

*PAS/IAS 23 Borrowing Costs*

*The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.*

*PFRS 3 Business Combinations*

*The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.*

*PFRS 11 Joint Arrangements*

*The amendments to PFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.*

*All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.*

*The Bank management does not anticipate that the application of the Standards in the future will have impact on the Bank's financial statements.*

*Amendments to PAS/IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement*

*The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). PAS/IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.*

*The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under PAS/IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset).*

*The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to PAS/IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.*

*The Bank management does not anticipate that the application of the Standard in the future will have an impact on the Bank's financial statements.*

*PFRS 10 Consolidated Financial Statements and PAS/IAS 28 (amendments) Sale or*
*Contribution of Assets between an Investor and its Associate or Joint Venture*

*The amendments to PFRS 10 and PAS/IAS 28 deal with situations where there are a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.*

*The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.*

*The Bank management does not anticipate that the application of the Standard in the future will have an impact on the Bank's financial statements.*

*IFRIC 23 Uncertainty over Income Tax Treatments*

*IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:*

- *Determine whether uncertain tax positions are assessed separately or as a group; and*
- *Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:*

    - *If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.*
    - *If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.*

*The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.*

*The Bank management does not anticipate that the application of the Standard in the future will have an impact on the Bank's financial statements.*

*Fair Value Measurements*

*Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Bank.*

*The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.*

*The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:*

- *Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.*
- *Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.*
- *Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.*

*For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.*

*Cash and Cash Equivalents*
*Cash and cash equivalents substantially consist of cash on hand and other cash items, amounts due from BSP and other banks that are known amounts of cash with maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value. These are carried in the books at cost, which approximates market.*

*Financial Instruments*
*Financial assets and financial liabilities are recognized in the Bank's statement of financial condition when the Bank becomes a party to the contractual provisions of the instrument.*

*Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.*

i. *Recognition and Initial Measurement*
*Loans receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank becomes a party to the contractual provisions of the instrument.*

*A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.*

ii. *Classification and Subsequent Measurement*

*Financial assets – Policy applicable beginning January 1, 2018*

*On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.*

*Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.*

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

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

*The Bank's loans and most other receivables and investment in treasury notes fall into this category of financial instruments.*

*A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:*

- *it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and*
- *its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

*On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.*

*The Bank has no investments in equity securities.*

*All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.*

*Financial assets – Business model assessment: Policy applicable beginning January 1, 2018*

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

- *the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;*

*– how the performance of the portfolio is evaluated and reported to the Bank's management;*
*– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;*
*– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and*
*– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.*

*Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Bank's continuing recognition of the assets.*
*Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.*

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable beginning January 1, 2018*
*For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.*

*In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:*

*– contingent events that would change the amount or timing of cash flows;*
*– terms that may adjust the contractual coupon rate, including variable-rate features;*
*– prepayment and extension features; and*
*– terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse features).*

*A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.*

*Financial assets – Subsequent measurement and gains and losses: Policy applicable beginning January 1, 2018*

*– Financial assets at FVTPL*
*These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.*

- *Financial assets at amortized cost*

  *These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.*

- *Debt investments at FVOCI*

  *These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.*

- *Equity investments at FVOCI*

  *These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.*

*Financial assets – Policy applicable before January 1, 2018*

*The Bank classified its financial assets into one of the following categories: (1) loans and receivables; (2) held to maturity; (3) available for sale; and (4) at FVTPL, and within this category as: (1) held for trading; (2) derivative hedging instruments; or (3) designated as at FVTPL.*

*Financial assets – Subsequent measurement and gains and losses: Policy applicable before January 1, 2018*

- *Financial assets at FVTPL*

  *Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.*

- *Held-to-maturity financial assets*

  *Measured at amortized cost using the effective interest method.*

- *Loans and receivables*

  *Measured at amortized cost using the effective interest method.*

- *Available-for-sale financial assets*

  *Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.*

*Financial liabilities – Classification, subsequent measurement and gains and losses*

*Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.*

*iii. Derecognition*

*Financial assets*

*The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.*

*The Bank enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.*

*Financial liabilities*

*The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Bank also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.*

*On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.*

*iv. Offsetting*

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

*v. Derivative financial instruments and hedge accounting*

*(Policies on derivative financial instruments and hedge accounting have been purposely omitted since the Bank does not hold derivative financial instruments.)*

*Bank Premises, Furniture, Fixtures and Equipment*

*Bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation. Such cost includes the cost of replacing part of such bank premises, furniture, fixtures and equipment when that cost is incurred, if the recognition criteria are met. Interests incurred on borrowed funds used to finance the construction of properties during the construction period are capitalized. Other borrowing costs are expensed. An item of bank premises, furniture, fixtures and equipment 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 statement of profit or loss in the year the asset is derecognized.*

*Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows: (a) buildings, 25 years, (b) furniture, fixtures and equipment, 5 to 10 years, (c) Transportation equipment, 3 to 7 years, (d) leasehold rights and improvement, over the estimated useful lives of the improvements or the term of the lease, whichever is shorter, and (e) land is not depreciated.*

*Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. When assets are retired* *or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits arising from the renovations will flow to the organization.*

*The carrying values of bank premises, furniture, fixtures and equipment are reviewed for impairment when 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 assets are written down to their recoverable amount. The recoverable amount of bank premises, furniture, fixtures and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.*

*Investment Properties*

*The Bank's investment properties pertain to real and other properties acquired (ROPA), which are real and other properties, other than those used for banking purposes or held for investment, 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.*

*Investment properties 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 credit losses computed based on PAS 39 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PAS 39 provisioning requirements) plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property): Provided, that if the carrying amount of investment properties exceeds ₱5 million, the appraisal of the foreclosed/ purchased asset shall be conducted by an independent appraiser acceptable to the BSP. An in-house appraisal of all investment properties is made at least every other year: Provided, that immediate appraisal shall be conducted on investment properties which materially decline in value.*

*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 carrying values of bank premises, furniture, fixtures and equipment, investment properties and other resources are subject to impairment testing. All other individual assets are tested for impairment whether events or changes in circumstances indicate that their 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 discounted cash flow evaluation. The impairment loss is charged to profit and loss. 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 and loss.*

*<u>Revenue and Cost Recognition</u>*

*The following specific criteria are the bases used in recognizing revenue:*

*<u>Under PFRS 9</u>*

*(a) Interest income and interest expenses are recognized in profit or loss for all financial assets or liabilities using the effective interest method on the basis of the cost of the individual financial instrument. The effective interest method is a method of calculating the amortized costs 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 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) Interest expense on deposit liabilities are recognized based on the accrual method of accounting, using the effective interest method which is the rate that exactly discounts estimated future cash flows through the expected life of the interest-bearing financial instruments to the net carrying amount of the financial liability.*

*(c) Income from investments in debt securities held to collect contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes) are recognized at amortized cost, with interest income recognized at the effective interest rate.*

*<u>Under PFRS 15</u>*

*The Bank recognizes revenue from contracts with customers at an amount that reflects the consideration to which the Bank is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Bank: (1) identifies the contract with a customer; (2) identifies the performance obligations in the contract; (3) determines the transaction price which takes into account estimates of variable consideration and the time value of money; (4) allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and (5) recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.*

*Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.*

*The Bank recognizes income from other sources as follows:*

*(d) Loan application fees are generally recognized when services are delivered or rendered.*

*(e) Income from assets sold or exchanged is recognized when the title to the assets is transferred to the buyer or when collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Application Fees and Other Income.*

*Cost and Expenses*

*(f) Cost and expenses are recognized in the statement of profit or loss upon utilization of the service or at the date they are incurred. Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.*

*(g) Administrative and other operating expenses include the costs directly associated with the generation of revenue and cost of administering the business, and these are expensed as incurred.*

*Compensation and Benefits Expense*

*Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees or for the termination of their employments in the Bank. The Bank recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the Bank consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits. The following represent the accounting followed by the Bank for all types of employee benefits, except share-based payment, to which there is none.*

- *Short-Term Employee Benefits*

  *Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries, profit-sharing and bonuses (if there are any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.*

  *The benefits also include compensated absences which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Bank expects to pay as a result of unused entitlements at the end of the period. The amounts recognized are included in Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.*

- *Profit-Sharing and Bonus Payments (If Any)*

  *The Bank recognizes the expected cost of profit-sharing and bonus payments when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected obligation can be made. Profit-sharing agreements are normally covered during the hiring of services of selected officers and are based on certain conditions and parameters that are measurable. Such agreements are normally approved and authorized by the Board of Directors. On the other hand, declarations of bonuses to officers and employees are the sole responsibility of the Board of Directors. As a matter of policy, the Bank does not declare and accrue bonuses unless approved and authorized for release by the Board of Directors.*

- *Post-Employment Benefit Plans*

  *Post-employment benefit plans that are provided to employees only cover their retirement benefits, which are paid in lump sum payments at the time of their retirements. The retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit retirement plan covers all regular full-time employees.*

- *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 position date are discounted to present value.*

*Leases*

*The Bank determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Bank accounts for its leases as follows:*

a) *Bank as Lessee*

   *Leases which transfer to the Bank substantially all risk and benefits incidental to ownership of the leased item are classified as finance leases and are recognize as assets and liabilities in the statement of financial position at amounts equal at the inception of the leases to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.*

   *Leases which do not transfer to the Bank substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.*

b) *Bank as Lessor*

   *Leases wherein the Bank substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Bank's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Bank's net investment outstanding in respect of the finance lease.*

   *Leases which do not transfer to the lessee substantially all the risk and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the statement of profit or loss on a straight-line basis over the lease term.*

*Income Taxes*

*Current income tax assets and liabilities for the current and prior periods 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 at the reporting date.*

*Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except: (a) where the deferred tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.*

*Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except: (a) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.*

*The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 statement of financial position 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 rate that are expected to apply to the period when the asset is realized, or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.*

*Earnings per Share*

*Basic earnings per share (EPS) is computed by dividing the profit 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.*

*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 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 reporting 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 Judgment and Estimates**

*The preparation of the financial statements in accordance with PFRS requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following critical accounting estimates and judgments may be applicable, among many other possible areas not presented in the Bank's financial statements.*

*Business Model Assessment*

*Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the*

*Significant Increase in Credit Risk*

*Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition.*

*PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.*

*Fair Value Measurements*

*Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible; but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date*

*Estimating Useful Lives of Bank Premises, Furniture, Fixture and Equipment*

*The Bank reviews annually the estimated useful lives of its bank premises, furniture, fixture 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.*

*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. 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.*

