ENTERPRISE Bank
A Rural Bank

ABOVE AND BEYOND

48 YEARS OF MOMENTUM TOWARD A GOLDEN FUTURE

2024 ANNUAL REPORT

TABLE OF CONTENTS

ABOUT THE COVER

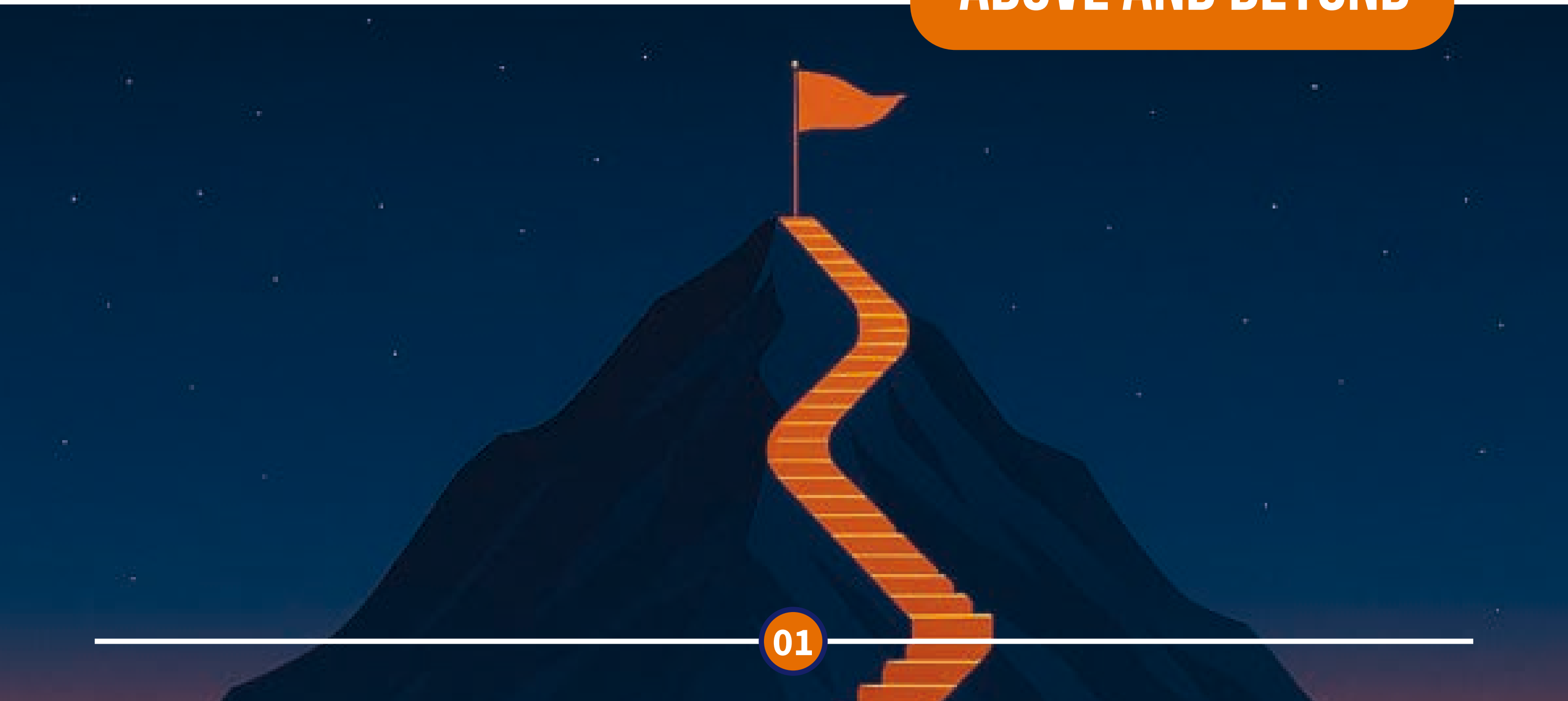
This year's cover for Enterprise Bank's 48th Anniversary Report embodies the spirit of purpose-driven progress. Set against a twilight sky, it features a lone Filipino figure clad in a Barong Tagalog and salakot, steadily ascending a mountain via a glowing staircase. The steps begin small—symbolizing humble beginnings—and gradually expand, reflecting the Bank's steady growth, bold vision, and increasing impact.

The mountain remains a powerful metaphor: unwavering, resilient, and deeply rooted—much like Enterprise Bank's nearly five decades of service to rural communities. The upward path honors both the challenges overcome and the milestones reached. Each step taken by the figure is a tribute to the collective effort of the Bank, its people, and the communities it serves.

The use of our corporate colors—deep blue and vibrant orange—illustrates balance and determination: blue for trust and stability, orange for energy and innovation. At the summit stands a flag, not just a marker of achievement, but a call to keep climbing—to keep going above and beyond.

This cover tells a story of who we are and who we are becoming: a Bank grounded in tradition, yet unafraid to embrace transformation. It is a visual reminder that our journey is not done—we are still ascending, with purpose, alongside every Filipino we serve.

ABOVE AND BEYOND



VISION

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

MISSION

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

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

03 Strive to offer the highest quality servicee and customer value by investing in human resource development.

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

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

06 Guarantee that shareholder's value is enhanced through prudent investment undertakings and efficient operations.

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

OUR CORPORATE POLICY

Enterprise Bank, Inc. (”EBI”, “Enterprise Bank”, “the Bank”) is guided by its mission and vision in definig its direction for the future. EBI aims to broaden its reach while remaining committed to serve small entrepreneurs, thus contributing to the development of the economy. Moreover, EBI is taking advantage of technology to enhance its operations, optimize human and capital resources, enhance customer experience and comply with government regulation.

OUR BRAND

Our brand is dedicated to empowering local small and medium-sized enterprises (SMEs) with personalized financial solutions tailored to their unique needs. We have deep roots in the rural communities we serve, fostering trust and understanding with our customers and advocating financial inclusion for all. Our commitment to fostering economic growth in rural areas sets us apart, offering not just financial services but also community development initiatives to support thriving SME ecosystems.

OUR BUSINESS MODEL

- *COMMUNITY BASED.* Establishing physical branches in strategically located rural areas to establish close-knit relationships with SMEs.
- *PERSONALIZED PRODUCTS AND SERVICES.* Our community-based financial centers offer personalized financial services.
- *DIGITAL FINANCIAL INCLUSION PLATFORMS.* We are moving towards leveraging on technology to operate a user-friendly digital platform tailored to the rural environment.

MESSAGE FROM THE PRESIDENT/CEO

ROBERTO F. SALAZAR
PRESIDENT AND CEO

For the year 2024, I am proud to report that this momentum culminated in a banner year for EBI as we recorded the highest increase in total profit before tax at 25% signaling the success of our strategic direction. Our net income surged by 167% to ₱71.1 million, driven by strong net interest income, prudent expense management, and reduced credit provisions. These results affirm that our long-term initiatives are taking hold, placing us firmly on a path toward becoming one of the industry's top-performing banks.

Return on equity jumped to 23.77%, more than double the previous year, reflecting the Bank's enhanced profitability. Net interest income rose by 9% to ₱278.81 million, comprising 73% of total operating income. This was made possible by a 12% increase in interest income, stemming from higher-yielding loans and investments. Funding efficiencies were likewise achieved, with CASA deposits increasing by 5%, supporting sustainable and cost-effective growth.

We also saw growth in other key revenue streams: application fee income increased by 14% due to greater loan disbursement volume, while interest income from loans rose by 4%. Meanwhile, the disposal of foreclosed assets generated an additional ₱9.2 million, contributing to our strong bottom line. On the expense side, we effectively contained costs—operating expenses went up by only 0.69% to ₱302.74 million —demonstrating operational discipline.

As of end-2024, our total assets stood at ₱3.6 billion, an 11% increase year-on-year, reflecting robust loan growth and a stronger investment portfolio. This performance lifted our total equity to ₱334.72 million, a 27% increase from 2023. Our Capital Adequacy Ratio is 10.93%, well above regulatory requirements—highlighting our financial strength and stability.

These accomplishments are a testament to the hard work, unity, and dedication of the entire Enterprise Bank team. Our solid core income remains the primary engine of growth, allowing us to deliver results that matter to our stakeholders.

We also focused on operational excellence in 2024 by automating our key processes. We developed and implemented the Automated Paperless Approval System (APAS), Business Loan Application System, and Auto Loan Approval System. These digital tools improve customer experience and enhance our internal efficiency. Through this, we reaffirmed our commitment to delivering secure, relevant, and accessible financial solutions powered by technology.

In terms of strategic direction, we adjusted our loan mix in response to heightened risks in the salary loan segment. We pivoted towards more secured and collateral-backed lending. This risk-mitigation move positions us for healthier asset quality and long-term sustainability. Our enterprise loan portfolio, on the other hand, expanded by 41%, driven by improved sales productivity, refined credit policies, and targeted customer engagement.

Our rebranding efforts, which began three years ago, came full circle in 2024. These efforts translated into real trust and loyalty from our clients, as evidenced by a consistent 11% average annual growth in deposit liabilities from 2022 to 2024. Branches were relocated to more strategic locations, redesigned with updated interiors and furnishings, and equipped with unified signage to project a consistent, modern brand image across our network.

Looking ahead, our strategic priorities are clear:

- *Pursue disciplined loan growth in key sectors while maintaining a balanced risk profile.*
- *Optimize our deposit mix and explore new revenue streams to support sustainable profitability.*
- *Strengthen our capital base and risk management practices to ensure resilience in a dynamic economic and regulatory environment.*
- *Invest in technology and innovation—including continuous upgrades to hardware and software—to deliver secure, personalized, and efficient banking experiences.*
- *Improve operational efficiency and cost-effectiveness without compromising service quality.*
- *Invest in our people—our most valuable asset—by fostering a culture of collaboration, innovation, and continuous learning.*

To our valued stockholders, thank you for your continued trust and unwavering support. To our Board of Directors, thank you for your steady guidance and strategic leadership. And to every member of the Enterprise Bank family—your hard work, passion, and dedication are the foundation of our success.

By staying true to our mission, we will continue to deliver meaningful value to our stakeholders, empower our customers, and make a positive impact in the communities we serve.

Together, we are building a Bank that is financially strong, technologically forward, and socially responsible.

Daghang Salamat and Mabuhay ang Enterprise Bank!

MR. ROBERTO F. SALAZAR
PRESIDENT AND CEO

FINANCIAL AND OPERATING HIGHLIGHTS

MINIMUM REQUIRED DATA	2024	2023
PROFITABILITY		
TOTAL NET INTEREST INCOME	278,975,688	255,917,474
TOTAL NON-INTEREST INCOME	112,954,387	107,541,913
TOTAL NON-INTEREST EXPENSES	302,744,370	300,660,330
PRE-PROVISION PROFIT	89,185,705	62,799,444
ALLOWANCE FOR CREDIT LOSSES	11,163,512	0.00
NET INCOME	78,022,193	62,799,444
SELECT BALANCE SHEET DATA		
LIQUID ASSETS	699,907,621	784,617,289
GROSS LOANS	2,349,135,301	2,213,671,140
TOTAL ASSETS	3,666,632,734	3,304,794,808
DEPOSITS	2,964,393,280	2,723,370,858
TOTAL EQUITY	334,722,756	263,612,284
SELECTED RATIOS		
RETURN ON EQUITY	23.77%	10.97%
RETURN ON ASSETS	2.04%	0.86%
CAPITAL ADEQUACY RATIO	10.93%	10.19%
NET INCOME PER SHARE:		
BASIC	₱17.78	₱6.67
DILUTED	₱17.78	₱6.67
OTHERS		
HEADCOUNT	280	271
OFFICERS	13	13
STAFF	267	258

FINANCIAL PERFORMANCE

In 2024, the Philippine banking sector delivered a robust financial performance, marked by record-breaking profitability fueled by loan expansion and strengthened financial positions. The cumulative net income of Philippine banks rose to ₱391.28 billion—an increase of 9.76% from 2023—underscoring the industry's continued recovery and resilience.

2024 FINANCIAL HIGHLIGHTS

- **9% INCREASE IN TOTAL DEPOSITS**
  - FROM ₱2.72 TO ₱2.96 BILLION
- **CASA DEPOSITS UP BY 5%**
  - REACHING ₱1.1 BILLION
- **TIME DEPOSITS UP BY 12%**
- **ENTERPRISE LOAN PORTFOLIO UP BY 41%**
  - FROM ₱413 TO ₱582 MILLION
- **CONSUMER LOAN PORTFOLIO MAINTAINED**
- **TOTAL ASSETS UP BY 11%**
  - FROM ₱3.30 TO ₱3.67 BILLION
- **NET INCOME (AFTER TAX): ₱71 MILLION**

In line with this positive trajectory, Enterprise Bank also posted strong financial results for the year. The Bank's performance was bolstered by the effective sales strategies of its Retail Banking Operations, resulting in a 9% growth in total deposits. This reflects heightened customer confidence and loyalty, bringing the Bank closer to its ₱3 billion deposit milestone.

Current Account/Savings Account (CASA) deposits grew by 5%, reaching ₱1.1 billion in 2024. Time Deposits also experienced substantial growth of 12%, further strengthening the Bank's funding base.

As the broader business environment in the Philippines gradually regained operational momentum, Enterprise Bank proactively supported the recovery of the business sector by extending much-needed financial assistance.

Aligned with the Bank's strategic shift toward collateralized lending to better manage credit risk, the consumer loan portfolio was prudently maintained at ₱1.72 billion. This measured approach helped balance the Bank's risk exposure at optimal levels.

The Bank's total assets expanded by 11%, from ₱3.30 billion in 2023 to ₱3.67 billion in 2024. Total deposits likewise increased by 9%, from ₱2.72 billion to ₱2.96 billion, driven by enhanced brand visibility and strengthened customer trust. Operational efficiencies further contributed to a solid bottom line, with the Bank registering a net income of ₱71 million for the year.