*Retirement 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 assumptions may materially affect employee benefit obligations.*

*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.*

*Realizable Amount of Deferred Tax Assets*

*The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.*

*Provisions and Contingencies*

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

## Note 4
## Cash and Cash Equivalents

*This account consists of the following:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Due from Bangko Sentral ng Pilipinas* | **₱120,478,385** | *₱212,764,357* |
| *Due from other banks* | **118,245,207** | *177,279,927* |
| *Cash and other cash items* | **55,811,082** | *56,943,603* |
| | **₱294,534,674** | *₱446,987,887* |

*Due from other banks earn annual interest ranging from 0.125% to 0.5% in 2018 and 2017. Short-term deposits are made for varying periods up to three months depending on the immediate cash requirements of the Bank, and earn interest ranging from 0.50% to 2.23% in 2018 and 2017.*

*Interest income from bank deposits amounted to ₱3,826,620 and ₱3,216,702 in 2018 and 2017.*

*Due from other banks also includes restricted time deposits used to secure the Bank's bills payable with the following banks:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Land Bank of the Philippines* | **₱15,993,821** | *₱14,836,072* |
| *Development Bank of the Philippines* | **2,539,660** | *2,514,175* |
| *Philippine National Bank* | **163,518** | *162,868* |
| *Bank of Philippine Islands (Note 11)* | **–** | *25,000,000* |
| | **₱18,696,999** | *₱42,513,115* |

## Note 5
## Loans and Other Receivables

*The loans and other receivables consist of the following:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Loans receivable* | **₱1,754,202,827** | *₱1,690,960,665* |
| *Other receivables* | **165,900,575** | *162,819,834* |
| | **1,920,103,402** | *1,853,780,499* |
| *Allowance for expected credit losses* | **(189,783,423)** | *(195,852,011)* |
| *Loan discounts* | **(13,193,682)** | *(15,020,772)* |
| *Total Loans Receivable* | **₱1,717,126,297** | *₱1,642,907,716* |

Breakdown of Loans Receivables

| December 31, | 2018 | % | 2017 | % |
|---|---|---|---|---|
| Agricultural | **₱152,266,899** | **9** | 154,807,244 | 9 |
| Commercial | **1,531,132,292** | **87** | 1,478,333,453 | 87 |
| Others | **70,803,636** | **4** | 57,819,968 | 3 |
| | **1,754,202,827** | **100** | 1,690,960,665 | 100 |
| Allowance for expected credit losses | **(184,862,410)** | **(11)** | (191,287,465) | (11) |
| Loan discounts | **(13,193,682)** | **(1)** | (15,020,772) | (1) |
| | **₱1,556,146,735** | **88** | 1,484,652,428 | 88 |

The loans receivable bear annual interest rates ranging from 8% to 30% per annum collectible over a period of 6 months to 5 years. Income on loans recognized in the statement of profit or loss amounted ₱232,957,478 in 2018 and ₱ 236,862,962 in 2017.

Maturity Profile of Loans Receivable

| December 31, | 2018 | % | 2017 | % |
|---|---|---|---|---|
| Due more than 12 months | **₱1,227,058,745** | 70 | ₱1,386,106,880 | 82 |
| Due within 12 months | **527,144,082** | 30 | 304,853,785 | 18 |
| | **₱1,754,202,827** | 100 | ₱1,690,960,665 | 100 |

Breakdown of Loans Receivable by Type of Security

| December 31, | 2018 | % | 2017 | % |
|---|---|---|---|---|
| Unsecured | **₱1,167,149,674** | **67** | ₱1,128,741,449 | 67 |
| Secured | **587,053,153** | **33** | 562,219,216 | 33 |
| | **₱1,754,202,827** | **100** | ₱1,690,960,665 | 100 |

About ₱497 million and ₱670 million as of December 31, 2018 and 2017, respectively, have been pledged as security to the bills payable of the Bank. (See Note 11.)

Breakdown by Concentration of Credit

| December 31, | 2018 | % | 2017 | % |
|---|---|---|---|---|
| Agricultural | **₱102,066,966** | 6 | ₱81,438,488 | 5 |
| Wholesale and retail trade | **311,167,224** | 18 | 318,868,151 | 19 |
| Others | **1,340,968,637** | 76 | 1,290,654,026 | 76 |
| | **₱1,754,202,827** | 100 | ₱1,690,960,665 | 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.

Breakdown by Age of Accounts

| December 31, 2018 | Current | Past Due | Total |
|---|---|---|---|
| Agricultural | ₱93,035,682 | ₱59,231,217 | ₱152,266,899 |
| Commercial | 1,312,949,321 | 218,182,971 | 1,531,132,292 |
| Others | 34,761,456 | 36,042,180 | 70,803,636 |
| | ₱1,440,746,459 | ₱313,456,368 | ₱1,754,202,827 |
| | 82% | 18% | 100% |
| December 31, 2017 | | | |
| Agricultural | ₱98,158,516 | ₱56,648,728 | ₱154,807,244 |
| Commercial | 1,335,281,033 | 143,052,420 | 1,478,333,453 |
| Others | 35,670,778 | 22,149,190 | 57,819,968 |
| | ₱1,469,110,327 | ₱221,850,338 | ₱ 1,690,960,665 |
| | 87% | 13% | 100% |

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

*As at December 31, 2018 and 2017, nonperforming loans (NPLs) based on Circular No. 941 and as reported to the BSP amounted to ₱313,456,368 and ₱221,850,338, respectively. As a general rule, under BSP Circular 941, nonperforming loans refer to loans 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.*

Allowance for Expected Credit Losses (ECL)

*The movements of the allowance for expected credit losses during the year are as follows:*

| December 31 | **2018** | 2017 |
|---|---|---|
| Opening balances, as originally stated | **₱133,996,173** | ₱140,881,173 |
| Add additional allowance (see below) | **57,291,292** | 57,291,292 |
| Opening balances, as restated | **191,287,465** | 198,172,465 |
| Additional provisions for the year | **–** | 45,000 |
| Write-off of loans | **(6,425,055)** | (6,930,000) |
| Closing balances as restated | **₱184,862,410** | ₱191,287,465 |

*The Bank's credit risk management practices are in accordance with the guidelines set forth in the BSP Circular 855. Such guidelines are substantially based on the requirements of PFRS 9 Financial Instruments. The guidelines seek to fundamentally strengthen credit risk management practices of financial institutions (FIs) and provide minimum set of operating standards that are consistent with BSP regulations and the Basel Core Principles for effective bank supervision. BSP expects FIs to adopt as part of their internal policy on credit risk management framework, sound policies and practices covering the following areas, as a minimum: (a) establishing an appropriate credit risk environment; (b) operating under a* *sound credit granting process; (c) maintaining appropriate credit administration, measurement and monitoring process; and (d) maintaining an appropriate control process.*

*In accordance with the Bank's Loan Loss Estimation Methodology developed in accordance with BSP Circular 855, the Bank determined that the required additional allowance for expected credit losses (ECL) as of December 31, 2018 reached ₱ 97,223,439. The Bank however did not book the required ACL since it will be offset against the remaining balance of the unamortized incentives granted by BSP totaling ₱97,693,175. These incentives covered: a) the losses incurred by the Bank due to Typhoon: Yolanda in 2014, which amounted ₱2,893,175, and b) the incentives granted on September 28, 2017 based on the onsite examination of BSP completed on March 29, 2017, which allowed the Bank to book on staggered basis for a period of five (5) years from 2017 until 2021, the deficiency in the ECL of ₱158 million with a net unamortized balance as at December 31, 2018 amounting ₱94.8 million.*

*Restatement of 2017 and Prior Years' Allowance for Impairment Losses*

*During the year, the Bank restated the 2017 and prior years' allowance for expected credit losses to record provision for loan losses amounting ₱57,291,292, representing the yearly installments of the BSP-approved staggered booking of incentives representing the following: (a) losses incurred from Typhoons Pablo and Gener and Yolanda – ₱25,691,292, and (b) incentives granted on September 28, 2017 – ₱31,600,000. As a result of the restatement, the beginning balances of surplus and undivided profits for the year 2017 and the deferred tax assets were also adjusted by ₱27,257,253 and ₱ 17,187,388 (₱57,291,292 x 30%), respectively.*

*The provision for expected credit losses of ₱57,291,292 was recorded against surplus since said provisions were determined and represented expected credit losses of prior years.*

*Other Receivables*

*These accounts consist of the following:*

| *December 31,* | **2018** | *2017* |
|---|---|---|
| *Accrued interest receivable* | **₱107,310,640** | *₱105,731,976* |
| *Claims on loans receivable* | **38,920,946** | *39,481,909* |
| *Accounts receivable* | **14,919,996** | *11,576,615* |
| *Sales contract receivable* | **4,748,993** | *6,029,334* |
| | **165,900,575** | *162,819,834* |
| *Allowance for expected credit losses* | **(4,921,013)** | *(4,564,546)* |
| *Net* | **₱160,979,562** | *₱158,255,288* |

*Claims on Loans Receivable*

*The claims receivable represents claims against the Agricultural Guarantee Fund Pool (AGFP) on the outstanding balance of agricultural loans granted by the Bank to farmers which are guaranteed by AGFP. AGFP is established by virtue of Administrative Order (AO) No. 225-A issued on May 2008. AGFP is a pool of contributions from Government Financial Institutions and Government Owned or Controlled Corporations for projects in palay and food production. The AGFP shall be used to mitigate the risks involved in agricultural lending thereby facilitating the provisions of credit in the agricultural sector. The AGFP encourage the Private Financial Institutions (PFIs) and other credit conduits to expand their outreach to small farmers and fisherfolk by providing guarantee coverage to unsecured loans extended by the PFI's and other credit conduits to farmer borrowers engaged in palay and/or production projects/activities.*

*In 2009, the Bank as a credit conduit entered into a Guarantee Agreement with AGFP wherein AGFP provides 85% guarantee cover on the unsecured loans/accounts extended by the Bank to eligible sub-borrowers, net of interest and other charges deducted in advance, whose loan purpose is to finance palay, fisheries and other food crops/commodities production up to maturity of the sub-loans guaranteed but not to exceed the production cycle of the crop as cited in the AGFP Governing Board Order No. 001, Series of 2009 also referred as the AGFP Implementing Rules and Guidelines.*

*Composition of Accounts Receivable*

| *December 31,* | **2018** | *2017* |
|---|---|---|
| *Subscription receivable* | **₱3,296,200** | *₱–* |
| *Receivable from resigned employees* | **3,055,988** | *3,166,371* |
| *Borrowers under litigation* | **2,459,559** | *3,012,339* |
| *Advances to contractors* | **2,007,819** | *2,057,819* |
| *Advances for SSS maternity/sickness* | **312,888** | *189,800* |
| *Advances to officers and employees* | **307,705** | *1,022,889* |
| *Receivable from Bancnet* | **16,125** | *465,589* |
| *Agricultural guaranteed fund* | **–** | *204,415* |
| *Other receivables* | **3,463,712** | *1,457,393* |
| | **₱14,919,996** | *₱11,576,615* |

*Allowance for Expected Credit Losses*

*The accounts were subjected to impairment testing using the expected credit loss model by considering possible defaults for the next 12 months (12-month ECL) and expected credit losses for the entire remaining life of the receivables (lifetime ECL). Additional provision was recognized amounting ₱356,467 for the 12-month ECL. The existing allowance already covered the lifetime ECLs of impaired accounts at the end of the year.*

*The movements of the allowance for expected credit losses during the year are as follows:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Opening balances* | **₱4,564,546** | *₱4,034,546* |
| *Additional provisions* | **356,467** | *530,000* |
| *Closing balances* | **₱4,921,013** | *₱4,564,546* |

**Note 6**

**Investments in Government Bonds (HTM Investments)**

*The investment in LBP represents a 3 to10-year treasury note with interest rates ranging from 3.25% to 4.625% per annum payable quarterly. The bond will mature on various maturity dates.*

*Investment income earned amounted to ₱898,124 in 2018 and ₱372,000 in 2017.*

**Note 7**
**Bank Premises, Furniture, Fixtures and Equipment**

*Bank premises, furniture, fixtures and equipment, which are stated at cost, consist of the following:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Land* | **₱19,153,630** | *₱19,153,630* |
| *Building* | **50,795,178** | *50,760,031* |
| *Furniture, fixtures and equipment* | **83,084,913** | *73,395,308* |
| *Transportation equipment* | **28,591,895** | *27,593,978* |
| *Leasehold improvements* | **21,119,552** | *19,748,552* |
| | **202,745,168** | *190,651,499* |
| *Accumulated depreciation* | **(117,812,149)** | *(108,353,323)* |
| | **₱84,933,019** | *₱82,298,176* |

*Reconciliation of Carrying Amount*

| *December 31, 2018* | *Opening Balance* | *Additions* | *Disposal/Adjustment* | ***Closing Balance*** |
|---|---|---|---|---|
| **Cost** | | | | |
| *Land* | *₱19,153,630* | – | – | *₱19,153,630* |
| *Building* | *50,735,031* | *₱60,147* | – | *50,795,178* |
| *Furniture, fixtures and equipment* | *73,420,317* | *10,254,253* | *(₱589,657)* | *83,084,913* |
| *Transportation equipment* | *27,593,968* | *1,928,372* | *(930,445)* | *28,591,895* |
| *Leasehold improvements* | *19,748,553* | *1,370,999* | – | *21,119,552* |
| | *190,651,499* | *13,613,771* | *(1,520,102)* | *202,745,168* |
| **Accumulated Depreciation** | | | | |
| *Building* | *(17,982,429)* | *(1,939,400)* | – | *(19,921,829)* |
| *Furniture, fixtures and equipment* | *(54,006,864)* | *(5,218,138)* | *489,964* | *(58,735,038)* |
| *Transportation equipment* | *(17,826,025)* | *(2,435,178)* | *807,544* | *(19,453,659)* |
| *Leasehold improvements* | *(18,538,005)* | *(1,163,618)* | – | *(19,701,623)* |
| | *(108,353,323)* | *(10,756,334)* | *1,297,508* | *(117,812,149)* |
| **Net Book Value** | *₱82,298,176* | *₱2,857,437* | *(₱222,594)* | *₱84,933,019* |

| December 31, 2017 | Opening Balance | Additions | Disposal/Adjustment | **Closing Balance** |
|---|---|---|---|---|
| **Cost** | | | | |
| Land | ₱19,153,630 | – | – | ₱19,153,630 |
| Building | 50,277,176 | ₱482,855 | – | 50,760,031 |
| Furniture, fixtures and equipment | 65,525,454 | 7,918,143 | (48,280) | 73,395,317 |
| Transportation equipment | 22,155,241 | 8,218,717 | (2,779,990) | 27,593,968 |
| Leasehold improvements | 18,894,574 | 872,419 | (18,440) | 19,748,553 |
| | 176,006,075 | 17,492,134 | (2,846,710) | 190,651,499 |
| **Accumulated Depreciation** | | | | |
| Building | (16,059,134) | (1,923,295) | – | (17,982,429) |
| Furniture, fixtures and equipment | (48,587,402) | (5,795,199) | 375,737 | (54,006,864) |
| Transportation equipment | (17,284,965) | (1,941,901) | 1,400,841 | (17,826,025) |
| Leasehold improvements | (17,809,443) | (729,221) | 659 | (18,538,005) |
| | (99,740,944) | (10,389,616) | 1,777,237 | (108,353,323) |
| **Net Book Value** | ₱76,265,131 | ₱7,102,518 | (₱1,069,473) | ₱82,298,176 |

Total depreciation charged to operations amounted to ₱10,756,334 in 2018 and ₱10,389,616 in 2017

The Bank has lease contracts with various terms on twenty-six (26) buildings which it holds as collection and disbursement offices, in the areas where it holds branch operations and micro-banking office operations. The leases, taken up in the books as operating leases, would expire on various dates. Total lease payments amounted ₱9,422,282 in 2018 and ₱8,583,022 in 2017.

**Note 8**
**Investment Properties**

The recorded amount consists of the following details:

| December 31, | **2018** | 2017 |
|---|---|---|
| Cost | **₱96,837,724** | ₱67,562,530 |
| Accumulated depreciation | **(2,525,954)** | (548,485) |
| Allowance for impairment losses | **(1,496,677)** | (1,496,677) |
| | **₱92,815,093** | ₱65,517,368 |

This account represents land and buildings which were acquired in settlement of loans and are held for capital appreciation. The land consists of several pieces of lots located within Mindanao recorded in the books at the total loan outstanding at the time of acquisition. These properties have estimated market values of ₱161 million determined from 2009 to 2017.

Income from assets acquired recognized in the statements of profits or loss amounted to ₱7,153,807 in 2018 and ₱ 4,800,191 in 2017. Total depreciation charged to operations amounted to ₱2,341,222 and ₱467,583 for the years ended December 31, 2018 and December 31, 2017 respectively.

*Movements During the Year*

| *December 31,* | **2018** | *2017* |
|---|---|---|
| **Cost** | | |
| *Opening balance* | **₱67,562,530** | *₱68,953,778* |
| *Additions* | **40,538,762** | *8,890,707* |
| *Disposals/reclassification* | **(11,263,568)** | *(10,281,955)* |
| *Closing balances* | **96,837,724** | *67,562,530* |
| **Accumulated Depreciation** | | |
| *Opening balances* | **(548,485)** | *(2,156,345)* |
| *Additions* | **(2,341,222)** | *(467,583)* |
| *Disposals/adjustments* | **363,753** | *2,075,443* |
| *Closing balances* | **(2,525,954)** | *(548,485)* |
| **Allowance for Impairment Losses** | | |
| *Opening balances* | **(1,496,677)** | *(997,677)* |
| *Provision for impairment losses* | **–** | *(499,000)* |
| *Closing balances* | **(1,496,677)** | *(1,496,677)* |
| *Net book value* | **₱92,815,093** | *₱65,517,368* |

*The Bank management believes the investment properties were not further impaired as of December 31, 2018*

## Note 9
## Other Assets

*The composition of this account is shown below:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Deferred tax assets (2017 as restated) (Notes 5 and 15)* | **₱59,160,871** | *₱63,664,089* |
| *Computerized program and product development costs* | **23,221,986** | *25,552,637* |
| *Prepaid expenses* | **5,025,734** | *5,626,642* |
| *Stationery and office supplies* | **2,265,301** | *2,015,284* |
| *Miscellaneous assets* | **3,742,139** | *3,052,756* |
| | **₱93,416,031** | *₱99,911,408* |

*The computerized program and product development costs represent the cumulative costs of developing the banking software that is used in operations amortized over ten (10) years. The amortization incurred amounted ₱3,559,033 in 2018 and ₱4,181,234 in 2017 lodged under 'Information and Technology Expenses'.*

*Prepaid expenses represent expenses such as: PIDC insurance, prepaid rentals, employees' uniforms, and other expenses paid in advance but are to be consumed within one year. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.*

## Note 10
## Deposit Liabilities

*This account is composed of the following:*

| *December 31,* | **2018** | *2017* |
|---|---|---|
| *Savings and demand deposits* | **₱766,506,747** | *₱713,527,750* |
| *Time deposits* | **709,161,706** | *713,294,504* |
| | **₱1,475,668,453** | *₱1,426,822,254* |

*The deposit liabilities earn annual fixed interest of 0.50% for savings accounts, and from 1.24% to 2.96% for time deposits. Total interest incurred amounted ₱47,473,218 in 2018 and ₱50,468,889 in 2017.*

*Maturity Profile*

| *December 31,* | **2018** | *2017* |
|---|---|---|
| *Six months to one year* | **₱188,874,213** | *₱317,428,354* |
| *More than one year* | **520,287,493** | *395,866,150* |
| | **₱709,161,706** | *₱713,294,504* |

## Note 11
## Bills Payable

*This consists of the following bills payable to:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Land Bank of the Philippines* | **₱226,661,541** | *₱187,037,902* |
| *UCPB Savings Bank* | **121,250,000** | *146,750,000* |
| *Phil. Bus for Social Progress (PBSP)* | **44,978,836** | *40,144,973* |
| *Small Business Corporation* | **27,431,219** | *38,624,046* |
| *Peoples Credit and Finance Corporation* | **13,695,043** | *25,186,108* |
| *Development Bank of the Philippines* | **1,798,000** | *31,316,998* |
| *Social Security System* | **789,727** | *1,287,415* |
| *Bank of the Philippine Islands* | **–** | *87,591,675* |
| | **436,604,366** | *₱557,939,117* |
| *Due in more than one year* | **293,101,866** | *143,375,360* |
| *Due within one year and below* | **₱143,502,500** | *₱414,563,757* |

*Details of Bills Payable*

*The loan with Land Bank of the Philippines carries interest from 5% to5.25% annually payable within one year to five years. The loan with UCPB Savings Bank bears interest ranging from 7.5% to 8% per annum payable quarterly or semi-annually.*