Enterprise Bank remains steadfast in its mission to become a strong regional bank, committed to delivering high-quality financial products and services. It continues to play an active role in promoting entrepreneurship and improving the economic well-being of communities in the countryside.

OPERATIONAL HIGHLIGHTS

ENTERPRISE LOAN

The Bank's strategic shift toward collateralized lending has yielded significant growth in its enterprise loan portfolio while maintaining the level of unsecured consumer loans. In 2024, enterprise loans rose by 41%, increasing from ₱413 million in 2023 to ₱582 million. This substantial growth was driven by enhanced sales productivity through targeted customer selection, strengthened by refinements in credit policies and lending practices.

> *"By empowering SMEs, the Bank not only stimulates business growth but also contributes significantly to uplifting socio-economic conditions in rural areas.*

A key contributor to this success was the deployment of seasoned Account Officers to strategically selected branches in major cities across the Visayas and Mindanao regions. Their expertise and local engagement significantly bolstered the Bank's outreach to small and medium enterprises, resulting in a stronger and more diversified loan portfolio.

Furthermore, the Bank prioritized operational efficiency by introducing automation across key business processes. These enhancements significantly improved turnaround times and optimized the overall performance of enterprise loan operations.

The notable increase in the Bank's secured loan portfolio underscores its prudent risk management strategy, focused on secured lending to ensure balanced and sustainable risk exposure.

Enterprise Bank remains steadfast in its belief that SMEs are vital to national economic development. Aligned with its vision to promote, support, and encourage entrepreneurship in the countryside, the Bank continues to extend accessible financial solutions tailored to the needs of the SME sector. This strategic direction has become the foundation of the Bank's enterprise lending program and supports its goal of expanding the enterprise loan portfolio to ₱1 billion by 2025.

By empowering SMEs, the Bank not only stimulates business growth but also contributes significantly to uplifting socio-economic conditions in rural areas—fostering inclusive and sustainable development throughout the regions it serves.

CONSUMER LOANS

In 2024, Enterprise Bank strategically managed its consumer loan portfolio, maintaining it at ₱1.7 billion. This aligns with the Bank's overall objective of emphasizing collateralized lending to achieve a more balanced risk profile and to strengthen asset quality.

2024 CONSUMER LOAN HIGHLIGHTS

- **₱1.7 BILLION TOTAL CONSUMER LOAN PORTFOLIO (MAINTAINED)**
- **APDS LOANS UP FROM ₱692 MILLION TO ₱716 MILLION**
- **NON-APDS LOANS AT ₱940 MILLION**

Within this portfolio, the Automatic Payroll Deduction System (APDS) loans grew from ₱692 million in 2023 to ₱716 million in 2024, reflecting continued demand and stability in this secured lending segment. Meanwhile, Non-APDS loans stood at ₱940 million.

DEPOSIT TAKING

In 2024, the Bank placed strategic emphasis on strengthening its corporate branding by enhancing the visual identity of its branches and expanding its digital marketing efforts. These initiatives aimed to reinforce brand presence, build stronger customer engagement, and increase market visibility.

2024 DEPOSIT TAKING HIGHLIGHTS

- **INCREASE IN TOTAL DEPOSITS**
  - *FROM ₱2.72 TO ₱2.96 BILLION*
- **INCREASE IN DEPOSIT ACCOUNTS**
  - *FROM 120,298 TO 124,275*
- **INCREASE POS TERMINALS DEPLOYED**
  - *FROM 149 TO 168*
- **PLANNED EXPANSION OF 10 BRANCHES**
  - *POSSIBLE LOCATIONS: LUZON & OTHER PARTS OF MINDANAO*

Backed by the continued trust and confidence of its clientele, the Bank grew its total deposits to ₱2.95 billion in 2024, up from ₱2.70 billion in 2023. This growth was accompanied by an increase in the number of deposit accounts, which rose to 124,275 in 2024 from 120,298 in the previous year. The Bank also expanded its merchant services, with the number of deployed POS terminals increasing from 149 in 2023 to 168 in 2024—contributing to the improved performance of its CASA (Current Account/Savings Account) portfolio.

Looking ahead, Enterprise Bank plans to open 10 new branches over the next three years, focusing on underserved areas in Luzon and Mindanao. This expansion is part of the Bank's mission to promote financial inclusion by extending access to banking services in unbanked and underserved communities.

The Bank remains committed to fostering a culture of savings while delivering innovative financial products tailored to the needs of small and medium enterprises. Through these efforts, Enterprise Bank aims to empower local entrepreneurs, uplift community livelihoods, and stimulate sustained economic growth and development in the regions it serves.

Furthermore, EBI will sharpen its focus on generating low-cost CASA deposits to reduce overall funding costs, allowing the Bank to offer loan products at more competitive rates aligned with market benchmarks. To achieve this objective, the Bank will implement targeted promotional campaigns, enhance digital engagement, and strengthen partnerships within local communities. These initiatives are expected to bolster the Bank's deposit base and effectively support its planned loan growth and broader strategic goals.

> *"Enterprise Bank remains committed to fostering a culture of savings while delivering innovative financial products tailored to the needs of small and medium enterprises.*

MANPOWER AND ORGANIZATION

In 2024, the total workforce of Enterprise Bank increased to 280, up from 271 in 2023. This growth was primarily driven by the hiring of additional operational staff—particularly tellers and account officers—to improve branch efficiency and support the Bank's continued financial growth.

However, recruitment and timely filling of vacancies remained a challenge due to the evolving employment landscape and the rising popularity of remote work opportunities. The Bank's unique operational structure also requires specific skill sets that are not commonly available in the general job market.

2024 EMPLOYMENT HIGHLIGHTS

- TOTAL WORKFORCE: 280 EMPLOYEES (UP FROM 271 IN 2023)
- BROADENED TALENT POOL VIA OJT PARTNER SCHOOL EXPANSION
- SUSTAINED ANNUAL PHYSICAL EXAMS AND EXPANDED WELLNESS INITIATIVES

In response, EBI broadened its talent acquisition strategy by accrediting more partner schools under its On-the-Job Training (OJT) program. This initiative has enabled the Bank to build a pool of prospective employees who can be readily tapped to fill key positions as they become available.

Recognizing that many of these recruits may lack prior banking experience or the specialized skills required in a regulated financial environment, the Bank has significantly invested in comprehensive training and development programs. These initiatives are designed to equip new hires with the technical knowledge and competencies needed to meet regulatory standards and contribute effectively to the Bank's strategic goals.

At the same time, Enterprise Bank reaffirmed its commitment to employee well-being by sustaining its annual physical examination program and expanding wellness initiatives. These efforts reflect the Bank's holistic approach to workforce management—promoting a healthy, positive, and productive work environment. Through these programs, the Bank aims to boost creativity, reduce absenteeism, foster a culture of care, and help employees maintain a strong work-life balance.

> "
> *By investing in both talent and well-being, we're shaping a workforce that is resilient, skilled, and ready to drive Enterprise Bank's mission forward.*

VISION FOR THE FUTURE

> "
> *Enterprise Bank envisions becoming one of the Top 15 Rural Banks in the Philippines within the next five years.*

Enterprise Bank envisions becoming one of the Top 15 Rural Banks in the Philippines within the next five years. To realize this vision, the Bank has laid out a comprehensive strategy focused on branch expansion, digital transformation, business process automation, and growth in secured and collateralized lending.

STRATEGIC EXPANSION PLAN

EBI is poised to expand its branch network over the next five years, with a strong emphasis on increasing its presence in Luzon. The Bank plans to open four (4) new branches in Luzon, three (3) in Visayas, and three (3) in Mindanao. This strategic expansion aims to extend the Bank's reach, enhance accessibility to its financial services, and drive revenue growth by capturing untapped and underserved markets.

EMBRACING DIGITALIZATION

In alignment with the ongoing digital transformation within the Philippine banking industry, EBI will venture into online and mobile banking services over the next two years. Starting next year, the Bank will begin exploring and adopting digital technologies such as Unified Payment Interfaces (UPI), internet banking, and mobile banking applications. These innovations are expected to significantly improve customer access and convenience, while enhancing operational productivity and competitiveness.

> *We are embracing digital banking, automation, and secured lending as key pillars of sustainable growth.*

PROCESS AUTOMATION FOR EFFICIENCY

Operational efficiency and cost-effectiveness remain central to EBI's long-term financial sustainability. The Bank is committed to the automation of its business processes and financial reporting systems, aiming to streamline operations, minimize manual errors, and reduce financing and administrative costs. This digital shift will position the Bank for greater scalability and improved service delivery.

FOCUS ON SECURED LENDING FOR ASSET QUALITY

To balance portfolio risk and ensure continued profitability, EBI will concentrate on expanding its secured and collateralized loan portfolio. By prioritizing loans backed by tangible assets, the Bank aims to enhance asset quality, minimize credit losses, and secure more stable returns. This approach supports prudent risk management while fueling growth.

COMMITMENT TO CUSTOMER EXCELLENCE

At the core of these strategic initiatives is EBI's unwavering commitment to providing excellent customer service and fostering long-term partnerships with both existing and new clients. By building trust and deepening client relationships, the Bank seeks to drive customer loyalty, promote operational sustainability, and secure its long-term viability in an increasingly competitive banking environment.

RISK MANAGEMENT FRAMEWORK

> *Risk is an inherent aspect of banking, and Enterprise Bank embraces it with discipline and foresight.*

Enterprise Bank believes that risk is an inherent aspect of operations in a banking institution. Therefore, the Bank must control, review, and update its risk registers regularly, as various risks, including credit, market, and operational risks, inevitably arise from the operations. Risk management plays a critical role in ensuring the stability and soundness of the Bank, as well as safeguarding the stakeholders' interests. Thus, EBI adopts an effective risk management practices to stay committed to complying with the regulatory guidelines and legislative framework in mitigating the various risks inherent in banks, thereby enhancing the Bank's resiliency and ability to navigate through challenging economic conditions.

RISK GOVERNANCE

The overall risk management oversight is undertaken by the Board of Directors of EBI, which oversees the Audit, Risk, and Compliance Committee (ARCCo) and the Board Credit Committee. These two committees ensure that controls are in place and that the aggregate risks of the Bank are properly managed. The Board provides oversight by approving the Bank's Risk Management (RM) Framework, as well as the RM policies, procedures, and other control measures proposed to manage risks.

> *Controls are in place and the aggregate risks of the Bank are properly managed.*

At the management level, the President of EBI serves as the Bank's comprehensive risk officer. Specific risks are mapped to the appropriate management committees. The Executive Committee provides general oversight of EBI's strategic and business risks. The Asset-Liability Committee provides risk oversight in balancing the Bank's financial assets, ensuring a sound mix of assets and liabilities. The Management Committee ensures the smooth implementation of EBI's plans and programs and oversees operational risks. These committees provide recommendations and valuable input to the President for decision-making.

The Risk Management Office (RMO) is an independent body that reports functionally to the Board of Directors and administratively to the President. It serves as the coordinating office supporting the Executive Committee, and it collects, analyzes, and prepares risk reports. The RMO is also responsible for enforcing risk policies and limits, reporting risk exposures, measuring risks, validating risk management strategies, and ensuring that a culture of risk awareness is ingrained throughout the organization.

OPERATIONAL RISK MANAGEMENT FRAMEWORK

The guidelines, policies, and procedures in the conduct and implementation of operational risk assessment, monitoring and review, and communication — the operational risk process as a whole is embedded in the Operational Risk Management Framework of the Bank. It encompasses all of the Bank's processes, people, and systems including the risk of loss arising from external events.

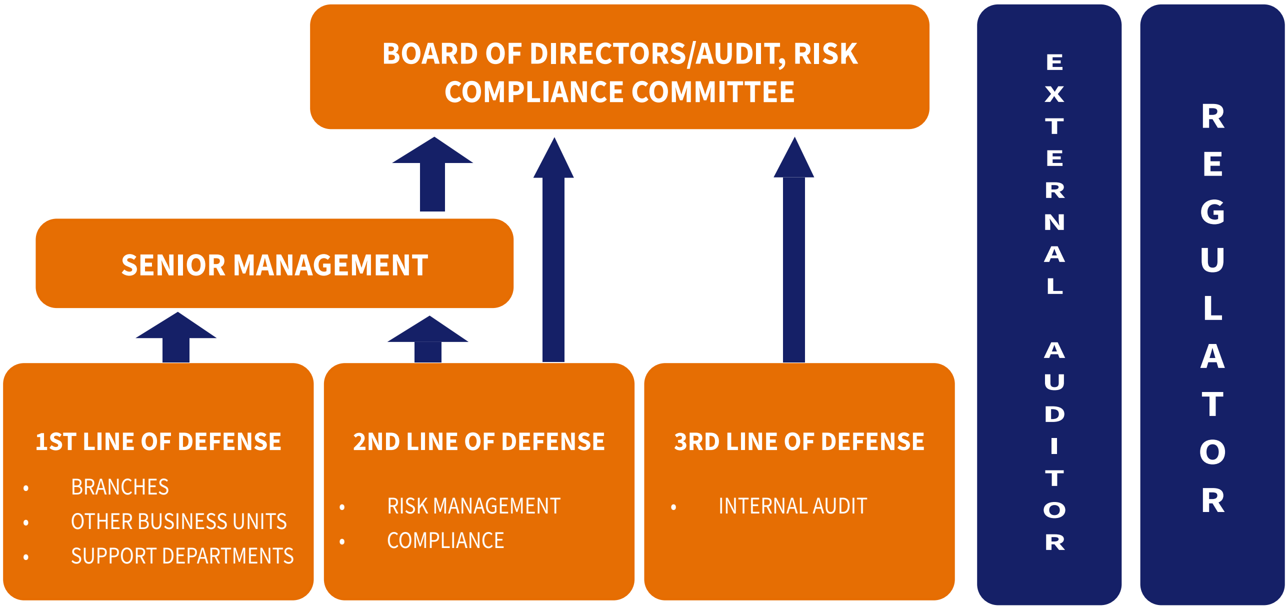
The Bank's Operational Risk Management (ORM) Governance Structure adopts the Three Lines of Defense model of The Institute of Internal Auditors (IIA) Exposure Document to help ensure effective management of operational risk across the Bank. This section sets out the respective set of responsibilities of the Three Lines of Defense for management of risk and control.

The Three Lines of Defense distinguishes three (3) groups involved in effective management of risk and describes the relationship between these groups and how responsibilities should be divided.

FIGURE 1: THREE LINES OF DEFENSE

1ST LINE: OPERATIONAL MANAGEMENT	2ND LINE: RISK MANAGEMENT/COMPLIANCE	3RD LINE: INTERNAL AUDIT
• Functions that own and manage risks • Day to day ownership and management of risks and control	• Functions that oversee risks • Continuously monitors contro system	• Functions that provide independent assurance

FIGURE 1.1: THREE LINES MODEL



The "three lines model" of the IIA that was adopted by the Bank for risk management is accepted and practiced internationally. The model specifically designate the right people, right processes and tools to ensure effective corporate governance and strong compliance.

FIRST LINE OF DEFENSE

This function owns and manages risks. These are Bank employees assigned to branches, other business units, and Support Departments. As the First Line of Defense, they ensure the effective management of risks within the scope of their direct organizational responsibilities.

Their First Line operational risk management responsibilities are embedded in every individual's duties and every general management role. The identification, assessment, monitoring, controlling, and mitigation of operational risk is an ongoing process that is integrated into the day-to-day activities of every business and operating unit in the Bank.

This process also includes the effective implementation and adherence to the Bank's RM policy, as well as embedding its prescribed standards in the execution of their duties.

The First Line process owner also owns and manages risk. With respect to their direct organizational responsibilities, process owners are expected to:

1. *Identify risks*
2. *Assess, control, monitor, and report risks*
3. *Manage risk incidents*
4. *Build a strong risk culture*

Unit Heads, Managers, and Department Heads have First Line ownership of all processes that support their products or services performed within their respective function or business. They also function as Risk Control Owners. Therefore, processes identified in the Bank's line of business are assigned to a First Line Owner. This emphasizes clear accountability for the processes, risks, and the effectiveness of controls.

SECOND LINE OF DEFENSE

The Second Line of Defense are the support units with functions that essentially oversee or who specialize in compliance or the management of risk and challenge the effectiveness of controls, and independent of the income generating functions to ensure that the necessary balance in risk/return decisions is not influenced by short-term pressures to generate revenues.

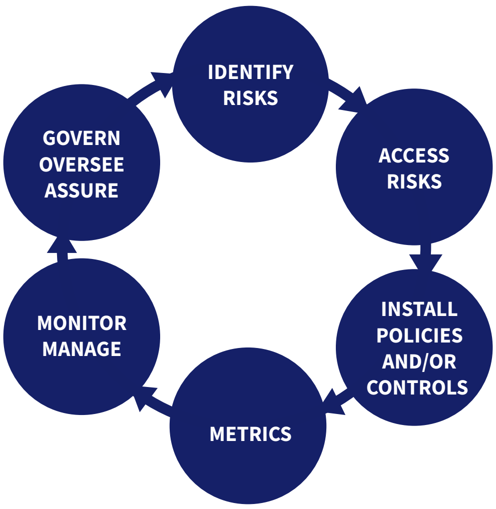
This is particularly important given that the revenues are recognized immediately while losses arising from risk positions only manifest themselves over time.

THIRD LINE OF DEFENSE

This comprises the independent assurance provided by the Bank's Internal Audit function, which has no management responsibilities for any of the activities it examines. The Internal Audit Department performs independent assessments of the suitability of the governance structure and the overall operational risk management system, and reports its findings to the Board of Directors through the Audit, Risk and Compliance Committee (ARCCo).

The Bank's adapted 3 Lines of Defense is aligned with its objectives and operational conditions. Specific roles and processes are appropriately assigned to each line of defense to promote structured communication and collaboration for more effective risk management practices.

EBI'S OPERATIONAL RISK MANAGEMENT SYSTEM



1ST LINE	*2ND LINE*	*3RD LINE*
• Detailed and Iterative Exercise • Periodic Revisit with Metrics • Informed by Any Actual Issues and Events • Internal Loss Data Collection Analysis • Risk Self Control Assessment	• Based on Impact and Probability • Risk Level and Potential Losses • Context = Risk Appetite • Metrics Trends • Mediation Plans	• Require and Implement Policies and Procedures • Reflect and How of Business • Calibration for Balance VS Risk Appetite • Assessment VS Appetite • Issues VS Objectives

OVERSIGHT FUNCTIONS

The Risk Management Office, Compliance Department and Internal Audit Department performs independent oversight functions on behalf of the Board of the Directors of the Bank and reports directly to the Board of Directors through the Audit Risk and Compliance Committee (ARCCo). The ARCCo is responsible for assessing the annual performance of these departments taking into account how said department carried out its duties and responsibilities.

A. OPERATIONAL RISK MANAGEMENT FUNCTION

The Bank created the Risk Management Office (RMO) and is directed by a Risk Management Head (RMH). The RMH directly reports to the Board of Directors through the Audit,Risk, and Compliance Committee (ARCCo) – a Bank’s independent risk oversight committee pursuant to its own charter.

The RMO is responsible in handling operational risk concerns, and it shall assist the management in meeting the responsibility of understanding and managing operational risk exposures. It shall also ensure the development and consistent implementation of operational risk policies, processes, and procedures throughout the bank.

B. COMPLIANCE FUNCTION

The compliance function conducts an independent assessment of the Bank’s compliance with laws, rules and regulations, as well as internal policies, and determine areas that may potentially result in risk of loss due to inadequate or failed internal processes, systems, and people. The latter includes inappropriate conduct/behavior of personnel, officers, and the board, that may lead to fraud or any form of business disruption.

The compliance function shall assess whether the identified operational risk exposure by the business units or by the function itself shall affect the franchise value of the bank. In this regard, it shall advise and assist management in establishing guidance on the appropriate implementation of relevant laws, rules and regulations, and internal policies.

C. INTERNAL AUDIT

Internal audit shall conduct an independent assessment of the operational risk management framework, including the implementation of operational risk management policies and procedures. The board, through the ARCCo, shall ensure that the scope and frequency of audit is appropriate to the risk exposures.

Any operational risk issue identified and reported in the audit process should be addressed by senior management in a timely and effective manner, or raised to the attention of the board as appropriate.

ENTERPRISE RISK MANAGEMENT

The Enterprise Risk Management (ERM) of the Bank is an integrated approach to risk management. It looks at risk from a bank-wide perspective and involves the Board of Directors, Senior Management and all business units in an interactive process of identifying, analyzing, measuring, controlling and monitoring risks. ERM manages risk vertically, top to bottom and horizontally, across all bank units

RISK APPETITE STATEMENT OF EBI

Risk appetite is the level of enterprise-wide risk that EBI is willing and capable to manage over an extended period of time. The Risk Appetite Statement of EBI is aligned with its vision and mission and articulates the aggregate risks the Bank is willing to take.

GENERAL RISK APPETITE STATEMENT

EBI shall continue to deliver innovative financial products and services that are attuned to the needs of its target clientele groups to promote development of enterprises in its areas of operations. The Bank shall exercise sound enterprise risk management principles, transparent decision-making and effective communication to prioritize the risks. It will manage the following eight (8) interrelated categories of risks to effectively supervise and ensure a safe and sound banking operations; strategic risk, credit risk, market risk, interest rate risk, liquidity risk, operational risk and compliance risk.

ON STRATEGIC AND REPUTATIONAL RISK

The Bank has a low appetite for activities and decisions that are not align with the vision and mission of the Bank. Business decisions, projections and execution of those decisions, deployment of human resources and responsiveness to changes are among the activities that the bank must properly execute to achieve its goals and objectives.

ON CREDIT RISK

The Bank has low appetite on risk resulting from failure of the borrower to honor its financial obligations. The Bank manages this risk carefully by being consistent with its written credit policies and guidelines.

ON LIQUIDITY RISK

The Bank has low appetite on risk resulting to non-payment of its financial obligations. The Bank manages this risk by ensuring the availability of its funding resources when need arises.

ON OPERATIONAL RISK

The Bank has low appetite for risk on the availability of the systems which supports its core banking functions. It also has low appetite for threats arising from external malicious attacks. The Bank aims to provide a strong internal control process and a reliable cyber security framework.

The Bank has low appetite for the compromise of the processes governing the use of data information and management. However, the Bank has no appetite for the deliberate and unauthorized misuse of its data and information. The Bank is committed that its data and information are secured and managed in accordance with the Data Privacy Act.

The Bank has low appetite for losses to the value of employees' competencies, knowledge and skills. The Bank hires motivated and qualified personnel to perform its duties and functions. It also aims to provide a working environment that will stimulate the employees to be innovative and productive.

The Bank has low appetite for employee's behavior that breaches the Code of Conduct. The Bank expects its employees to conduct themselves with a high degree of integrity and to strive for excellence in the work that they perform.

ON COMPLIANCE RISK

The Bank has no appetite for any fraud, dishonesty or corruption committed by its employees. The Bank shall take all allegations of suspected fraud or corruption very seriously. It shall respond fairly as set out in the employee's Code of Conduct.

The Bank has no appetite for deliberate or committed violations of tax laws, rules and regulations of its regulatory bodies. The Bank is committed to a high degree of compliance with relevant regulations as well as its internal policies and procedures.

IMPLEMENTING STRATEGIES

- The Bank takes calculated risks in order to abide by regulatory requirements and serve its shareholders and maintain a Capital Adequacy Ratio of above 10%.
- The Bank sustains its profitability in order to pursue its social responsibility and attain its annual Return on Equity set in the approved operations plan.
- The Bank effectively and efficiently manages and allocates its resources in order to realize the Return on Assets set in the approved operations plan.
- The Bank maintains a liquidity ratio above the minimum liquidity ratio required by BSP to ensure Bank's obligations is meet.
- The Bank effectively implements its credit policies and guidelines to make sure that borrowers honor their financial obligations in order to maintain past due ratio within the industry standard.
- The Bank creates an organizational climate that promotes professionalism, nurtures talents and provides opportunities for professional growth and security.
- The Bank develops IT systems that will facilitate the delivery of products and services to its target clients, as well as, achieve process efficiencies.

EBI'S RISK APPETITE THRESHOLD

LEVEL	DESCRIPTION
ABOVE LEVEL 4	**NO APPETITE** The Bank is not willing to accept the risk in any situation that may result in loss of operations, compromised its long-term profitability, massive impact on bank's reputation among its stakeholders, major breakdown of its information system or information integrity, significant incidents of regulatory non-compliance. Any item marked with 4 should have existing controls in place to ensure that risk will not materialize.
3	**LOW RISK APPETITE** The Bank is not willing to accept the risk in most circumstances that may result in loss of operations, compromised its long-term profitability, massive impact on bank's reputation among its stakeholders, major breakdown of its information system or information integrity, significant incidents of regulatory non-compliance. Any item marked with 3 usually means that the bank sees more risk than potential reward in an initiative.

2	**MODERATE RISK APPETITE** The Bank is willing to accept some risk in certain circumstances that may result in loss of operations, compromised its long term profitability, massive impact on bank's reputation among its stakeholders, major breakdown of its information system or information integrity, significant incidents of regulatory non-compliance.
1	**HIGH RISK APPETITE** The Bank is willing to accept the inherent risk as it foresees that the opportunity or benefit it will be derived from a risk-taking activity outweighs the potential losses that Bank may incur or can be fully recovered.

RISK MONITORING AND REPORTING

The implementation of risk management strategies and action plans are monitored on a continuous basis. This is to ensure that strategies and action plans are adequate in addressing risks and capability gaps to determine if there is a need to come up with additional strategies to resolve residual risks.

Risk reports to capture priority enterprise-wide risks are designed. Management may see the need for new risk reports to be done in light of growing business concerns or changes in economic and regulatory environments.

In the course of risk management monitoring, the risk reporting process is designed/re- designed, modified or enhanced.

The Risk Management Office of EBI is tasked with monitoring the accomplishment of the Risk Management Action Plans. Coordination shall be made with Risk Designate, who shall cause the preparation of the accomplishment report. The accomplishment report is presented to the Audit, Risk and Compliance Committee and the Board.

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING RISK MANAGEMENT

Consistent with the Bank's mission of faithful compliance to existing laws and regulations, the Board and the Management are one in preventing any money laundering and terrorist financing activities. Measures undertaken by the Bank include the enhancement of its Know Your Client (KYC) policies and procedures in the assessment of a client's risk profile.

Another risk mitigating control involves cross-referencing the names of newly-opened accounts against the United Nation Sanction List. Any applicant assessed as “high risk” or may potentially expose the Bank to money laundering and terrorist financing will not be allowed to open an account.

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Under current and applicable banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10%) of its risk assets.