*The account with Phil. Bus for Social Progress (PBSP) represents loan under a credit line with interest rate of 4.5% to 5.5% annually and are payable within two years. These bills payable are collateralized by assignment of sub-borrower's promissory notes.*

*The accounts with Small Business Corporation represent the balance of bills payable arising from rediscounting of loans with interest rates ranging from 4.5% to 5.8% annually and is payable from one to five years. The loan with Development Bank of the Philippines bears interest rates from 3.75% to 4%% annually payable within one year to two years. The accounts with BPI bear interest rates at 3.375% to 7% per annum and are payable within six months to one year. A portion of the payable is secured by a certificate of time deposit with BPI amounting A₱EA25 million (see Note 4). The Bank also availed in 2013 of a medium-term loan in BPI, secured by real estate mortgage. The proceeds of the loan were used to finance the construction of the Corporate Service Support Office in Davao City.*

*The account with Social Security system (SSS) represents loan under an omnibus line with interest at 2.75% to 6.25% per annum payable within three years. These bills payable are collateralized by assignment of sub-borrower's promissory notes.*

*The bills payable were secured by loans receivable amounting to ₱497 million and ₱670 million as of December 31, 2018 and 2017, respectively.*

*Total interest incurred on bills payable amounted ₱26,297,016 in 2018 and ₱28,108,981 in 2017.*

*Movements of the Accounts*

| *December 31,* | **2018** | *2017* |
|---|---|---|
| *Opening balances* | **₱557,939,117** | *₱504,942,524* |
| *Additions* | **547,550,847** | *613,580,618* |
| *Payments* | **(668,885,598)** | *(560,584,025)* |
| | **₱436,604,366** | *₱557,939,117* |

**Note 12**
**Unsecured Subordinated Debt (USD)**

*This represents obligation to Land Bank of the Philippines arising from the issuance of a 10-year unsecured subordinated debt (USD) denominated in local currency eligible as Tier 2 (supplementary) capital of the Bank, with the following terms and conditions, among others: (a) the Bank pays Land Bank semi-annual interest with interest rate of 9.65% per annum from April 1, 2009 to March 31, 2014 and 10% per annum from April 1, 2014 until maturity date on April 1, 2019; (b) the note does not constitute a deposit by Land Bank of the Philippines and is not insured by the PDIC; it shall not have priority claim, in respect of principal and coupon payments, in the event of winding-up of the Bank, and (c) the note cannot be terminated by LBP before maturity date.*

*Total interest incurred on USD amounted to ₱5 million in 2018 and in 2017.*

**Note 13**
**Other Liabilities**

*These liabilities consist of the following:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Redeemable preferred shares (See Note 14.)* | **₱51,566,900** | *₱43,196,900* |
| *Accrued interest (Notes 11 and 12)* | **27,423,793** | *26,393,935* |
| *Accounts payable* | **21,550,736** | *27,718,992* |
| *Retirement benefit obligation (Note 17)* | **5,772,661** | *11,502,960* |
| *Accrued expenses (2016 as restated) (Notes 15 and 18)* | **4,250,716** | *2,798,240* |
| *Income tax and other taxes payable* | **205,155** | *3,086,452* |
| *Other payables* | **2,252,827** | *3,725,080* |
| | **₱113,022,788** | *₱118,422,559* |

*Redeemable Preference Shares*
*This represents Government- and privately-held preference shares of stock in the Bank, amounting ₱100,000 and ₱ 51,466,900, respectively. The private preference shares of stock represent various private persons with their terms and conditions stated in the Subscription Agreement between the Bank and the Investors.*
*Accounts Payable*
*The composition of this account is shown below:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Payable to Bancnet* | **₱10,156,740** | *₱9,381,619* |
| *Payable to insurance* | **3,774,129** | *3,427,694* |
| *Accounts payable – suppliers* | **2,448,109** | *463,838* |
| *Payable to clients* | **1,407,421** | *1,934,199* |
| *Payable to ROPA account* | **901,956** | *779,046* |
| *Documentary stamps* | **804,627** | *421,349* |
| *Payable to separated employees* | **652,506** | *727,011* |
| *SSS pension and remittances* | **450,799** | *7,609,593* |
| *Deposits from borrowers for payment for mortgages* | **398,002** | *668,980* |
| *Payable to appraisers* | **80,800** | *287,700* |
| *Items in litigation* | **58,426** | *120,386* |
| *AGFP guarantee fund* | **–** | *1,639,657* |
| *Others* | **417,221** | *257,920* |
| | **₱21,550,736** | *₱27,718,992* |

*Other payables account includes lease payable pertaining to the acquisition of automatic teller machines (ATM). Total interest incurred related to the acquisition of ATM amounted to ₱26,901 in 2018 and ₱201,528 in 2017.*

## Note 14
## Share Capital

*This account consists of the following:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| **Preferred Shares A**, *₱100 par value (Note 13)* | | |
| *Government, non-voting and convertible, cumulative* | | |
| *Authorized – 251,353 shares* | | |
| *Issued and outstanding – 0 shares* | **₱–** | *₱–* |
| **Preferred Shares B**, *₱100 par value* | | |
| *Private – redeemable non-voting and convertible* | | |
| *Authorized – 1,150,000 shares* | | |
| *Issued and outstanding – 514,669 in 2018; 430,969 in 2017 (Note 13)* | **–** | *–* |
| **Common Shares** *– ₱100 par value* | | |
| *Authorized – 4,000,000 shares* | | |
| *Issued and outstanding shares– 2,516,726 in 2018 and 2,423,764 in 2017* | **251,672,600** | *242,376,400* |
| | **₱251,672,600** | *₱242,376,400* |

*Nature of the Shares*

*The preferred shares have the following rights, preferences, conditions and limitations:*

*(a) Preferred shares "A" are issued only against government investment in the capital stock of the Bank. The shares are non-voting, convertible to common shares and shall share in the dividend distributed from the date of issuance of the rate provided under Section 8 R.A. No. 7353 which dividend shall be cumulative. The shares have preference over common shares in the assets of the Bank in the event of liquidation. Per Memorandum of Agreement executed in 1992 between the Bank and government stockholder, the Bank has fixed obligation to redeem the shares on or before the 15th year from the date of conversion the preferred shares of stock still held by the government stockholder.*

*(b) Preferred shares "B" shall be issued only, after the creation of sinking fund for its redemption to qualified private persons, natural or juridical, and shall have preference over common stocks in the assets of the Bank in the event of liquidation and which sinking fund shall be affected by the transfer of free surplus to restricted surplus account and shall not be available for dividends. The shares are redeemable anytime at the option of the Bank after five years from date of issuance, non-voting and convertible and shall have preference as to dividends only as may be set by the Bank's BOD, but which should not however be in the absence of sufficient undivided profits, free surplus and approval of the BSP.*

*Presentation of Redeemable Preference Shares as Financial Liabilities*

*The Bank's preference shares are presently held by the Government and private shareholders, amounting ₱100,000 and ₱ 51,466,900, respectively.*

*The preference shares generally have the following features: (1) the holders of preferred shares have no voting rights but are granted preferred claim status after creditors' claims and other statutory preference claims on the liquidating assets of the Bank over the common shareholders, and (2) the holders of preferred shares are granted preferred dividend rights over common shareholders with a fixed dividend rate of nine percent (95) net of tax payable yearly on a monthly basis, cumulative.*

*Because the shares are redeemable at the option of the holder and the Bank is obliged to pay fixed dividends monthly, the treated the preference shares as a financial liability, in accordance with the advice of BSP.*

*Surplus Reserves Allocation*

*In 2017, the Bank allocated from Surplus and Undivided Profits an amount of ₱8,477,714 intended for the retirement of preferred shares.*

*Compliance with Regulatory Requirements*

*Under BSP Circular No. 688, Revised Risk-Based Capital Adequacy Framework for stand-alone thrift banks, rural banks and cooperative banks which took effect on January 1, 2012, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes: (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP; (b) total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI); (c) deferred tax asset or liability; and (d) other regulatory deductions.*

*Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from Philippine Financial Reporting Standards (PFRSs) in some aspect. As at December 31, 2018, the Bank is in compliance with the minimum capital-to-risk ratio. Please see the following sections for the significant ratios.*

*Significant Financial Ratios*

*In compliance with BSP Circular No. 212 series of 1999, and pursuant to Monetary Board Resolution No. 1381, financial ratios of the Bank for the years 2018 and 2017 have been computed as additional disclosure requirements in the notes to the audited financial statements, as follows:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Return on Average Equity* | **4.01%** | *3.10%* |
| *Return on Average Assets* | **0.44%** | *0.40%* |
| *Net Interest Margin* | **13.14%** | *13.10%* |
| *Capital-to-risk Assets* | **13.52%** | *12.69%* |
| *Risk-Based Capital Adequacy* | **10.16%** | *10.08%* |

*Restatement of 2017 Ratios*

*The 2017 ratios presented were restated from ratios originally presented after effecting the adjustments in 2017 and prior years discussed in Notes 5, 13 and 18.*

*Other Disclosures*

*As at December 31, 2018, the Bank has a total of 63 stockholders with 60 stockholders owning 100 or more shares each of the Bank's share capital.*

*Capital Management Objectives, Policies and Procedures*

*BSP, as the Bank's lead regulator, 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 to total equity excluding: (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP; (b) total outstanding unsecured credit accommodations to DOSRI; (c) deferred tax asset or liability; (d) sinking fund for redemption of redeemable preferred shares; and, (e) 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 Monetary Board of the BSP. The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.*

*The Bank's policy is to maintain a strong capital base as to maintain stockholders, creditors and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.*

*As of the reporting dates, the Bank has complied with the requirement on the ratio of combined capital accounts against the risk assets.*

*Gearing Ratio*

*Gearing (otherwise known as "leverage") measures* **the proportion of assets invested in a business that are financed by long-term borrowing.** *In theory, the higher the level of borrowing (gearing) the higher are the risks to a business, since the payment of interest and repayment of debts are not "optional" in the same way as dividends to shareholders. However, gearing can be a financially sound part of a business's capital structure particularly if the business has strong, predictable cash flows.*

*The Bank's Gearing Ratios computed at the end of each year are as follows:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Borrowings (total liabilities)* | **₱2,075,295,607** | *₱2,153,183,930* |
| *Less cash and cash equivalents* | **294,534,674** | *446,987,887* |
| *Net Debt* | **1,780,760,933** | *1,706,196,043* |
| *Total equity* | **240,683,919** | *217,403,153* |
| *Equity and Net Debt* | **₱2,021,444,852** | *₱1,923,599,196* |
| *Gearing Ratio (Net Debt/Equity and Net Debt)* | **0.88** | *0.89* |