Capital account figures of Enterprise Bank for the year (based on 2024 Audited Financial Statements):

	AMOUNT (IN MILLIONS)
TIER 1 CAPITAL	248.66
TIER 2 CAPITAL	134.86
TOTAL QUALIFYING CAPITAL	**383.52**
CAPITAL REQUIREMENT FOR CREDIT RISK	309.01
CAPITAL REQUIREMENT FOR MARKET RISK	-
CAPITAL REQUIREMENT FOR OPERATIONAL RISK	41.77
TOTAL CAR (%)	**10.93%**
TIER 1 CAR	**7.09%**

BREAKDOWN OF QUALIFYING CAPITAL (IN MILLIONS)	TIER 1	TIER 2	TOTAL
CORE CAPITAL	**334.72**	**134.86**	**469.58**
PAID-UP COMMON STOCK	400.00	-	400.00
DEPOSIT FOR COMMON STOCK SUBSCRIPTION	-	-	-
RETAINED EARNINGS	(136.39)	-	(136.39)
UNDIVIDED PROFITS	71.11	-	71.11
PAID-UP PERPETUAL AND CUMULATIVE PREFERRED STOCK	-	114.80	114.80
PAID-UP LIMITED LIFE REDEEMABLE PREFERRED STOCK WITH THE REPLACEMENT UPON REDEMPTION	-	-	-
GENERAL LOAN LOSS PROVISION	-	20.06	20.06
UNSECURED SUBORDINATED DEBT	-	-	-
DEDUCTIONS	**(86.07)**	**(0)**	**(86.07)**
DEFERRED TAX ASSET	(80.92)	-	(80.92)
UN-BOOKED VALUATION RESERVES	-	-	-
GOODWILL	(2.95)	-	(2.95)
INTANGIBLE ASSETS	(2.20)	-	(2.20)
UNSECURED LOANS TO DOSRI	-	-	-
TOTAL-OPERATIONAL RISK WEIGHTED ASSETS	-	-	417.72
TOTAL QUALIFYING CAPITAL	248.66	134.86	383.52

CORPORATE GOVERNANCE

EBI believes that a strong and effective corporate governance helps to cultivate a company culture of integrity, leading to positive performance and a sustainable business overall thus, the Bank continues to adhere to the highest standards of corporate governance. The Bank is always committed to ensure public trust and confidence by bringing forward its best practices aligned in the Bank's mission and vision. The Bank's corporate governance strictly adheres to effective oversight, strict compliance with regulations and successful sustainability strategies to promote a robust and sound banking institution.

EBI's corporate governance is aligned in the SEC Code of Corporate Governance and the Enhanced Corporate Governance Guidelines for BSP's supervised Financial Institutions. So, the Bank see to it that it's corporate governance is guided by a well-defined governance framework that foster ethical business practices.

This report clearly define the corporate governance framework of the Bank that is being initiated in all levels of the organization that promote the principles of transparency, accountability, responsibility, independence and fairness.

BOARD OF DIRECTORS

The Board of Directors is the highest governing body of Enterprise Bank, Inc. It is responsible in ensuring that a strong and effective governance system is in place. It directs the long-term success of the Bank, sets strategic business directions, appoints senior officers, confirms management structures appropriate for the Bank, and oversees major-risk taking activities while monitoring business performance.

BOARD COMMITTEES

To assist the Board in the discharge of its duties in corporate governance, the board has created six committees, namely: Audit, Risk and Compliance Committee, Executive Committee, Asset and Liability Committee, Related Party Transactions Committee, Credit Committee, and Information Technology Steering Committee. The scope of authority, duties and responsibilities of each committees is clearly defined in its respective charters.

BOARD COMPOSITION

The board is composed of seven members pursuant to the Bank's Article of Incorporation and By-Laws, composed of one (1) independent director, five (5) non-executive directors and one (1) executive director who is the President and CEO of the Bank. The present composition of the board complies with the 1/3 minimum requirement of the Bangko Sentral ng Pilipinas and Securities and Exchange Commission.

All members of the board are all professionals coming from various fields of expertise such as banking, law, accounting and finance, bank regulations and business environments.

BOARD OVERALL RESPONSIBILITY

EBI's Board of Directors sets the overall policies and strategic directions of the Bank, which guides the Management and operating units in the daily operations.

Furthermore, the Board provides oversight in the overall performance of the Bank, and advocates good corporate governance with a firm commitment to ethical standards and compliance to legal, institutional, regulatory requirements.

The Board also ensures that the Bank remains accountable to its stockholders. Thus, members of the Board of Directors are expected to:

1	2	3	4	5	6	7
Remain fit and proper for the position for the duration of his/her term;	Attend orientation and training. The Director must have attended a seminar on corporate governance and shall have continuous development and education related to Bank operations;	Ensure soundness, effectiveness, and adequacy of the Bank's control environment;	Observe confidentiality of non-public information which he/she shall have acquired because of his being a Director;	Continuously exercise objective and independent judgement on corporate affairs requiring his/her decision or approval;	Continuously devote time and attention as necessary for the discharge of his/her duties and responsibilites; and,	Conduct fair business transactions with the Bank to make sure that personal interest does not distort hi/her board decision.

SELECTION PROCESS FOR THE BOARD OF DIRECTORS

DIRECTORS

The board members can be a Filipino and non-Filipino citizens, at least 25 years old at the time of election or appointment; and physically and mentally fit to discharge their functions. No individual is eligible to become or be a director if he is or becomes a candidate for a holder of any public office. Members of the Board of Directors are determined fit for the position by considering their integrity, probity, educational attainment, financial literacy, knowledge and experience, and independence of mind. Likewise, the members of the Board shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

Non-Filipino citizens may become members of the Board of Directors of the Bank but their participation in the Board shall be limited to their proportionate share in the equity of the Bank and current applicable laws.

INDEPENDENT DIRECTORS

The independent director/s of the Bank must or has not been an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election. He or she is not a director or officer of the related companies of the Bank's majority stockholder. Not a stockholder owning more than two percent (2%) or with shares of stock sufficient to elect one seat in the Board, or in any of its related companies or of its majority corporate shareholders. Not a relative, legitimate or common-law of any director, officer or majority shareholder of the Bank or any of its related companies.

For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law. Not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies or any of its substantial shareholders.

Not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.

DESCRIPTION OF THE ROLE AND CONTRIBUTION OF THE CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors is elected by the Bank's Board of Directors to lead the composition of the Board, preside over meetings, and lead the board to consensus from the disparate points of view of its members. The specific duties of the Chairman of the board are the following:

1. *Provides leadership in the Board of Directors. The chairman of the board ensures effective functioning of the board, including maintaining a relationship of trust with board members.*
2. *Ensure that the board takes an informed decision. The chairman of the board ensures a sound decision making process and he encourages and promotes critical discussions and ensures that dissenting views can be expressed and discussed within the decision-making process*

MEETINGS AND ATTENDANCE

There shall be a regular meeting of the Board of Directors which may be held anywhere in or outside of the Philippines, at least once every quarter at such hour, day and place as may be called by the following present officers, in such hierarchy and succession: (1) Chairman; (2) President; (3) Corporate Secretary. Provided, that written notice should be received by each director at least seven (7) days before the date of the scheduled meeting. No resolution with respect to any matter may be put to any meeting of the BOD unless the notice of the meeting contain reasonable details of the matter such as to enable the Director to take an informed decision.

A Special meeting of the Board of Directors may be called by the following present officers, in such hierarchy and succession: (1) Chairman; (2) President; (3) Corporate Secretary. Provided that each director is notified at least two (2) days prior thereto, specifying the agenda, date, tiem and place of the meeting. No resolution with respect to any matter may be put to any meeting of the BOD unless the notice of the meeting contain reasonable details of the matter such as to enable the Director to take an informed decision.

Majority of the directors shall constitute a quorum for the transaction of the business at any meeting of the Board of Directors, but less than a quorum may adjourn from time to time until a quorum is reached.

In 2024, the board held a total of ten (10) meetings: four (4) regular meetings and six (6) special meetings. Each board member complied with the SEC's minimum attendance requirement.

NAME OF DIRECTOR	TYPE OF DIRECTORSHIP	NO. OF YEARS AS DIRECTOR	NO. OF DIRECT AND INDIRECT SHARES HELD	PERCENTAGE OF SHARES	BOARD MEETINGS'S ATTENDANCE (JAN - DEC 2024)	
RICHARD M. RODRIGUEZ	NON-EXECUTIVE	8	233,242	5.83%	10/10	100%
ROBERTO F. SALAZAR	EXECUTIVE	4	746	0.02%	10/10	100%
MAXIMINO A. SALANG, JR.	NON-EXECUTIVE	17	450,171	11.25%	10/10	100%
ATTY. RONALD E. ALVIZO	NON-EXECUTIVE	6	14,636	0.37%	10/10	100%
ALBERTO P. CAPATI	NON-EXECUTIVE	10	261,879	6.55%	10/10	100%
LUNG FAI CHAN	NON-EXECUTIVE	8	304,070	7.60%	10/10	100%
EMERSON DC STA. ANA	INDEPENDENT	2	1	0.00%	10/10	100%

RENUMERATION

Enterprise Bank's by-laws provides no compensation to be paid to any directors as such but Directors may be allowed for reasonable honoraria for actual attendance at meetings, which shall include fare and other actual expenses incurred in connection thereto.

Salaries of the executives of the Bank is fixed by the Board of Directors in accordance with such rules and regulations as the Monetary Board may prescribe. The Bank shall also provide a liability insurance connected to the corporate functions of its Directors and Corporate Officers. It shall also insure the life of its directors and corporate officers with reputable insurance company taking into the consideration the circumstance of the person of said directors and corporate officers.

TERM LIMIT, SUCCESSION POLICY AND RETIREMENT

The regular terms of director shall be from the date of his election to the regular annual meeting of the annual stockholders of the Bank or until his successor shall have been elected and qualified to take his place at said annual meeting. Unless the director shall sooner resign, be removed from the 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 successor is elected and qualified. Any director who ceases to be the owner of at least one share of the capital stock of the Bank of which he is a director shall thereby cease to be a director. The board of directors shall serve for one (1) year.

The independent director of the Bank may only serve as such for a total of five (5) consecutive year. As of December 31, 2023, the Bank has no independent director who has served for more than five (5) years.

Moreover, in the event that the director has no longer the required fitness and capacity for the position of the director, he shall inform the board of his intent to retire or refrain from seeking re-election.

PERFORMANCE ASSESSMENT

Members of the Board undergo performance review through annual self-assessment using self-assessment questionnaires that help them assess their competence and independence as a body, commitment to corporate governance, transparency, committee activity, and audit and risk oversight.

They also conduct a self-assessment 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.

DIVIDEND POLICY

Enterprise Bank's dividend policy is determined by the agreement of the Board of Directors. Dividends 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. Under the Bank's By-laws, the dividends to be distributed are the remaining sums after the Bank's earning are appropriately applied for capital.

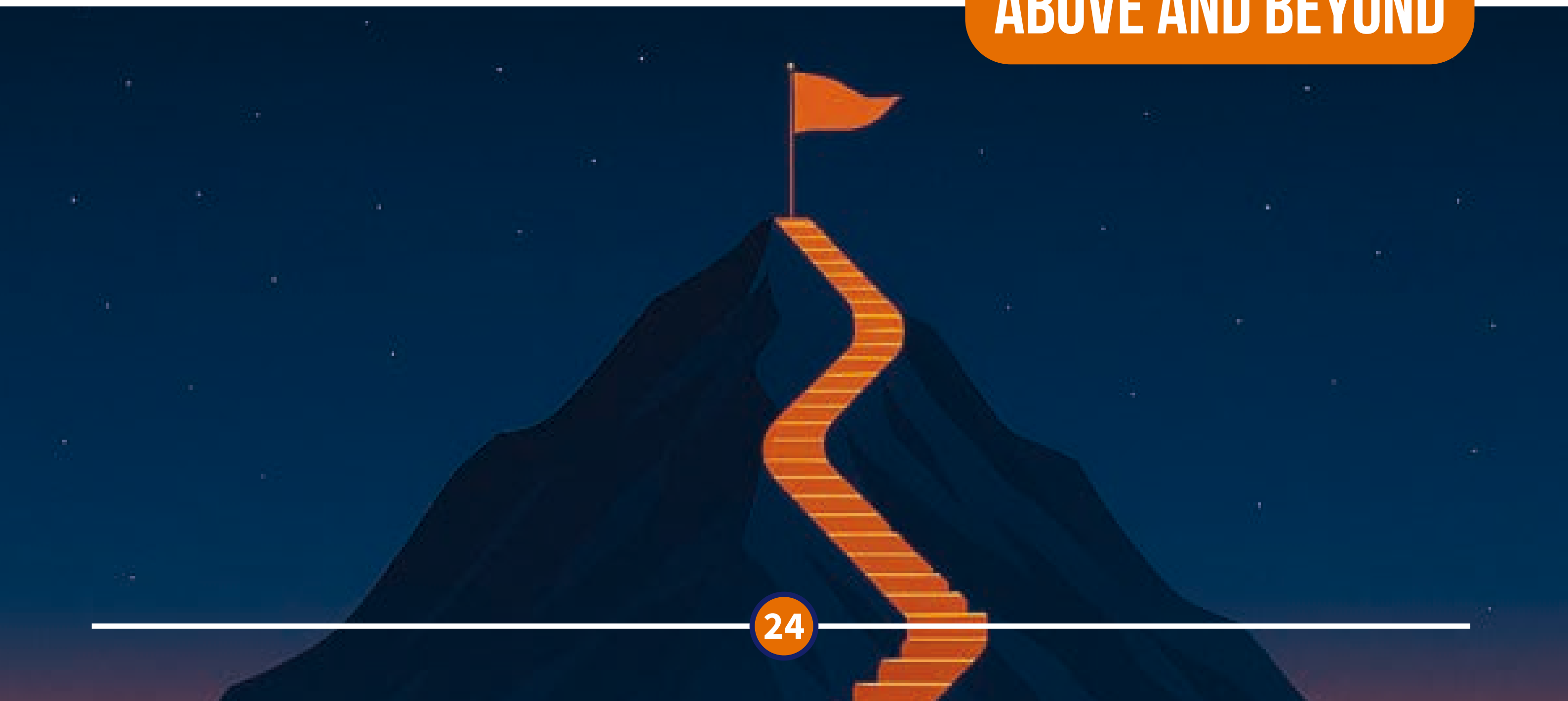
RETIREMENT PROGRAM

Members of the Board holding management positions, and form part of the manpower complement of the Bank are qualified for the retirement benefit plan. Otherwise, he/she shall receive benefits prescribed in the bank's by-laws.