*The Bank will strive to reduce its gearing ratio by reducing working capital through increasing the speed of loans receivable collections and/or lengthening the days required to pay accounts payable, thereby producing cash that can be used to pay down borrowings. It will also try to increase profits through a combination of increase in market share and control of variable costs so that the Bank could generate more cash with which to pay down borrowings.*

*Debt to Equity Ratio*

*Capital for the reporting periods under review is summarized as follows:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Total Liabilities* | **₱2,075,295,607** | *2,153,183,930* |
| *Total Equity* | **240,683,919** | *217,403,153* |
| *Overall financing* | **₱2,315,979,526** | *2,370,587,083* |
| *Debt-to-Equity Ratio* | **8.62** | *9.90* |

**Note 15**

**Surplus and Undivided Profits**

*Adjustments to Restate Beginning Balances*

*The beginning balances surplus and undivided profits have been restated to reflect the following adjustments:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Additional provision for impairment loan losses (See paragraph next page.)* | – | *(₱27,299,613)* |
| *Adjustments on deferred income tax assets:* | | |
| *On additional provisions (₱27,299,613 x 30%)* | – | *8,189,884* |
| *On set-up of actuarial losses of defined benefit plans in prior years (₱786,959 x 30%) (See paragraph below.)* | – | *236,087* |
| *On actuarial gain of defined benefit plans in 2016 (₱3,673,085 x 30%) (Note 17)* | – | *(1,101,925)* |
| *On actuarial gain of defined benefit plans in 2017 (₱2,227,815 x 30%) (Note 17)* | – | *(668,344)* |
| *Establish actuarial losses of defined benefit plans in prior years (See table below.)* | – | *550,871* |
| *Recognize actuarial gains of defined benefit plans in 2016 – net of tax effect (Note 17)* | – | *(2,571,159)* |
| *Recognize actuarial gains of defined benefit plans in 2017 net of tax effect (Note 17)* | – | *(1,559,471)* |
| *Total other expenses related in 2016 but paid in 2017 (Note 18)* | – | *(2,535,065)* |
| *Net Debit Adjustment to Surplus and Undivided Profits, As Originally Stated* | – | *(26,758,735)* |
| *Additional provision for impairment loan losses (Note 5)* | **(₱57,291,292)** | *(57,291,292)* |
| *Deferred tax assets on additional provisions (₱38,938,933) (Note 5)* | **17,187,388** | *17,187,388* |
| *Net Debit Adjustment to Surplus and Undivided Profits, as Stated* | **(₱40,103,904)** | *(₱66,862,639)* |

*Actuarial Losses (Gains) of Retirement Benefit Obligations*

*Establish actuarial losses of defined benefit plans in prior years represents accumulated actuarial losses in prior years as follows:*

| *Years Covered* | *Gross Amount Losses (Gains))* | *30% Deferred Income Tax* | *Net of Tax Effect* |
|---|---|---|---|
| *2012* | *₱2,952,929* | *₱885,879* | *₱2,067,050* |
| *2013* | *1,039,473* | *311,842* | *727,631* |
| *2014* | *2,066,070* | *619,821* | *1,446,249* |
| *2015* | *(5,271,513)* | *(1,581,454)* | *(3,690,059)* |
| | *₱786,959* | *₱236,088* | *₱550,871* |

*The foregoing data were based on the actuarial certification report by an independent consultant.*

*Effect of Restatement on the 2017 Financial Statements*

*The booking of the above adjustments resulted in the increases and decreases of the following accounts in the financial statements:*

| *December 31, 2017* | *From* | *To* | *Increase(Decrease)* |
|---|---|---|---|
| *Loans and receivable* | *₱1,700,199,008* | *₱1,642,907,716* | *(₱57,291,292)* |
| *Other assets (deferred tax assets)* | *82,724,020* | *99,911,408* | *17,187,388* |
| *Surplus and undivided profits* | *(16,879,529)* | *(56,983,433)* | *(40,103,904)* |

*Restatement of 2016 and Prior Years' Allowance for Impairment Losses*

*During the year, the Bank restated the 2016 and prior years' allowance for expected credit losses to record provision for loan losses amounting ₱26,808,400, representing the 4th year installments of the BSP-approved staggered booking of the required ACL of the 2013 losses incurred by the Bank due to Typhoons Pablo and Gener. Additional provision for non-typhoon accounts amounting ₱491,212 was also booked in prior years with the total of the restatement reaching ₱ 27,299,612.As a result of the restatement, the beginning balances of surplus and undivided profits for the year 2016 and the deferred tax assets were also adjusted by ₱19,109,729 and ₱8,189,884 (₱27,299,613 x 30%), respectively.*

**Note 16**

**Details of Application Fees and Other Income**

| *Years Ended December 31,* | **2018** | *2017* |
|---|---|---|
| *Application/fees* | **₱44,521,048** | *₱43,435,782* |
| *Income from ATM operation* | **12,615,368** | *13,162,853* |
| *Overnight charges* | **8,852,533** | *7,735,532* |
| *Income from assets acquired* | **7,153,807** | *4,800,191* |
| *Bank charges* | **3,331,317** | *2,411,524* |
| *Inter-branch transaction fees* | **2,316,068** | *2,188,538* |
| *Inspection/appraisal fees* | **1,156,919** | *377,421* |
| *Check book fee* | **1,117,352** | *1,100,269* |
| *Insurance (service fees)* | **970,388** | *4,976,067* |
| *Recovery on charged-off assets* | **917,444** | *592,374* |
| *Income from remittance and other services* | **729,430** | *761,898* |

| | | |
|---|---|---|
| Income on POS | **440,587** | 435,361 |
| Gain (loss) on sale from bank premises fixtures, furniture, and equipt. | **–** | 927,001 |
| Miscellaneous | **4,866,557** | 2,105,970 |
| | **₱88,988,818** | ₱85,010,781 |

**Note 17**
**Details of Compensation and Employees' Benefits**

| Years Ended December 31, | 2018 | 2017 |
|---|---|---|
| Short-term employees' benefits | **₱88,737,392** | ₱92,445,192 |
| Post-employment benefits | **2,603,803** | 521,863 |
| | **₱91,341,195** | ₱92,967,055 |

*Post-Employment Benefits*

*The Bank maintains a tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all regular full-time employees. The amount of retirement benefit obligation as of December 31, 2018 and 2017 presented under Other Liabilities in Note 13, recognized in the statement of financial position is determined as shown below. Benefits are dependent on the years of service and the respective employee's compensation. The following principal actuarial assumptions used in determining plan obligations as of December 31, 2018 and 2017 are based on the actuarial valuation report obtained from an independent actuary in 2018 and 2017.*

*The amounts of retirement benefits expense recognized in the statement of profit or loss are as follows:*

| December 31, | 2018 | 2017 |
|---|---|---|
| Current service cost | **₱1,538,924** | ₱2,411,308 |
| Interest cost | **1,064,879** | 1,029,693 |
| | **₱2,603,803** | ₱3,441,001 |

*The components of retirement benefit costs recognized in OCI are as follows:*

| Years Ended December 31, | 2018 | 2017 |
|---|---|---|
| (Gain) Loss on defined benefit obligation | **(₱5,169,449)** | (₱2,349,336) |
| (Gain) Loss on plan assets | **(84,125)** | 121,521 |
| Total Actuarial Gain | **(₱5,253,574 )** | (₱2,227,815) |

*The amount of retirement benefit obligation recognized in the statement of financial position is determined as follows:*

| December 31, | 2018 | 2017 |
|---|---|---|
| Present value of obligation | **₱12,088,674** | ₱18,669,638 |
| Fair value of plan assets | **(6,316,013)** | (7,166,678) |
| Net Retirement Benefit Obligation | **₱5,772,661** | ₱11,502,960 |

*The movements in present value of the retirement benefit obligation recognized in the books follows:*

| *December 31,* | **2018** | *2017* |
|---|---|---|
| *Opening balances* | **₱18,669,638** | *₱19,149,596* |
| *Actuarial (gain) loss* | **(5,169,449)** | *(2,349,336)* |
| *Current service cost* | **1,538,924** | *2,411,308* |
| *Interest cost* | **1,064,879** | *1,029,693* |
| *Benefits paid by the plan* | **(4,015,318)** | *(1,571,623)* |
| *Closing balances* | **₱12,088,674** | *₱18,669,638* |

*For the determination of the retirement benefit obligation, the following actuarial assumptions were used:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Discounted rate* | **7.53%** | *5.70%* |
| *Expected rate of return* | **2.50%** | *2.50%* |
| *Salary increase rate)* | **5.00%** | *5.00%* |
| *Average expected working lives of employees* | **26.92** | *26.99* |

*Assumptions regarding future mortality are based on The Commissioners 1960 Standard Group Mortality Table.*
*The overall expected long-term rate of return on assets is 10%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns in individual asset categories. The return is based exclusively on historical returns, without adjustments.*

*The movement in the fair value of plan assets, which consists of various short-term placements with local banks, is presented below:*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Opening fair value of Plan Assets* | **₱7,166,678** | *₱5,668,498* |
| *Expected return on plan assets* | **408,773** | *304,801* |
| *Contributions paid into the plan* | **2,671,755** | *2,886,523* |
| *Actuarial gain (loss)* | **84,125** | *(121,521)* |
| *Benefits paid by the plan* | **(4,015,318)** | *(1,571,623)* |
| *Closing fair value of Plan Assets* | **₱6,316,013** | *₱7,166,678* |

*The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2018, assuming all other assumptions were held constant.*

| | *Increase (Decrease)* | *Amount* |
|---|---|---|
| *Discount rate* | *+1%* | *(₱3,393,000)* |
| | *-1%* | *4,276,000* |
| *Future salary increase rate* | *+1%* | *4,113,000* |
| | *-1%* | *(3,339,000)* |