ORIENTATION AND EDUCATION PROGRAM

Members of the Board are required to attend external training related to Corporate Governance, Anti-Money Laundering, and the like. Participation in gatherings initiated by the Rural Bankers of the Philippines is also instrumental for the Board of Directors to be kept abreast of the latest trends in the banking industry and on updates in the regulations.

ABOVE AND BEYOND



THE BOARD OF DIRECTORS

RICHARD M. RODRIGUEZ
CHAIRMAN OF THE BOARD

AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
50	FILIPINO	8 YEARS

EDUCATION	DATE OF FIRST APPOINTMENT
• BS ACCOUNTANCY, SOUTHWESTERN UNIVERSITY • MASTERS IN MANAGEMENT, UNIVERSITY OF SAN JOSE RECOLETOS • BACHELOR OF LAWS, SOUTHWESTERN UNIVERSITY	• VICE CHAIRMAN: MAY 17, 2017 - MAY 26, 2020 • CHAIMAN OF THE BOARD: MAY 19, 2021 - PRESENT
	DIRECTORSHIP IN OTHER COMPANIES
	FASTWAY CONSTRUCTION, FASTWAY FINANCE
OTHER CURRENT POSITIONS	**OTHER PREVIOUS POSITIONS**

• ROYAL COLLEGES OF SCIENCE AND MANAGEMENT
  • *ADIMINISTRATOR*
• SALAZAR COLLEGES
  • *PROFESSOR*
	• RURAL BANK OF RONDA
	  • *PRESIDENT/DIRECTOR*
	• MERCHANT BANK
	  • *BRANCH HEAD*
	• INSULAR SAVINGS BANK
	  • *CL HEAD*

BSP AND OTHER TRAININGS ATTENDED
MANAGEMENT TRAINING PROGRAM, SEMINAR ON CORPORATE GOVERNANCE, APPROACH TO CREATING RECOVERY AND RESOLUTION PLANS

ROBERTO F. SALAZAR
DIRECTOR

AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
56	FILIPINO	4 YEARS

EDUCATION	DATE OF FIRST APPOINTMENT
BS ACCOUNTANCY, NOTRE DAME MARBEL COLLEGE	DIRECTOR: MAY 26, 2020
OTHER PREVIOUS POSITIONS	**BSP AND OTHER TRAININGS ATTENDED**

• PCI BANK
  • *APPRAISER ACCOUNT OFFICER*
• INSULAR SAVINGS BANK
  • *BRANCH OPERATIONS OFFICER*
• CITIBANK SAVINGS, INC.
  • *BRANCH MANAGER/HEAD*
• ENTERPRISE BANK, INC.
  • *GROUP HEAD-EL/BBG*
• CONSUMER-WEALTH DEVELOPMENT BANK
  • *GROUP HEAD*
	• FINANCIAL ANALYSIS SEMINAR
	• CORE CREDIT TRAINING
	• COUNTERFEIT DETECTION SEMINAR
	• CITIGROUP RCSA
	• CITI-SELLING SEMINAR AND AML-KYC-CIPP ORIENTATION
	• LEADERSHIP TRAINING
	• TRAIN A TRAINOR FOR CITIBANK SAVINGS INSTALLMENT
	• SIGNATURE VERIFICATION TRAINING
	• AMLA
	• CREDIT SEMINAR
	• DEPED PROCESS SEMINAR
	• APPROACH TO CREATING RECOVERY AND RESOLUTION PLANS

MAXIMINO A. SALANG, JR.
DIRECTOR

AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
70	FILIPINO	17 YEARS

EDUCATION	DATE OF FIRST APPOINTMENT
BSBA MARKETING, SOUTHWESTERN UNIVERSITY	DIRECTOR: FEBRUARY 13, 2007

DIRECTORSHIP IN OTHER COMPANIES
TAGDECOR CHEMWOOD

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS
• MAXAN CONSTRUCTION AND TRUCKING SERVICES, INC ▪ *PRESIDENT/STOCKHOLDER*	• ASSITCO-CEBU ▪ *SALES SPECIALIST* • BORMAHECO ▪ *SALES SPECIALIST* • FUTS/GSTS TRUCKING ▪ *HAULING MANAGER*

BSP AND OTHER TRAININGS ATTENDED
CORPORATE GOVERNANCE AND RISK MANAGEMENT BASIC RURAL BANKING COURSE

ATTY. RONALD E. ALVIZO
VICE CHAIRMAN

AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
57	FILIPINO	6 YEARS

EDUCATION	DATE OF FIRST APPOINTMENT
• BS ECONOMICS - UNIVERSITY OF MINDANAO • BACHELOR OF LAWS - ATENEO DE DAVAO UNIVERSITY	• DIRECTOR: JUNE 25, 20218 - MAY 19, 2021 • VICE-CHAIRMAN: MAY 18, 2022 - PRESENT

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS
• ALVIZO RONOCO & ALVIZO LAW OFFICE ▪ *MANAGING PARTNER*	• ENTERPRISE BANK, INC. ▪ *GENERAL MANAGER/PRESIDENT AND CEO* • RURAL BANKERS ASSOCIATION OF THE PHILIPPINES ▪ *DIRECTOR* • CARAGA RURAL BANKERS FEDERATION ▪ *PRESIDENT* • MINDANAO MICROFINANCE COUNCIL ▪ *DIRECTOR*

BSP AND OTHER TRAININGS ATTENDED
EFFECTIVE BRANCH MANAGEMENT, BASIC RURAL BANKING COURSE, MICROFINANCE STANDARDS, MANAGER'S COURSE, STRATEGIC PLANNING, FINANCIAL MANAGEMENT, CORPORATE GOVERNANCE, LAKBAY ARAL, BOARD OF GOVERNANCE, RISK MANAGEMENT, MICROFINANCE MANAGEMENT DEVELOPMENT PROGRAM, STRATEGIC MANAGEMENT, MONITORING CONTROL SYSTEM, GOOD GOVERNANCE, MANDATORY CONTINUING LEGAL EDUCATION

ALBERTO P. CAPATI
DIRECTOR

AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
73	FILIPINO	10 YEARS

EDUCATION

- AB GENERAL STUDIES, ATENEO DE MANILA UNIVERSITY
- MBA, DE LASALLE UNIVERSITY
- DIPLOMA ON REGIONAL INDUSTRIAL DEVELOPMENT, RESEARCH INSTITUTE FOR MANAGEMENT SCIENCE (NETHERLANDS)

DATE OF FIRST APPOINTMENT

DIRECTOR: MAY 10, 2014 - PRESENT

DIRECTORSHOP IN OTHER COMPANIES	OTHER CURRENT POSITIONS
NONE	NONE

OTHER PREVIOUS POSITIONS

- PRESIDENT/CEO, ENTERPRISE BANK, INC.
- INTERNATIONAL SHORT TERM CONSULTANT FOR THE TVET IN WESTERN REGION OF MONGOLIA PROJECT AND TEAM LEADER FOR EMPLOYMENT PROMOTION (TIMOR LESTE) , GFA CONSULTING INTERNATIONAL, GERMANY
- ADVISOR, EMPLOYMENT AND TRAINING FUND (ETF) AND BUSINESS DEVELOPMENT SERVICES (BDS), TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET) SECTOR STRENGTHENING PROGRAM, GRM INTERNATIONAL, MELBOURNE, AUSTRALIA
- LEAD CONSULTANT, REVITALIZING AND ENHANCING CAPACITY OF ASIAN NETWORK FOR SME DEVELOPMENT, TECHNONET ASIA
- LIVELIHOOD DEVELOPMENT SPECIALIST, LIVELIHOOD AND MICROFINANCE SUPPORT COMPONENT OF THE ASIAN DEVELOPMENT BANK'S EARTHQUAKE AND TSUNAMI EMERGENCY SUPPORT PROJECT (ADB-ETESP) FOR ACEH AND NIAS, INDONESIA,SNOWY MOUNTAIN ENGINEERING CORPORATION (SMEC), AUSTRALIA
- CONSULTANT, GERMAN AGENCY FOR TECHNICAL COOPERATION (GTZ)
- CONSULTANT, TECHNONET ASIA (SINGAPORE) AND THE BUSINESS DEVELOPMENT SUPPORT SERVICES PROJECT
- TEAM LEADER, BUSINESS DEVELOPMENT CENTRES, SMALL ENTERPRISE PROJECT II,GTZ INTERNATIONAL SERVICES
- ENTREPRENEURSHIP DEVELOPMENT ADVISOR, PNG EMPLOYMENT ORIENTED SKILLS DEVELOPMENT PROJECT (EOSDP), ADB TA, GTZ INTERNATIONAL SERVICES
- PRESIDENT/CEO (1998-1999); CHAIRPERSON OF THE BOARD (1999-2000), PHILIPPINE CEFE NETWORK FOUNDATION, INC
- CEO AND CHAIRPERSON OF THE BOARD, 888 LOANS CORPORATION
- CHIEF TRAINER, CEFE TRAINING OF TRAINERS, COUNTRYSIDE ENTREPRENEURSHIP DEVELOPMENT PROGRAM, GTZ PHILIPPINES
- CONSULTANT, INTERNATIONAL LABOUR ORGANISATION, MANILA OFFICE

BSP AND OTHER TRAININGS ATTENDED

- SEMINAR ON ANTI-MONEY LAUNDERING LAW
- CORPORATE GOVERNANCE
- CERTIFICATE IN CONSULTING IN SMALL BUSINESS MANAGEMENT (CONSULTING EXCELLENCE)
- CERTIFICATE IN INDUSTRIAL EXTENSION TRAINING
- DIPLOMA IN ENTREPRENEURIAL MOTIVATION DEVELOPMENT

LUNG FAI CHAN
DIRECTOR

AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
64	FILIPINO	7 YEARS

EDUCATION	DATE OF FIRST APPOINTMENT
ARCHITECTURE, UNIVERSITY OF STO. TOMAS	DIRECTOR: MAY 6, 2017

DIRECTORSHIP IN OTHER COMPANIES
NONE

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS
• LAM-AN CANDLE FACTORY ▪ *OWNER* • JKC FOOD PRODUCTS ▪ *OWNER* • FONGSON CONSUMER PRODUCTS CORP. ▪ *PRESIDENT*	NONE

BSP AND OTHER TRAININGS ATTENDED
CORPORATE GOVERNANCE AND RISK MANAGEMENT

EMERSON DC STA. ANA
INDEPENDENT DIRECTOR

AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
49	FILIPINO	2 YEARS

EDUCATION	DATE OF FIRST APPOINTMENT
• BA PUBLIC ADMINISTRATION - UP DILIMAN • CERTIFICATE IN BUSINESS ECONOMICS, UNIVERSITY OF ASIA AND THE PACIFIC	MAY 18, 2022

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS
• SALESLINK SOURCES CORPORATION ▪ *PRESIDENT/STOCKHOLDER*	• WEALTH DEVELOPMENT BANK ▪ *COMMERCIAL LENDING DIVISION HEAD* • BANK OF MAKATI ▪ *FIRST VICE PRESIDENT* • ASIA TRUST DEVELOPMENT BANK ▪ *VICE PRESIDENT* • PLANTERS DEVELOPMENT BANK ▪ *SENIOR ASSISTANT MANAGER*

BSP AND OTHER TRAININGS ATTENDED
CORPORATE GOVERNANCE COURSE, UNDERSTANDING RISK ENTERPRISE RISK MANAGEMENT, BSP REGULATORY RELIEF MEASURES, 2020 WINTER FAMILY WOORI PROGRAM, WORKSHOP ON COMPLIANCE AND UPDATE ON MLTFPP, NEW EMPLOYEE ON-BOARDING PROGRAM, BASIC COURSE IN CORPORATE GOVERNANCE, PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM, RISK-BASED LEARNING SEMINAR FOR ACCOUNT OFFICERS, RCSA TRAINING, RBAP 65TH CHARTER ANNIVERSARY SYMPOSIUM, RBAP RISK BASED INTERNAL AUDITING SEMINAR, 71ST RBAP ANNUAL CONVENTION. RBAP'S 2ND ANNUAL CONVENTION OF THE COMPLAINCE OFFICERS (CO'S) AND INTERNAL AUDITORS. RISK BASED INTERNAL AUDITING SEMINAR, 67TH CHARTER ANNIVERSARY SYMPOSIUM.

BOARD COMMITEES

The Board is supported by six (6) different committees with their respective memberships, functions and directives as follows:

AUDIT, RISK, AND COMPLIANCE COMMITTEE (ARRCO)

NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
EMERSON D. STA. ANA	CHAIRMAN, INDEPENDENT DIRECTOR	6/6	100%
MAXIMINO A. SALANG, JR.	MEMBER, NON-EXECUTIVE DIRECTOR	6/6	100%
LUNG FAI CHAN	MEMBER, NON-EXECUTIVE DIRECTOR	6/6	100%
TOTAL NUMBER OF MEETINGS			6

The ARCCo assists the Board 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. The committee meets every quarter or as often as may deem necessary and appropriate. The Chairman of the committee may call a special meeting whenever necessary.

The Audit, Risk Management, and Compliance Committee performs the following functions:

- Supervises the Internal Audit Department, Risk Management Office, and Compliance Management Office to ensure effective and efficient performance of their functions;
- Assess reports from the three units to ensure timely and effective actions on issues that may arise from operations;
- Ensures the implementation of the annual review of the effectiveness of the Bank's internal controls, risk management, and compliance measures;
- Establishes and maintains a system whereby officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in all areas of the Bank's operations. It shall ensure that arrangements are in place;
- Implements independent investigation, appropriate follow-up action, and subsequent resolution of complaints;
- Assesses the organizational structure and staffing of the Internal Audit, Risk Management Office and Compliance Department, subject to the Bank's guidelines.

RELATED PARTY TRANSACTIONS COMMITTEE (RPT)

NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
EMERSON D. STA. ANA	CHAIRMAN, INDEPENDENT DIRECTOR	6/6	100%
MAXIMINO A. SALANG, JR.	MEMBER, NON-EXECUTIVE DIRECTOR	6/6	100%
LUNG FAI CHAN	MEMBER, NON-EXECUTIVE DIRECTOR	6/6	100%
TOTAL NUMBER OF MEETINGS			6

The RPTCo 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.

RTPCo performs the following functions:

- Evaluates the existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified. RPTs are monitored, and subsequent changes in relationships with the counterparties (from non-related to related and vice versa) are captured;
- Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral equipment) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the bank are misappropriated or misapplied, and to determine any potential reputational risk issues that as a result of or in connection with the transactions;
- Approves all related party transaction that falls below the materiality threshold, however, all approval made by RPT Committee is subject to BOD confirmation;
- Ensures that appropriate disclosure is made and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflict of interest;
- Reports to the Board of Directors regularly the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties;
- Ensures that transactions with related parties, including the write-off of exposures, are subject to periodic independent review or audit process; and,
- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

CONFLICT OF INTEREST

Interested directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the related party transaction. In case a member has conflict of interest in a particular RPT, the member shall abstain from discussion, approval and management of such matter affecting the Bank. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

POLICIES AND PROCEDURES IN RELATED PARTY TRANSACTIONS

The Related Party Transaction Committee (RPTCo) is mandated to meet once every quarter or as it may deem necessary and appropriate. The Chairman of the Committee may call a special meeting whenever necessary, in which a presence of three (3) members shall constitute a quorum.

A notice of each meeting stating the date, time, venue, and agenda shall be forwarded to the members of the Committee at least three (3) working days before the meeting. The notice of the meeting shall be accompanied by the supporting reports that comprise the agenda.

The Committee may request any director, officer, or employee of the Bank, or other persons whose advise, counsel, or information would be necessary to aid in effective decision-making.

Within 20 calendar days after the end of the reference quarter, all approved material RPTs, including all DOSRI transactions, should be reported to BSP. Updating and reviewing the inventory of related parties of the Bank should be done annually to capture organizational and structural changes of the bank and its related parties. The inventory of related parties is to be updated by Compliance Department.

RELATED PARTY TRANSACTIONS

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 DORSI loans generally should not exceed the Bank's capital funds or 15% of the Bank's loan portfolio, whichever is lower. As of December 31, 2024, the Bank is in compliance with these regulations.

In 2024, the following RPTs were entered into between the Bank and its related parties (see also Note 20 of the Audited Financial Statements section). The summary of the Bank's transactions with its related parties as of December 31, 2024 and 2023 is presented below:

RELATED PARTY CATEGORY	2024 OUTSTANDING BALANCE	2023 OUTSTANDING BALANCE
DOSRI		
DOSRI LOANS	₱22,302,734	₱24,875,813
% OF DOSRI LOANS TO TOTAL LOANS	0.89%	1.12%
OTHER RELATED PARTIES		
ADVANCES TO OFFICERS AND EMPLOYEES	₱137,552	₱302,573
KEY MANAGEMENT PERSONNEL		
COMPENSATION	₱10,990,818	₱9,964,041

ASSET AND LIABILITY COMMITTEE (ALCO)

NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
RICHARD M. RODRIGUEZ	CHAIRMAN	12/12	100%
ROBERTO F. SALAZAR	MEMBER, EXECUTIVE DIRECTOR	12/12	100%
ALBERTO P. CAPATI	MEMBER, NON-EXECUTIVE DIRECTOR	12/12	100%
RONALD E. ALVIZO	MEMBER, NON-EXECUTIVE DIRECTOR	12/12	100%
TOTAL NUMBER OF MEETINGS			12

The Asset and Liability Management Committee was established to assist the Board of Directors in assessing the adequacy and monitoring of the implementation of the Bank's Asset and Liability Management Policy and related procedures. The ALCO will meet at least monthly, however, frequent sessions may be required in periods of increased economic activity, in times of unanticipated liquidity volatility and when specific issues require immediate further study and follow-up.

Specifically, these duties and functions are the following:

- Ensures the development of an appropriate ALM Policy of the Bank. This policy will, among other things, set forth the Bank's asset and liability management general policy relating to liquidity, interest rate risk management, capital management, and investments. ALCo shall also implement additional policies and procedures relating to asset and liability management as may be consistent with the ALM Policy;
- Reviews and discusses the ALM policy with management, and after taking into consideration any matters that the ALCo may deem advisable and appropriate, including management recommendations, the ALCo will annually recommend the ALM Policy to the Board of Directors for its approval; and,
- Approves exceptions to the ALM Policy to address specific conditions or circumstances that may arise from time to time.

IN TERMS OF LIQUIDITY RISKS, THE ALCO:

- Reviews the current and prospective liquidity positions and monitor alternative funding sources;
- Reviews measurement reports on various risks that can be measured with a reasonable degree of effort. Compares simulated exposures of these risks to policy limits;
- Discusses and reports on the impact of major funding shifts and changes in overall investment and lending strategies;
- Reviews the current and prospective capital levels (risk-based as well as net worth) to determine sufficiency concerning expected growth, interest rate risk, price risk, and asset/mix quality; and,
- Monitors the capital position of the Bank and the capital management activities by the Bank to ensure that capital levels are maintained following regulatory requirements and management directives.

IN TERMS OF INTEREST RATE RISKS, ALCO:

- Reviews the outlook for interest rates and economy at local, regional, and international levels;
- Reviews maturity/repricing schedules with particular attention to the maturity distribution of large amounts of assets and liabilities maturing (e.g. bills payable)
- Develops alternate strategies deemed appropriate, which take into account changes in:
  i. Interest rate levels and trends
  ii. Deposit and loan pro ducts and related markets
  iii. Banking regulations
  iv. Monetary and fiscal policy; and,
- Develops parameters for the pricing and maturity distributions of deposits, loans, and investments.

IN TERMS OF OTHER RISKS, ALCO'S DUTIES ARE TO:

- Performs an independent review (using internal audit staff) of the validation and reasonableness of the input, assumptions, and output of the bank's asset/liability management model or procedures; and
- Coordinates an ongoing appropriate education program on the subject ALM for the ALCo members, senior management, and the Board of directors.

ALCo also ensures that it is aware of the overall financial performance of the Bank and therefore will keep abreast of significant changes/trends in its financial results. In this regard, ALCo:

- Reviews actual net interest income and asset/liability distributions versus budget;
- Measures performance against established standards and, if appropriate, against peer group data;
- Reviews the level and makeup of non-earning assets; and,
- Reviews the liquidity and contingency funding conditions of the Bank.

Given the importance of the ALCo in the management of the Bank's balance sheet and related earnings stream, the ALCo also reviews the Bank's annual budget.

EXECUTIVE COMMITTEE (EXCO)

NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
RICHARD M. RODRIGUEZ	CHAIRMAN	12/12	100%
ROBERTO F. SALAZAR	MEMBER, EXECUTIVE DIRECTOR	12/12	100%
ALBERTO P. CAPATI	MEMBER, NON-EXECUTIVE DIRECTOR	12/12	100%
ATTY. RONALD E. ALVIZO	MEMBER, NON-EXECUTIVE DIRECTOR	12/12	100%
TOTAL NUMBER OF MEETINGS			12

The EXCO was established by the Board of Directors to oversee on its behalf the management of operations and delivery of excellent service. In order to facilitate decision-making between board meetings or in urgent circumstances, EXCo is authorized to address problems or issues that come up between board meetings, and make recommendations and/or decisions as necessary. It is primarily responsible for ensuring that the mandates and resolutions of the Board of Directors and of the Monetary Board of the BSP as well as all policies and regulations necessary for the conduct of the bank operations are carried into effect.

If the full board meets only four (4) times a year, the committee should at least meet monthly between board meetings in order to help the organization maintain appropriate oversight relative to finances, operations and programs.

Within the authorities delegated by the board, responsibilities of the committee are the following:

- Serving as the core of the strategic planning committee when planning is undertaken. It is responsible for setting up the budget for the Bank and approves any proposed suggestions or amendments for the budget;
- Reviewing the bank's performance vis-à-vis quarterly and annual goals. It discusses the analyses of the Bank's financial and operational performance using financial data against the Bank's targets on growth, efficiency, profitability, asset quality and productivity;

- Developing and recommending policies for presentation to Board. Specifically, it:
  - a) Decides and proposes to the Board through the President, revisions to existing policies or new policies for the Bank's advancement;
  - b) Instructs the Product Development and Policy Management Office to draft, improve, revise or change applicable Bank policies and procedures whichever is appropriate. If Committee finds the proposals acceptable, the same are prepared for Board approval. The members must carefully consider the implications of the proposals on other operations and must decide on the premise that benefits outweigh the cost involved.
- Considering, resolving, and managing important issues confronting the Bank including all key risk areas relevant to the business of the Bank;
- Receiving reports concerning matters arising the Bank's public disclosures and the implementation and evaluation of internal controls;
- Reviewing and approving contracts; and,
- Determining agenda for Board Meetings.

CREDIT COMMITTEE (CRECOM)

NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
RICHARD M. RODRIGUEZ	CHAIRMAN	12/12	100%
ROBERTO F. SALAZAR	MEMBER, EXECUTIVE DIRECTOR	12/12	100%
ALBERTO P. CAPATI	MEMBER, NON-EXECUTIVE DIRECTOR	12/12	100%
ATTY. RONALD E. ALVIZO	MEMBER, NON-EXECUTIVE DIRECTOR	12/12	100%
TOTAL NUMBER OF MEETINGS			12

The CreCom meets frequently as necessary and acts as a long committee, processes, scrutinizes, and recommends the approval or rejection of applications for loans. No loan is made unless the application has received the unanimous approval of the qualified members of the CreCom present during the meeting at which such action is taken and provided further that no loan is granted in violation of the Rural Banks Act and implementing rules and regulations approved by the Monetary Board. The committee meets at least once a month.

The Credit Committee is primarily responsible for the following:

- Designs and recommends lending policies that seek to be responsive to the needs of the target market while satisfying the Bank's projected financial outcome and social mission; The results of environmental scanning, market assessment, competition check, or any other forms of a market review conducted assist the Bank in ascertaining which products to develop, launch, and offer; and whether these products provide reasonable assurance to the Bank of a competitive return on investment;
- Establishes policy on large exposure by defining the ceiling of loan granted to a single borrower or entity or even related parties so as not to exceed what is prescribed by the Bangko Sentral ng Pilipinas (BSP). It shall likewise agrees on the maximum concentration attributed to the physical location, industry, or even by product. The Board CreCom have a wide knowledge of the risks inherent in the segment of the market it aims to serve, the existing and foreseen threats in the industry where the market belongs, including the probability of fortuitous events to occur in the place where the borrowers operate or reside;

- Seeks periodic advice from the Compliance Officer or Unit on the requirements on provisioning against bad debts. Loan loss provisioning shall at all times be no less than what is prescribed by the BSP;
- Establishes guidelines in setting lending rates. Pricing of loans is a top priority of the Board CreCom, subject to the approval of the Board. The guidelines specify the grounds for the recommended rates. The CreCom possesses adequate knowledge in the pricing of loans given the financial costs, the inherent credit risks, and the desired spread. It secures information from the Asset and Liability Committee (ALCo) through the Unit on the existing funding costs as the determinant in setting the floor prices of loan products. The Board CreCom is aided by an account profitability computation worksheet that would net out from the gross yield all costs related to the account proposal to arrive at the net yield per account;
- Requires the submission of monthly reports on the quality of loan portfolio and the plan of action to improve performance from the Heads of Consumer Loans, and Enterprise (Business) Loans; and,
- Monitors regularly the past due accounts and evaluates the effectiveness of ROPA management handled by the Legal Department. An annual target to reduce the level of past due and improve disposal of ROPA should be set at every beginning of the year.

The decisions reached on each loan proposal shall reflect the consensus of the members. The parameters set for evaluation of proposals include a review of identified business risks: supply, demand, production, process, customer relations, sources of funds, liquidity management, succession, planning, among others; and borrower's background check and credit investigation: negative files, lawsuits, relationship with suppliers and creditors, etc.

The Board CreCom is aided by a Borrower's Risk Rating (BRR) method using a scorecard to outline the criteria for measuring an applicant's creditworthiness. The Board CreCom is updated on the ever-changing current market conditions, its challenges, and how it would affect the Bank's risk exposure.