*The average duration of the defined benefit obligation at the end of the reporting date is 22 years. Shown below is the expected ten-year benefit cash flow:*

| | *Amount* |
|---|---|
| *2018 to 2022* | *₱–* |
| *2023-2027* | *2,243,000* |

**Note 18**

**Details of Other Operating Expenses**

| *Years Ended December 31,* | **2018** | *2017* |
|---|---|---|
| *Taxes and licenses (Note 19)* | **₱27,264,816** | *₱25,560,739* |
| *Travelling expenses* | **15,955,204** | *13,532,821* |
| *Security, messengerial and janitorial services* | **9,767,519** | *10,927,433* |
| *Communications* | **9,580,955** | *10,996,852* |
| *Rent (Note 7)* | **9,422,282** | *8,583,022* |
| *Fuel, oil and lubricants* | **7,276,176** | *5,083,744* |
| *Power, light and water* | **6,560,242** | *6,254,439* |
| *Commission* | **6,050,948** | *9,879,893* |
| *Collection fee charges* | **5,534,315** | *2,036,387* |
| *Management and other professional fees* | **5,334,828** | *3,867,951* |
| *Stationery and supplies used* | **5,134,190** | *4,481,981* |
| *Insurance* | **4,327,867** | *8,089,633* |
| *Information and technology expenses* | **4,066,723** | *5,660,500* |
| *Repairs and maintenance* | **3,314,163** | *3,474,681* |
| *Representation and entertainment* | **3,119,232** | *3,060,314* |

| | | |
|---|---|---|
| *Litigation of asset acquired* | **2,177,633** | *873,281* |
| *Banking fees* | **708,000** | *625,522* |
| *Miscellaneous* | **2,703,557** | *1,460,375* |
| | **₱128,298,650** | *₱124,449,568* |

**Note 19**
**Computations of Income Tax Expense**

| *December 31* | **2018** | *2017* |
|---|---|---|
| **Current** | | |
| *Corporate tax at 30%* | **₱4,443,007** | *₱3,070,526* |
| *Final tax at 20%* | **944,948** | *717,740* |
| **Deferred** | **(888,081)** | *(478,759)* |
| | **₱4,499,874** | *₱3,309,507* |

*Current Tax Expense – Normal Corporate Income Tax (NCIT) Rate at 30%*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Profit before income tax expense, per statements of profit or loss* | **₱14,806,938** | *₱12,536,753* |
| *Add (deduct) the following:* | | |
| *2016 various expenses recorded as deduction in 2017 (See below))* | **–** | *(1,493,098)* |
| *Taxable income before reconciling items* | **14,806,938** | *11,043,655* |
| *Add (deduct) reconciling items from permanent differences:* | | |
| *Interest income on bank deposits already subject to final tax* | **(4,724,744)** | *(3,588,702)* |
| *Non-allowable interest expense (33%)* | **1,559,166** | *1,184,272* |
| *Tax deficiency paid 2018 under taxes and licenses account* | **208,394** | |
| *Add (deduct) reconciling items from temporary differences:* | | |
| *Provision for impairment losses (Notes 5 and 8)* | **356,467** | *1,074,000* |
| *Provision for retirement benefits (Notes 17)* | **2,603,803** | *521,863* |
| *Taxable income* | **14,810,024** | *10,235,088* |
| *Tax rate* | **30%** | *30%* |
| *Tax due* | **4,443,007** | *3,070,526* |
| *Application of deferred tax assets:* | | |
| *Written-off loans accounts (₱4,125,055 X 30% in 2018 and ₱6,930,000 x 30%in 2017)* | **(1,237,516)** | *(2,079,000)* |
| *Actual payment of retirement benefit* | **(1,204,595)** | *(471,487)* |
| *Net Income Tax Due (Excess of Deferred Tax Assets Application)* | **₱2,000,896** | *₱520,039* |

*In 2017, the re-stated various expenses (Expenses related to 2016 such as: Fuel, oil and lubricants; security, messengerial and janitorial services; and communication) are claimed as a deduction in computing the 2017 income tax due since the income tax return in 2016 has already been filed in April 2017 and was not amended.*

*Current Tax Expense – MCIT Rate of 2%*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Gross Revenue* | | |
| *Interest on loans* | **₱232,957,478** | *₱236,862,962* |
| *Non-deductible interest expense* | **1,559,166** | *1,184,292* |
| *Other income* | **88,988,818** | *85,010,781* |
| *Gross revenue per statements of profit or loss* | **323,505,462** | *323,058,035* |
| *Cost of Services* | | |
| *Interest expense* | **78,770,234** | *83,577,870* |

| | | |
|---|---|---|
| Salaries and benefits | **56,324,746** | 55,477,682 |
| Depreciation expense | **5,893,900** | 4,636,902 |
| Other expenses | **86,067,150** | 84,707,846 |
| | **227,056,030** | 228,400,300 |
| Gross Profit | **96,449,432** | 94,657,735 |
| Tax rate | **2%** | 2% |
| Tax Due at MCIT | **₱1,928,989** | ₱1,893,155 |

The income tax expense during 2017 was computed using the regular corporate rate of 30%, a rate lower than when the income tax expense is computed using the (MCIT rate of 2% of gross income.

Computation of Net Income Tax Payable

| December 31 | 2018 | 2017 |
|---|---|---|
| Normal Income Tax or MCIT whichever is higher | **₱2,000,896** | ₱1,893,155 |
| Less Tax Payments/Credits: | | |
| Application of MCIT 2017 | **1,373,116** | |
| Tax payments for the first three quarters | **422,626** | 437,703 |
| Income tax payable | **₱205,154** | ₱1,455,452 |

Current Tax Expense - Final

This represents the final withholding taxes on interest income on bank deposits and investments.

Deferred Tax Assets

The movements of the deferred tax assets are as follows:

| December 31 | 2018 | 2017 |
|---|---|---|
| Opening balances, as originally stated | **₱46,476,701** | ₱48,709,496 |
| 30% deferred tax asset on provision for impairment losses (Note 5) | **17,187,388** | 17,187,388 |
| Set-up actuarial losses of defined benefits in prior years | **–** | 236,087 |
| Actuarial gain of defined benefits in 2016 | **–** | (1,101,925) |
| Opening balances, as restated | **63,664,089** | 65,031,046 |
| Origination of temporary differences arising from: | | |
| Provision for impairment losses on loans and other receivables (Note 5) | **106,940** | 322,200 |
| Minimum Corporate Income Tax (MCIT) | **–** | 1,373,115 |
| Actual payment of employees' retirement | **(1,204,596)** | (471,487) |
| Application of 2017 MCIT | **(1,373,115)** | |
| Provision for retirement benefit (Note 17) | **781,141** | 156,559 |
| Written-off loans receivable (Note 5) | **(1,237,516)** | (2,079,000) |
| Actuarial gain of defined benefit in 2017 | **(1,576,072)** | (668,344) |
| Closing balances | **₱59,160,871** | ₱63,664,089 |

*Details of Taxes and Licenses*

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Details of Taxes and Licenses* | | |
| *Gross Receipt Tax* | **₱17,211,129** | *₱16,650,839* |
| *Business and realty tax, vehicles registration & others* | **10,053,687** | *8,909,900* |
| | **27,264,816** | *25,560,739* |
| *Other Taxes Paid* | | |
| *Compensation and Expanded withholding taxes* | **5,154,018** | *12,074,243* |
| *Documentary stamp taxes* | **11,005,769** | *6,065,966* |
| *Final taxes* | **2,538,289** | *2,648,404* |
| | **18,698,076** | *20,788,613* |
| | **₱45,962,892** | *₱46,349,352* |

**Note 20**
**Earnings Per Common Share**

| *December 31* | **2018** | *2017* |
|---|---|---|
| *Basic* | | |
| *Profit for the year* | **₱10,307,064** | *₱9,227,246* |
| *Weighted Average Number of Common Shares* | **2,557,635** | *2,192,403* |
| *Earnings per Share* | **4.03** | *₱4.21* |

*Diluted Earnings Per Share*

| | | |
|---|---|---|
| *Profit for the year* | **₱10,307,064** | *₱9,227,246* |
| *Weighted average number of common and potential common shares* | **2,557,635** | *2,192,403* |
| *Diluted Earnings per Common Share* | **₱4.03** | *₱4.21* |

**Note 21**
**Related Party Transactions**

*In the ordinary course of trade or business, the Bank has transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. None of the transactions with related parties incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash.*

*The significant related party transactions are summarized below:*

a) *In the ordinary course of business, the Bank has loan transactions with DOSRI. The following are the information related to DOSRI:*

| December 31 | **2018** | 2017 |
|---|---|---|
| Total Outstanding DOSRI loans | **₱10,330,618** | ₱23,621,679 |
| Percent of DOSRI loans to total loans | **0.59%** | 1.38% |
| Percent of unsecured DOSRI loans to total DOSRI loans | **0.00%** | 47.68% |
| Percent of past-due DOSRI loans to total DOSRI loans | **0.00%** | 0.00% |
| Percent of non-performing DOSRI loans to total DOSRI loans | **0.00%** | 0.00% |

*Under the Bank's policy, these loans and other transactions are to be made substantially on the same terms and conditions as with other individuals and businesses of comparable risks. Under the General Banking Act and BSP regulations, the amount of direct credit accommodations to each of the Bank's directors, officers and stockholders, of which 70% must be secured should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In addition, the aggregate DOSRI loans generally should not exceed the Bank's capital funds or 15% of the Bank's loan portfolio, whichever is lower (see Note 5). As of December 31, 2018 and 2017, the Bank is in compliance with these regulations.*

b) *The Bank also extends advances subject to liquidation to its officers and employees. Total advances to officers and employees amounted to ₱1,044,071 in 2018 and ₱1,022,889 in 2017.*

c) *The key management compensation consists of the following:*

| December 31 | **2018** | 2017 |
|---|---|---|
| Short-term employees' benefits | **₱9,846,520** | ₱13,191,045 |
| Post-employment benefits (provision for retirement benefits) | **314,316** | 354,425 |
| | **₱10,160,836** | ₱13,545,470 |

**Note 22**
**Fair Value Measurement**

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

*The following table summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the 2018 statement of financial condition but for which fair value is disclosed.*

| December 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents (Note 4) | ₱294,534,674 | | | **₱294,534,674** |
| Loans and receivables (Note 5) | | | 1,717,126,297 | **1,717,126,297** |
| Held-to-maturity investments (Note 6) | | | 33,154,412 | **33,154,412** |
| | ₱294,534,674 | – | ₱1,750,280,709 | **₱2,044,815,383** |
| **Financial liabilities** | | | | |
| Deposit liabilities (Note 10) | | – | 1,475,668,453 | **1,475,668,453** |
| Bills payable (Note 11) | | | 436,604,366 | **436,604,366** |
| Unsecured subordinated debt (Note 12) | | | 50,000,000 | **50,000,000** |
| Other liabilities (Note 13) | | | 113,022,788 | **113,022,788** |
| | | – | ₱2,075,295,607 | **₱2,075,295,607** |

| | | | | |
|---|---|---|---|---|
| December 31, 2017 | | | | |
| **Financial assets** | | | | |
| *Cash and cash equivalents (Note 4)* | *₱446,987,887* | | | **₱446,987,887** |
| *Loans and receivables (Note 5)* | | | *₱1,642,907,716* | **1,642,907,716** |
| *Held-to-maturity investments (Note 6)* | | | *32,964,528* | **32,964,528** |
| | *₱446,987,887* | | *₱1,675,872,244* | **₱2,122,860,131** |
| **Financial liabilities** | | | | |
| *Deposit liabilities (Note 10)* | | – | *₱1,426,822,254* | **₱1,426,822,254** |
| *Bills payable (Note 11)* | | | *557,939,117* | **557,939,117** |
| *Unsecured subordinated debt (Note 12)* | | | *50,000,000* | **50,000,000** |
| *Other liabilities (Note 13)* | | | *118,422,559* | **118,422,559** |
| | | – | *₱2,153,183,930* | **₱2,153,183,930** |