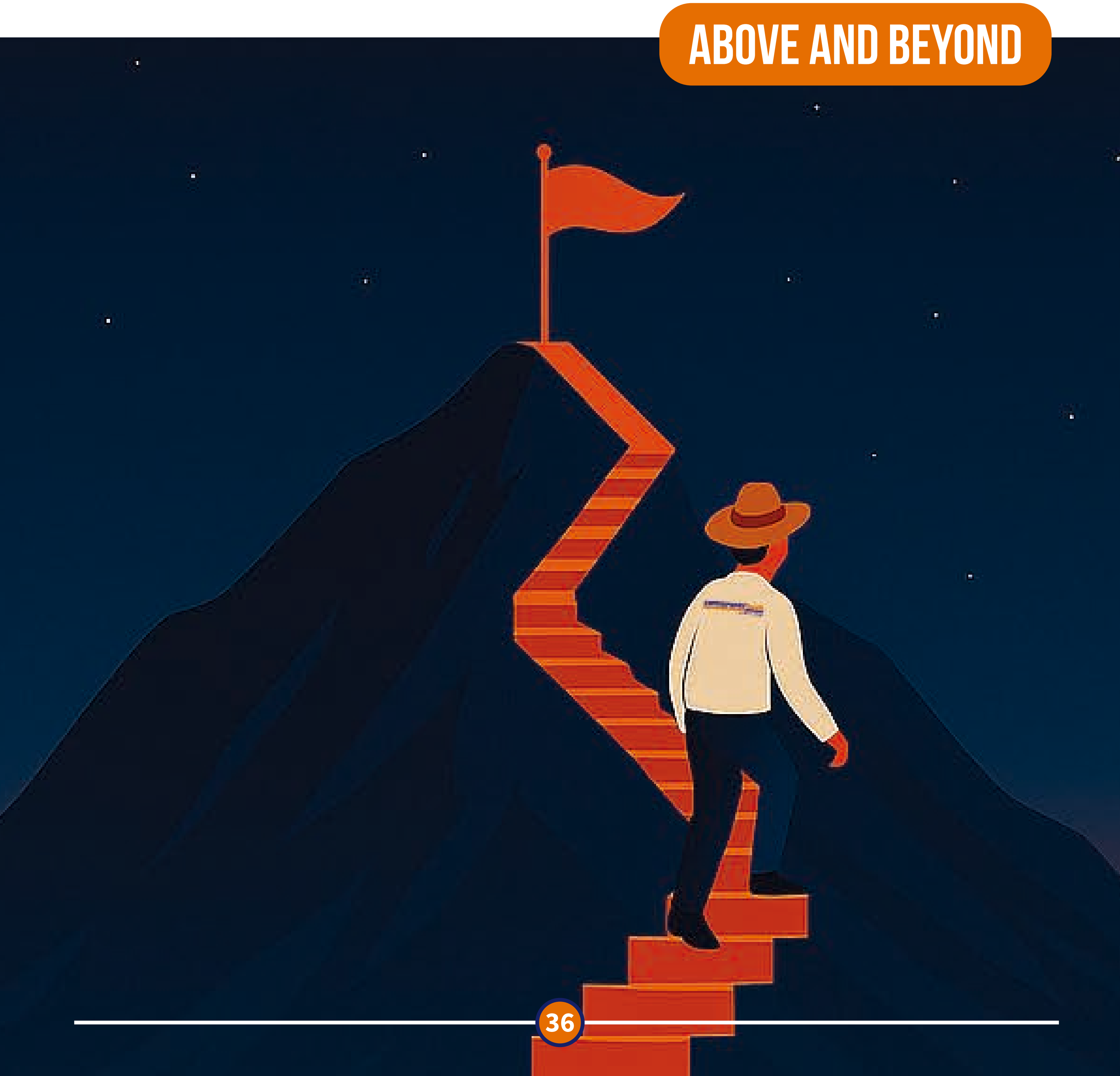
INFORMATION TECHNOLOGY STEERING COMMITTEE (ITSC)

NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% OF ATTENDANCE
ROBERTO F. SALAZAR	CHAIRMAN, EXECUTIVE DIRECTOR	6/6	100%
ATTY. RONALD E. ALVIZO	MEMBER, NON- EXECUTIVE DIRECTOR	6/6	100%
MARK LOUIE T. SALINAS	MEMBER, RBG HEAD	6/6	100%
ABEL VILLAMOR	MEMBER, IST HEAD	6/6	100%
JOY G. POLITICO	MEMBER, CHIEF FINANCIAL OFFICER	6/6	100%
GILBERT D. YU	MEMBER, CHIEF OPERATIONAL OFFICER	6/6	100%
TOTAL NUMBER OF MEETINGS			6

The IT Steering Committee monitors IT performance and institutes appropriate action to ensure achievement of desired results and oversees the information technology investment priorities for Enterprise Bank, Inc. Members of the ITSC are appointed by the Board of Directors.

The ITSC:

- Provides adequate information to the Board of Directors regarding IT performance, status of major IT projects or other significant issues concerning IT operations;
- Provides oversight of IT governance and input regarding alignment of IT strategic plan with Bank's business strategic objectives;
- Determines prioritization of IT projects in line with the Bank's business strategy and priorities;
- Provides practical plan in managing risks associated with the use of technology; and,
- Monitors IT service levels and service improvement.



THE SENIOR MANAGEMENT

ROBERTO F. SALAZAR, CPA
PRESIDENT AND CEO

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
56	FILIPINO	4 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BSC MAJOR IN ACCOUNTING, NOTRE DAME MARBLE COLLEGE	APPRAISER/ACCOUNT OFFICER: PCI BANK BRANCH OPERATIONS OFFICER: INSULAR SAVINGS BANK BRANCH MANAGER/HEAD: CITIBANK SAVINGS, INC. GROUP HEAD (EL/BBG): ENTERPRISE BANK, INC. GROUP HEAD (CONSUMER): WEALTHBANK

PROFILE

Mr. Salazar serves as President and CEO of EBI since May 2020 and he also holds a position of Executive Director as one of the members of the Board of Directors of the Bank. Prior to his presidency with the Bank, Mr. Salazar once headed the Branch Banking Group and Enterprise Lending Group of Enterprise Bank in 2008 to 2010. He has established the enterprise lending group of the Bank in 2009 and provided his expertise in credit loan packaging and marketing. His acumen in consumer lending has also contributed to the increase in the consumer loan portfolio of the Bank for the period 2009-2010.

Mr. Salazar has over 30 years of experience in banking institutions and has a strong background in lending specializing in consumer and commercial loans. His expertise lies in the marketing and product development of loan products and services. Through his revolutionary corporate and banking strategies, he has successfully guided the Bank to achieve goals which led to maximized profits and financial performance. And with his successful track record and consistent achievements in surpassing benchmarks for the market, he has been frequently recognized for his outstanding accomplishments in the field of banking.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

Approach to Creating Recovery and Resolution Plans by RBRDFI

GILBERT D. YU
CHIEF OPERATIONS OFFICER/CORPORATE SECRETARY

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
55	FILIPINO	8 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
• BS IN COMPUTER ENGINEERING, UNIVERSITY OF SAN CARLOS • MBA (UNITS EARNED), UNIVERSITY OF SAN CARLOS	PRESIDENT/MANAGER: RURAL BANK OF RONDA, INC. COMMERCIAL LENDING HEAD: WEALTHBANK MANAGER: LAPU-LAPU RURAL BANK, INC. MANAGER: PENINSULA RURAL BANK PROPRIETOR: GY CREDIT AND COLLECTION SERVICES ACCOUNT OFFICER: BAP CREDIT GUARANTY CORP. LOANS CLERK: RURAL BANK OF SUBANGDAKU

PROFILE

Mr. Yu has been with the Bank since December 2016 as Branch Head and serves as Chief Operations Officer in February 2023 and Corporate Secretary since July 2021. Mr. Yu has exemplary experience in retail banking operations for his more than 30 years in the banking institution. He is the former President/Manager of Rural Bank of Ronda, Inc. which was subsequently merged with Enterprise Bank, Inc. in 2016 and being EBI as the surviving entity. He is also heading the Enterprise Lending Center in Mindanao bringing into his expertise gained in commercial lending from his previous employment as Lending Head in WealthBank. With his array of expertise in strategic implementation, performance analysis, marketing, and customer service with the innate ability to implement operational plans he was able to contribute to the increase in the Bank's loan portfolio specifically in terms of Enterprise Lending and provide operational efficiency in terms of retail banking operations.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

67th Charter Anniversary Symposium by RBAP

JOY G. POLITICO, CPA
CHIEF FINANCIAL OFFICER

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
48	FILIPINO	12 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
• BS ACCOUNTANCY, ATENEO DE DAVAO UNIVERSITY • MBA, ATENEO DE DAVAO UNIVERSITY	SENIOR MANAGER: PUNONGBAYAN AND ARAULLO STAFF ASSISTANT I & II: PUNONGBAYAN AND ARAULLO

PROFILE

Ms. Politico serves as the Chief Financial Officer since February 2023 and the incumbent Treasurer of Enterprise Bank, Inc. Ms. Politico started her stint with EBI in July 2012 as Finance Head. She has gained extensive training and experience in auditing as formerly part of Punongbayan and Araullo for 16 years. Ms. Politico help establish the revised Loan Loss Methodology of the Bank for consumer lending and enterprise lending base on BSP Circular 855. Ms. Politico was also part of the Management Committee, Admin Hearing Committee and Information Technology Steering Committee of Enterprise Bank. She was also part of the management member of the Asset and Liability Committee of EBI since 2012. Ms. Politico is currently supervising the Accounting and Budget, Compensation and Benefit and Treasury Unit. With her proficiency in all areas of finance and having exceptional financial analytical skills she was able to contribute to the growth and development of the Bank.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

67th Charter Anniversary Symposium by RBAP

ROSELYN ABERION
HUMAN RESOURCE MGT. & DEV'T HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
49	FILIPINO	5 MONTHS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BACHELOR OF ARTS MAJOR IN MASS COMMUNICATION	• HR DIRECTOR: RIPECONCEPTS, INC. (A NAGARRO COMPANY) • HR HEAD: WEALTHBANK • HR CONSULTANT: NCR • HR OFFICER: GOLDEN ABC, INC. • HR ASSOCIATE: EURO CB (PHILS)

PROFILE

As the Head of Human Resources and Management Development (HRMD), Ms. Aberion plays a pivotal role in shaping Enterprise Bank's people strategy, cultivating a high-performance culture, and aligning talent development initiatives with the organization's strategic goals.

Ms. Aberion oversees the full spectrum of HR functions including talent acquisition and retention, learning and development, performance management, employee relations, compensation and benefits, succession planning, and organizational transformation. Under his/her leadership, HRMD has championed key initiatives such as:

• Implementing competency-based recruitment
• Strengthening leadership development and succession pipelines
• Enhancing employee engagement through wellness, recognition, and feedback mechanisms
• Promoting a values-driven and inclusive workplace culture

With over 29 years of experience in human capital management, Ms. Aberion brings deep expertise in both strategic and operational HR. Prior to joining Enterprise Bank, she held various HR leadership roles in the banking and other services sector. She holds a degree in Mass Communication and has completed professional certifications in HR leadership, organizational development, or labor relations.

Ms. Aberion believes that people are the heart of the organization and that investing in their growth, well-being, and potential is essential to driving sustainable business success. Through her dynamic leadership, Enterprise Bank continues to build a future-ready workforce, empowered to thrive in a rapidly evolving financial landscape.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

None

MARK LOUIE S. SALINAS
RETAIL BANKING GROUP HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
45	FILIPINO	22 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BS IN COMPUTER ENGINEERING, UNIVERSITY OF SAN JOSE RECOLECTOS, CEBU	NONE

PROFILE

Mr. Salinas serves as the Retail Banking Group Head and the advisor of the Information System and Technology Department. He joined EBI in July 2002 and started his stint with Enterprise Bank as loan encoder in Bayugan branch. Mr. Salinas rose from the ranks, from being an encoder, to bookkeeper, to branch head next being IST manager and currently to his current position as Retail Banking Group Head. He is elemental to the migration of the Banks' operating system from microbanking to centralized core-baking system which is the Byte per Byte system. He also help realized the objective of the Bank to collaborate with Bancnet and able to deploy 22 automated teller machines to select branches. Also, during his leadership the Bank was able to become a member of the Philippine Clearing House Corporation (PCHC). With his expertise in branch banking and technological innovation, the Bank was able to streamline most of its business processes and introduce cloud base technology for efficient banking operations.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

None

CRISANTO P. TENIO
CREDIT DEPARTMENT HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
45	FILIPINO	4 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BACHELOR IN BUSINESS ADMINISTRATION MAJOR IN BANKING AND FINANCE, ST. JOSEPH COLLEGE	DEPED UNIT HEAD/AREA SALES HEAD/SALES HEAD: WEALTH DEVELOPMENT BANK BRANCH MANAGER/SME ACCOUNT MANAGER/LOAN OFFICER/BOOKKEEPER/DEV'T. OFFICER: GREEN BANK, INC. (NOW EWRB)

PROFILE

Prior joining the Bank, Mr. Tenio was with Eastwest Rural Bank (formerly Greenbank) holding a managerial position in the loans department. He was also formerly connected with Wealth Development Bank holding the position as Head of product under the Sales/Loans Department. With his expertise in consumer lending, he was able to craft and introduce enhancement in the credit and business processes of the Bank. With his expertise in product development, Mr. Tenio also made exemplary contributions to the product enhancement and development of the Bank's consumer loans and other secured loans. He also contributed to the updating of the credit practices and policies of the Bank for the streamlining of credit and business operations.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

Credit Investigation Training and Basic Appraisal Principles by RBRDFI

LEOHMAR G. ANGELIA
COLLECTION DEPARTMENT HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
41	FILIPINO	3 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BACHELOR OF SCIENCE OF EDUCATION - ST. THERESA COLLEGE, TANDAG CITY, SURIGAO DEL SUR	AREA SALES HEAD: WEALTH DEVELOPMENT BANK

PROFILE
Mr. Angelia has been in the banking industry for 16 years and has various exposures in product development and sales. He currently serves as the Head of the Collection Department. He was with Enterprise Bank, Inc from 2004 until 2013 and joined Wealth Development Bank from 2013 to 2019 as Area Sales Head. He again joined the Bank in 2021 as collection head and spearheaded the success for achieving the objectives of the Bank in terms of past due reduction. He also contributed in crafting the collection strategies of the Bank and provided his expertise in terms of collection efficiency and effectivity.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED
Debt Collection Approach and Strategies by RBRDFI

ATTY. LLEWELLYN D. YRAY
LEGAL COUNSEL

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
41	FILIPINO	1 YEAR

EDUCATION	OTHER PREVIOUS EMPLOYMENT
JURIS DOCTOR/LLB - 2018: UNIVERSITY OF VISAYAS (UV) AB ECONOMICS - 2004: UNIVERSITY OF MINDANAO TAGUM CAMPUS (UM)	SALES OFFICER, PARALEGAL OFFICER, LITIGATION OFFICER: WEALTH DEVELOPMENT BANK

PROFILE
Atty. Yray leads the Legal Department of Enterprise Bank, Inc. in providing strategic legal guidance and upholding the Bank's adherence to applicable laws and regulatory requirements. With his knowledge in banking law, asset recovery, and corporate governance, he plays a vital role in managing legal risks, handling litigation, and overseeing the resolution and disposal of Real and Other Properties Acquired (ROPA). His leadership supports the Bank's commitment to integrity, accountability, and sustainable asset management.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED
Labor Law: The Fine Art of Sub-Contracting by Philippine Retailers Association - Cebu Chapter

CHRISTINE Q. TE ENG FO
CORPORATE AFFAIRS AND PLANNING MANAGER

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
44	FILIPINO	16 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
• BACHELOR OF SCIENCE IN COMMERCE MAJOR IN MANAGEMENT ACCOUNTING (BSC-MA) - ATENEO DE DAVAO UNIVERSITY (ADDU) • MASTER IN BUSINESS ADMINISTRATION (MAJOR IN ENTREPRENEURSHIP) - UNITS EARNED, UNIVERSITY OF SOUTHEASTERN PHILIPPINES	• NEW ACCOUNTS TELLER, TELLER, ACCOUNT OFFICER: BDO NETWORK BANK (FORMERLY ONE NETWORK BANK)

PROFILE

Ms. Te Eng Fo has been serving as the Head of the Corporate Affairs and Planning Department (CAPD) since September 2023. She began her career at Enterprise Bank in January 2008 as a Treasury Assistant and was later promoted to Fund Sourcing Manager in October 2013.