*For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counter-parties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.*

*Fair Value Measurement for Non-financial Assets*

*The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017.*

| *December 31, 2018* | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| *Bank premises, furn./fixt/eqpt (Note 7)* | | | *₱84,933,019* | **₱84,933,019** |
| *Investment properties (Note 8)* | | | *92,815,093* | **92,815,093** |
| *Other assets (Note 9)* | *₱93,416,031* | | | **93,416,031** |
| | *₱93,416,031* | | *₱177,748,112* | **₱271,164,143** |

| December 31, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Bank premises, furn./fixt/eqpt *(Note 7)* | | | ₱82,298,176 | **₱82,298,176** |
| Investment properties *(Note 8)* | | | 65,517,368 | **65,517,368** |
| Other assets *(Note 9)* | ₱99,911,408 | | | **99,911,408** |
| | ₱99,911,408 | | ₱147,815,544 | **₱247,726,952** |

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

## Note 23
## Risk Management Objectives and Policies

*The Bank is exposed to a variety of financial risks in performing its activities. The main types of risks it is facing are market risk, credit risk and liquidity risk. The Board of Directors has overall responsibilities for the Bank's financial risk management, which includes the establishment and approval of risk strategies, policies and limits. The main objective of the financial risk management of the Bank is to minimize the adverse impact of financial risks on the Bank's financial performance and financial condition.*

*Market Risk Analysis*

*Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates. The Bank is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk andcertain other price risks, which result from both its operating and investing activities. Most of the Bank's transactions are carried out in Philippine currency, its functional currency. It has limited or no exposures to currency exchange rates since it has no transactions involving foreign currencies. The Bank does not actively engage in the trading of financial assets nor does it write options. It likewise has little exposure to interest rate risk as its loans and receivables and deposit liabilities have fixed interest rates. Its exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting period date.*

*Credit Risk Analysis*

*The Bank is mostly exposed to credit risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position. Credit risk therefore is only disclosed in circumstances where the maximum potential loss differs significantly from the carrying amount of the financial assets. The Bank manages the level of credit risk by actively monitoring its portfolio to avoid significant concentrations of credit.*

As at December 31, 2018, the Bank's financial assets are composed of the following:

| December 31, 2018 | Neither Past Due Nor Impaired | Past Due But Not Impaired | Total |
|---|---|---|---|
| Cash and cash equivalents (Note 4) | ₱294,534,674 | | **₱294,534,674** |
| Loans and other receivables (Note 5) | 1,601,726,021 | ₱115,400,276 | **1,717,126,297** |
| Investments in debt securities (Note 6) | 33,154,412 | | **33,154,412** |
| | ₱1,929,415,107 | ₱115,400,276 | **₱2,044,815,383** |

The Bank manages the level of credit risk by actively monitoring all its receivables to avoid significant delinquency.

Liquidity Risk Analysis

The Bank is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligations as they become due without incurring unacceptable losses or costs. The Bank's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs, and c) to be able to access funding when needed at the least possible cost. The Bank manages its liquidity by carefully monitoring its scheduled debt servicing payments for long-term financial liabilities as well as its cash flows due on its day-to-day business.

Maturity Analysis of Assets and Liabilities

| December 31, 2018 | Within One Year | Beyond One Year | **Total** |
|---|---|---|---|
| Financial Assets | | | |
| Cash and cash equivalents (Note 4) | ₱294,534,674 | | **₱294,534,674** |
| Loans and other receivables (Note 5) | 1,392,959,320 | ₱324,166,977 | **1,717,126,297** |
| Held-to-maturity investments (Note 6) | | 33,154,412 | **33,154,412** |
| Nonfinancial Assets | | | |
| Bank premises, furn., fixt. and equipment (Note 7) | | 84,933,019 | **84,933,019** |
| Investment properties (Note 8) | | 92,815,093 | **92,815,093** |
| Other assets (Note 9) | 93,416,031 | | **93,416,031** |
| Total Assets | ₱1,780,910,025 | ₱535,069,501 | **₱2,315,979,526** |
| Financial Liabilities | | | |
| Deposit liabilities (Note 10) | ₱955,380,960 | ₱520,287,493 | **₱1,475,668,453** |
| Bills payable/unsecured subordntd debt (Notes 11 and 12) | 143,502,500 | 343,101,866 | **486,604,366** |
| Other liabilities (Note 13) | 107,250,127 | | **107,250,127** |
| Nonfinancial Liabilities | | | |
| Retirement benefit obligation (Notes 13 and 17) | | 5,772,661 | **5,772,661** |
| Total Liabilities | ₱1,206,133,587 | ₱869,162,020 | **₱2,075,295,607** |

Maturity Analysis of Assets and Liabilities

| December 31, 2017 | Within One Year | Beyond One Year | **Total** |
|---|---|---|---|
| Financial Assets | | | |
| Cash and cash equivalents (Note 4) | ₱446,987,887 | – | **₱446,987,887** |
| Loans and other receivables (Note 5) | 1,548,926,714 | 112,333,361 | **1,661,260,075** |
| Held-to-maturity investments (Note 6) | | 32,964,528 | **32,964,528** |

| | | | |
|---|---|---|---|
| *Nonfinancial Assets* | | | |
| *Bank premises, furn., fixt. and equipment (Note 7)* | | *82,298,176* | **82,298,176** |
| *Investment properties (Note 8)* | | *65,517,368* | **65,517,368** |
| *Other assets (Note 9)* | *94,405,700* | | **94,405,700** |
| *Total Assets* | *₱2,090,320,301* | *₱293,113,433* | **₱2,383,433,734** |
| *Financial Liabilities* | | | |
| *Deposit liabilities (Note 10)* | *₱1,030,956,104* | *₱395,866,150* | **₱1,426,822,254** |
| *Bills payable/unsecured subordntd debt (Notes 11 and 12)* | *414,563,757* | *193,375,360* | **607,939,117** |
| *Other liabilities (Note 13)* | *106,919,599* | | **106,919,599** |
| *Nonfinancial Liabilities* | | | |
| *Retirement benefit obligation (Notes 13 and 17)* | | *11,502,960* | **11,502,960** |
| *Total Liabilities* | *₱1,552,439,460* | *₱600,744,470* | **₱2,153,183,930** |

**Note 24**
**Commitments and Contingencies**

*In the normal course of its operations, the Bank makes various commitments and incurs certain contingent liabilities which are not reflected in the accompanying financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies.*

**Note 25**
**Approval of Financial Statements**

*The Thrift Bank's financial statements as of and for the year ended December 31, 2018, were authorized for issue by the Bank's President on April 8, 2019.*

## SUPPLEMENTARY SCHEDULES TO THE FINANCIAL STATEMENTS

| | |
|---|---|
| *Annex I* | *Schedule of Retained Earnings Available for Dividend Declaration* |
| *Annex II* | *Effective Standards and Interpretations Under PFRS as of December 31, 2018, Adopted Beginning January 1, 2018* |

## SCHEDULES OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

*Enterprise Bank, Inc. (A Thrift Bank)*

| *December 31,* | **2018** | *2017* |
|---|---|---|
| **UNAPPROPRIATED RETAINED EARNINGS OPENING BALANCES, AS ORIGINALLY STATED** | **(₱16,879,529)** | *₱9,129,674* |
| **ADJUSTMENT TO RESTATE BEGINNING BALANCES** | **(40,103,904)** | *(66,862,639)* |
| **UNAPPROPRIATED RETAINED EARNINGS OPENING BALANCES, AS RESTATED** | **(56,983,433)** | *(57,732,965)* |
| **NET INCOME ACTUALLY EARNED/REALIZED DURING THE YEAR** | **10,307,064** | *9,227,246* |
| **UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED** | **(46,676,369)** | *(48,505,719)* |
| **ADD (DEDUCT)** | | |
| *Dividends declared during the fiscal year* | | – |
| *Appropriations of Retained Earnings during the fiscal year* | **–** | *(8,477,714)* |
| *Reversals of appropriation during the fiscal year* | **–** | – |
| | **–** | *(8,477,714)* |
| **UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION** | **(₱46,676,369)** | *(₱56,983,433)* |

# PRODUCTS AND SERVICES

## DEPOSIT PRODUCTS

### Basic Savings Deposit Account

Proof of deposit may come in either Passbook or ATM Card with NO maintaining balance required.

**Minimum Account Opening**
P100

**Interest Crediting**
Quarterly

**Interest Rate**
0.10% p.a.

### Super Savings Account

Proof of deposit comes in a passbook.

**Minimum Account Opening**
P300,000

**Interest Crediting**
Monthly

**Interest Rate**
Interest will be earned if monthly ADB exceeds P300,000.00 following Treasury Bulletin. Additional interest of 0.5% if no withdrawals made during the month.

### Current Account

Also known as Checking or Demand Deposit under a direct clearing facility of the Philippine Clearing House Corporation.

**Minimum Account Opening**
P3,500 (individual)
P10,000 (corporate)

### Super Checking Account (3-in-1)

Checking account that comes in passbook, ATM and check book for individuals only. Not applicable to corporate.

**Minimum Account Opening**
P5,000.00

### Regular Time Deposit

Checking account that comes in passbook, ATM and check book for individuals only. Not applicable to corporate.

**Minimum Account Opening**
P5,000,000

**Interest Crediting**
Upon maturity

**Interest Rate**
Variable Interest rate depending on volume and tenor.

### TD5 (Long Term Deposit)

5 years term
Tax-exempt

**Minimum Account Opening**
P500,000

**Interest Crediting**
Quarterly

**Interest Rate**
7% p.a.

## LOAN PRODUCTS

### Small Business Loans

Secured loan for additional working capital for:

- Business expansion
- Purchases related to business operation such as supplies, inventories, equipment and other fixed assets

**Available facilities**
Term Loan

**Loanable Amount**
P50,000 to P1,000,000

**Term**
2 months to 18 months

**Collateral**
Chattel and Real Estate Mortgage

### Enterprise Business Loans

Secured loan for additional working capital for:

- Business expansion
- Purchases related to business operation such as supplies, inventories, equipment and other fixed assets

**Available facilities**
Credit Line
Term Loan

**Loanable Amount**
Above P1,000,000

**Term**
2 months to 5 years

**Collateral**
Chattel and Real Estate Mortgage

## Housing Loan

Housing Loan Product is designed to cater to the growing needs of the market for financing house construction and refinancing of house construction and/or lot acquisition by the prospective clientele.

**Available Facility**
Term Loan

**Loanable Amount**
Maximum of P10 million

**Term**
- Up to seven (7) years for home acquisition and refinancing
- Up to five (5) years for home construction

## Car Loan

Car Loan Product is a loan product designed to cater to the growing needs of the market for financing of the acquisition of a brand new service vehicle that will be used for personal or business.

**Available Facility**
Term Loan

**Loanable Amount**
Maximum of P2.5 million only

**Term**
1 - 5 years

## Truck Loan

Truck Loan Financing is a loan product designed to cater to the growing needs of the business sector for financing of the acquisition of truck/s for business purposes.

**Available Facility**
Term Loan

**Loanable Amount**
Maximum of P2.5 million only

**Term**
- Maximum of 3 years for brand new unit
- Maximum of 2 years for reconditioned unit

## PUV Loan

PUV Loan Financing is a loan product designed to cater to the growing needs of the business sector for financing of the acquisition of PUV for operating taxi or van rental business.

**Available Facility**
Term Loan

**Loanable Amount**
Maximum of P1.2 million only

**Term**
Maximum of 3 years

# For existing EBI Clients

## Back-to-Back Loan

Hold-out loan granted to existing clients against his/her own deposit account with the bank

**Available Facility**
Hold-out Loan

**Loanable Amount**
Up to 80% of the face value of deposit account or up to P5,000,000 whichever is lower

**Term**
12 months or 360 days

## Loans against ADB on Deposits

Designed to assist thriving small entrepreneurs who are at the same time existing depositors of the bank

**Available Facility**
Credit line

**Loanable Amount**
P50,000 - P1,000,000

**Term**
6 months or 180 days

# OTHER PRODUCTS AND SERVICES

- Payroll Servicing
- Point-of-Sale Facility
- Post-Dated Checks Warehousing
- Money Transfer
- Utility Bills Payment Center

# WHERE TO FIND US

### HEAD OFFICE
Poblacion Lianga, Surigao del Sur, Philippines
0910-345-0213 (SMART) / 0948-464-9462 (TNT)

### CENTRAL SUPPORT SERVICES OFFICE
Enterprise Bank Building, Km.5, Buhangin, Davao City, Davao del Sur, Philippines
(082) 300-4042

### ARAS-ASAN
Aras-asan, Cagwait, Surigao del Sur, Philippines
0998-536-7572 (SMART) /0929-582-4567 (SMART)

### CATEEL
Castro Ave., Poblacion Cateel, Davao Oriental, Philippines
0946-605-2203 (TNT) / 0930-366-9802 (SMART)

### BAROBO
Poblacion Barobo, Surigao del Sur, Philippines
0918-532-0845 (SMART)

### DIGOS
Ground Floor, A&B Building, Rizal Avenue, Digos City, Davao del Sur, Philippines
0917-502-3172 (GLOBE)

### BAYUGAN
Yakal Street, Taglatawan Bayugan City, Agusan del Sur, Philippines
0909-080-6787 (SMART) / 0949-126-3369 (SMART)

### GENERAL SANTOS
G Floor, RDRDC Building, Magsaysay Ave. corner Salazar St., General Santos City, South Cotabato, Philippines
0917-106-6413 (GLOBE) / 0999-318-8322 (SMART)

### BISLIG
Abarca St., Mangagoy, Bislig City, Surigao del Sur, Philippines
0948-220-2478 (TNT)

### GINGOOG
Brgy. 22, National Highway, Gingoog City, Misamis Oriental, Philippines
0926-066-7908 (GLOBE)

### BUHANGIN*
Km.5, Buhangin, Davao City, Davao del Sur, Philippines
0910-460-9946 (SMART)

### HINATUAN
Hinatuan, Surigao del Sur, Philippines
0917-443-6955 (GLOBE) / 0909-621-1844 (SMART)

### BUTUAN
Ground Floor Intino Building, Aquino Ave., Brgy. Bayanihan, Butuan City, Agusan del Norte, Philippines
0998-544-5007 (SMART)

### ILOILO
City Time Square, Gaisano City 2, Benigno Avenue, Diversion Road, Mandurriao, Iloilo City, Philippines
0939-617-2288 (SMART)

### CAGAYAN DE ORO
Doors 3 & 4, G/F RMR Diamond Residences Bldg., Tomas Saco St., Cagayan de Oro City, Misamis Oriental, Philippines
0945-443-4977 (GLOBE)

### KORONADAL*
Ledesma Bldg., Abad Santos St., Zone, Koronadal City, Philippines

### MADRID
corner Guillen-Arreza Sts., Brgy. Quirino,
Madrid , Surigao del Sur
0910-856-4666 (SMART) / 086-213-4034 (landline)

### SURIGAO
1st Floor Aguilar Bldg., No.0487 Burgos St.
Surigao City, Philippines
0909-817-4215 (SMART)

### MANDAUE
City Time Square Phase II, Mantawi Ave., Barangay Tipolo, Mandaue City, Cebu, Philippines
0917-867-7663 (GLOBE) / 0923-469-6249 (SUN)

### TAGBINA*
Purok 4 Tagbina, Surigao del Sur, Philippines
0918-532-0845 (SMART)

### MARIHATAG*
Poblacion Marihatag, Surigao del Sur, Philippines
0912-807-3759 (SMART)

### TAGUM
Magugpo West, Tagum city,
Davao del Norte, Philippines
0936-583-9103 (GLOBE)

### MATI
Door 10 MJI Building, Rizal Extension, Mati City,
Davao Oriental, Philippines
0956-126-2923 (GLOBE)

### TALISAY
National Highway, Lawa-an I, Talisay City,
Cebu, Philippines
0917-867-7663 (GLOBE) / 0923-469-6249 (SUN)

### MATINA
DBC McArthur Highway, Matina, Davao City, Davao del Sur, Philippines
0923-110-2811 (SUN)

### TANDAG
Napo, Tandag City, Surigao del Sur, Philippines
0918-947-8890 (SMART)

### NABUNTURAN
Purok 1 Nabunturan, Compostela Valley, Compostela Province, Philippines
0995-454-9587 (GLOBE)

### TRENTO
Ground Floor Ticao Building, Poblacion,
Trento, Agusan del Sur, Philippines
0907-327-9135 (SMART) / 0907-036-2264 (SMART)

### PANABO
Ground Floor, Centino Realty, Quezon Street, Sto. Niño,
Panabo City, Davao del Norte, Philippines
0999-848-8771 (SMART) / 0995-413-9411 (GLOBE)

### VALENCIA
G. Laviña Avenue, Guinoyoran Road,
Valencia City Bukidnon, Philippines
0917-704-1089 (GLOBE)

### SAN FRANCISCO
Quezon St., San Francisco,
Agusan del Sur, Philippines
0946-590-5745 (TNT) / 0905-465-8758 (SMART)

*Branch-lites

# ATM LOCATIONS

| | |
|---|---|
| ARAS ASAN | Brgy Aras asan, Cagwait, Surigao del Sur |
| BAROBO | Poblacion Barobo, Surigao del Sur |
| BAYUGAN | Yakal Street, P-3 Brgy. Taglatawan, Bayugan, Agusan del Sur |
| BISLIG | Abarca Street, Mangagoy, Bislig City, Surigao del Sur |
| BUHANGIN | KM 5. Buhangin, Davao City |
| BUNAWAN | Micro Ages Hotel, Poblacion, Bunawan, Agusan Sur |
| BUTUAN BRANCH | R.C. Intino Building, J.C. Aquino Ave., Butuan City, Agusan del Norte |
| CABANTIAN | Cabantian, Davao City |
| CAGAYAN DE ORO | RMR Building, Tomas Saco St., Cagayan de Oro City |
| CANTILAN | Brgy. Poblacion, Cantilan, Surigao Sur |
| CATEEL | Castro Avenue, Cateel, Davao Oriental |
| GENERAL SANTOS | RDRDC Bldg., Magsaysay Ave. cor. Salazar Sts., General Santos City |
| HINATUAN | Poblacion, Hinatuan, Surigao del Sur |
| ILOILO | City Time Square, Diversion Rd, Brgy. San Rafael, Mandurriao, Iloilo City |
| LIANGA | Lianga, Surigao del Sur |
| LINGIG | Municipal Bldg., Poblacion, Lingig, Surigao del Sur |
| MADRID | Guillen Street, Brgy. Quirino Madrid, Surigao Del Sur |
| MANDAUE | City Time Square 2, Mantawe Ave. Tipolo, Mandaue City |
| MARIHATAG | Poblacion, Marihatag, Surigao del Sur |
| MINTAL | Mintal, Davao City |
| PROSPERIDAD | Integrated Bus Terminal, Prosperidad, Agusan Sur |
| RONDA | Poblacion, Ronda, Cebu |
| ROSARIO | Integrated Bus Terminal, Rosario, Agusan Del Sur |
| SAN AGUSTIN | Municipal Bldg, Poblacion, San Agustin, Surigao Sur |
| SAN FRANCISCO | Quezon St., San Francisco, Agusan del Sur |
| STA. JOSEFA | Municipal Bldg, Poblacion, Sta. Josefa, Agusan Sur |
| TAGBINA | Purok 4, Poblacion Tagbina, Surigao del Sur |
| TAGUM BRANCH | Magugpo West, Tagum City, Davao del Norte |
| TALACOGON | Talacogon, Agusan del Sur |
| TANDAG | Napo, Tandag, Surigao del Sur, |
| TRENTO | P-7 Lock Tienda Bldng., Poblacion Trento, Agusan Del Sur |

# 2018 EMPLOYEE DEVELOPMENT AND WELLNESS ACTIVITIES





www.enterprisebank.ph