During her tenure as Fund Sourcing Manager, Ms. Te Eng Fo significantly contributed to the Bank's growth by expanding its funding partnerships to 14 financial intermediaries, securing over ₱1 billion in stand-by credit facilities. Her years of experience in banking have honed her skills in communication and documentation, making her a valuable asset to the organization.

After a decade in fund sourcing, she was promoted to her current role as CAPD Head, where she now leads key initiatives aligned with the Bank's strategic direction. Among her notable contributions is spearheading the development of the new EBI website (currently in progress) and overseeing projects supporting the Bank's rebranding efforts.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

Policies and Procedures Manual Writeshop by RBRDFI

JULIETA L. MIRANDA
SURIGAO AND NORTHMIN AREA HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
48	FILIPINO	25 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BACHELOR OF SCIENCE - ST. THERESA COLLEGE, TANDAG CITY, SURIGAO DEL SUR	NONE

PROFILE

Ms. Miranda is a homegrown talent of Enterprise Bank. After college she joined the bank as a bookkeeper and eventually became the branch operation officer for several branches in Surigao del Sur. She has been with the Bank for more than 25 years and she is an epitome of an employee who raised from the ranks. With her dedication and hardwork Ms. Miranda was appointed the area head of Surigao and Northern Mindanao area in July 2019. Currently, she supervises the banking operation in Surigao, Davao and Misamis Oriental provinces specifically in Lianga, Surigao, Aras-asan, Hinatuan, Tandag, Bislig, Cateel, Mati, Madrid and Surigao. She has greatly contributed in the improvement in the banking operations and the efficiency on delivery of services to the clientele.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

None

NEIZEL JENE Y. CABAHUG
VISAYAS AREA HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
37	FILIPINO	1 YEAR

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BACHELORS OF SCIENCE IN COMMERCE MAJOR IN MANAGEMENT ACCOUNTING (BSC-MA)- LA SALLE UNIVERSITY- OZAMIZ	• BRANCH MANAGER- WEALTH DEVELOPMENT BANK CORP. 2023 • CONSUMER LENDING UNIT HEAD-HOUSING LOAN - WEALTH DEVELOPMENT BANK CORP. 2018-2023 • SALES OFFICER-HOUSING LOAN- WEALTH DEVELOPMENT BANK CORP. 2012-2018 • LOANS SUPERVISOR- BANK OF MAKATI- CEBU BRANCH 2010-2011 • CASHIER/NEW ACCOUNTS/TELLER- BANK OF MAKATI-CEBU BRANCH 2008-2010

PROFILE

Ms. Cabahug brings with her over 16 years of solid experience in the banking industry, marked by leadership, operational excellence, and a strong commitment to community banking. As the Visayas Area Head of Enterprise Bank, Inc., she oversees the strategic direction, performance, and overall operations of branches within the Visayas region.

Ms. Cabahug is a graduate of Bachelor of Science in Commerce, major in Management Accounting (BSC-MA) from La Salle University - Ozamiz. Her educational background laid a strong foundation in financial management and analytical thinking, which she has effectively applied throughout her career in banking.

With a reputation for integrity, strategic leadership, and deep market insight, Ms. Cabahug continues to play a vital role in driving growth, ensuring regulatory compliance, and fostering customer-centric service across her area of responsibility.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

High Performance Sales and Business Development by RBRDFI

NOEL E. CABRERA
SOUTH CENTRAL AREA HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
44	FILIPINO	23 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BACHELOR OF ARTS IN ENGLISH, HOLY CROSS OF DAVAO COLLEGE	NONE

PROFILE

Mr. Cabrera has been with the Bank for 22 years. He started his career with the Bank last August 2002 as a microfinance account officer. He rosed from the ranks from branch supervisor to satellite office manager and successfully promoted to branch head. In 2019, he was promoted to South Central Area Head supervising banking operations of 9 branches specifically branches in Tagum, Panabo, Nabunturan, San Francisco, Trento, Bayugan, Butuan, Gingoog and Cagayan de Oro. His expertise in branch banking is notable to the good performances achieved by his area of operations over the years and these branches has widely contributed to the profitability of the Bank.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

None

ARTHUR JOHN O. LUGTU, CPA
COMPLIANCE DEPARTMENT HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
65	FILIPINO	3 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
• BS IN ACCOUNTANCY, XAVIER UNIVERSITY, CAGAYAN DE ORO CITY • BACHELOR OF LAWS, XAVIER UNIVERSITY, CAGAYAN DE ORO CITY	• BANK CLERK/ACCOUNTANT/BOOKKEEPER/ASST. MANAGER/MANAGER/ASSISTANT VICE-PRESIDENT-PHILIPPINE NATIONAL BANK • COMPLIANCE OFFICER/CHIEF OPERATING OFFICER-SOUTHBANK INC. A RURAL BANK • ASSISTANT VICE-PRESIDENT-PR SAVINGS BANK CORPORATION • ASSISTANT VICE-PRESIDENT-PRODUCERS SAVINGS BANK CORP. • AUDITOR-COMMISSION ON AUDIT-REGION 10

PROFILE

Mr. Lugtu serves as the Compliance Department Head of Enterprise Bank since 2021. He started his career with the Bank as Branch Head of Cagayan de Oro Branch. Mr. Lugtu has 41 years of banking experience from various rural, thrift and commercial banks. He was assigned as the Deputy Managing Director of the Philippine National Bank (PNB) - Tokyo Branch, Assistant Vice-President of PNB International Banking and Overseas Remittance Sector, Assistant Vice-President of PNB Regional Consumer Finance Center; and former Regional Manager of Producer's Bank. Mr. Lugtu developed his internal control practices and compliance programs over the years of banking experience. He was promoted as Chief Compliance Officer in January 2021 and ever since then crafted various policies and framework for the Bank.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

RBAP's 2nd Annual Convention of the Compliance Officers (CO's) and Internal Auditors (IA's) by RBAP, Approach to Creating Recovery and Resolution Plans by RBRDFI

IAN Y. CAANGAY
AUDIT HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
45	FILIPINO	17 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
• BS ACCOUNTANCY, ATENEO DE DAVAO UNIVERSITY • MASTERS IN INFORMATION TECHNOLOGY (UNITS EARNED), UNIVERSITY OF SOUTHEASTERN PHILIPPINES	• CREDIT ASSITANT: PLANTERS DEV'T. BANK • LOANS OFFICER/INTERNAL AUDIT ASSISTANT/DATA ENCODER-MICRO: ENTERPRISE BANK

PROFILE

Mr. Caangay serves as the Internal Audit Head starting January 2022. He joined Enterprise Bank in 2007 and developed his expertise in internal control practices serving the group for more than 16 years. He also rosed from the ranks serving as internal audit supervisor during his early years of service with the Bank before he got promoted to the position of Internal Audit Manager and Internal Audit Head. He also serves as the Information System and Technology manager on 2019 to 2020. He took some units earned for Masters in Information Technology at the University of the Southeastern Philippines.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

RBAP's 2nd Annual Convention of the Compliance Officers (CO's) and Internal Auditors (IA's) by RBAP, Risk Based Internal Auditing Seminar by RBRDFI

REYMON R. EREZO
RISK MANAGEMENT HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
44	FILIPINO	10 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
• BACHELOR OF SCIENCE IN STATISTICS-UNIVERSITY OF SOUTHEASTERN PHILIPPINES • GRADUATE DIPLOMA IN ECONOMETRICS-UNIVERSITY OF SOUTHEASTERN PHILIPPINES	OPERATIONS ASSISTANT: DAVAO INTEGRATED PORT AND STEVEDORING SERVICES INSTRUCTOR: UNIVERSITY OF MINDANAO-PANABO COLLEGE AUDITOR: FUTURE OPTIONS DISTRIBUTION INC. EXECUTIVE ASSISTANT, PLUTO MPC

PROFILE

Mr. Erezo serves as the Risk Management Head of the Bank. He started as a rediscounting officer with EBI in 2007 and left the company in 2011. In 2015, Mr. Erezo joined the Bank as risk analyst and then appointed as Risk Management Head in September 2023. His integral contribution to the Bank is on the preparation and crafting of the policies and framework of the data privacy, customer assistance, operational risk management and stress testing. He has been with the Bank for more than 9 years and his masters in econometrics has made a great contribution for his prowess in policy making and statistical data preparation for the Bank.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

Sectoral Meeting of Bank's Data Privacy Officers and 7th National Privacy Awareness Week Conference by NPC

ABEL S. VILLAMOR
INFORMATION SYSTEMS AND TECHNOLOGY HEAD

AGE	NATIONALITY	NO. OF YEARS OF SERVICE
44	FILIPINO	2 YEARS

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BACHELOR OF SCIENCE IN COMPUTER SCIENCE (BS CS), NOTRE DAME OF DADIANGAS UNIVERSITY (NDDU)	• NETWORK & SYSTEM ADMINISTRATOR: RD FISHING INDUSTRY, INC. • IT PROGRAMMER/ADMINISTRATOR: RD FISHING PAPUA NEW GUINEA LIMITED • PROGRAMMER/SENIOR APPLICATION LEAD/SYSTEM ANALYST PROGRAMMER: ALSONS AQUCULTURE CORPORATION • TECHNICAL SUPPORT: SARANGANI DEVELOPMENT COOPERATIVE

PROFILE

Mr. Villamor has over 19 years of experience in the field of Information Systems and Technology. He currently heads the Bank's IT Department, where he is responsible for overseeing the maintenance of hardware and software infrastructure and developing strategic initiatives to support the Bank's technological advancement.

With strong expertise in both technological solutions and project management, Mr. Villamor has led numerous key initiatives that significantly improved the Bank's IT capabilities. Under his leadership, the Bank successfully enhanced its cybersecurity framework, established a data recovery site and a solar-powered data center, and automated various business processes. He also spearheaded the implementation of critical system enhancements to ensure compliance with Bangko Sentral ng Pilipinas (BSP) regulations.

Mr. Villamor's forward-thinking leadership has contributed significantly to increased operational efficiency and the strengthening of the Bank's IT infrastructure.

2024 EXTERNAL TRAININGS/SEMINARS ATTENDED

None

SELECTION PROCESSES FOR EXECUTIVE AND SENIOR MANAGEMENT

The Board is responsible for approving the selection and appointment of the competent executive management level of the Bank specifically the President/CEO, Chief Operations Officer and Chief Financial Officer. Moreover, for other senior management position it is filled from within the ranks prioritizing employees for opportunities in growth and career development. On the other hand, the Bank is adapting to recruit outside the organization in the precept that certain special qualifications, experience and training are required for the certain job. Fit and proper standards are applied in the selection of key officers and utmost consideration is given preference to their integrity, technical expertise and banking experience. Moreover, the Bank has existing policy on recruitment and deployment of personnel which is encompassing to all personnel of the Bank.

PERFORMANCE ASSESSMENT

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.

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

RENUMERATION POLICY

At all times, the Bank adheres to Labor Standards in the payment of wages and benefits to its employees and officers. Its compensation and incentive structure is in accordance to mandates set by the regulators and the Bank’s By-Laws.

The salaries of the executive officers of the Bank are fixed following the remuneration system approved by the Board of Directors.

For the year 2024, among the highest-paid officers are personnel handling the positions of President and CEO, Chief Operations Officer, and Chief Financial Officer. In determining the remuneration of these personnel, the bank sets into consideration, as basis in the assessment of remuneration offer, the candidate's educational attainment, degree of experience in the field of banking or in specific job assignment, and age.

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 by 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 adopts the Point Rating System Method in assessing the value of jobs available in the organization and in pricing them correspondingly following defined compensable factors.

The pay scale is divided into five (5) categories, namely:

- *Levels 1-4: Rank and File*
- *Level 5-6: Supervisory*
- *Levels 7-10: Managerial*
- *Levels 11-13: Executives*
- *Levels 14-16: C-level Executives*

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

SUCCESSION POLICY

The Bank aims to sustain the excellent core values of Bank by ensuring the next-in-line leaders are equipped with adequate knowledge and competence. The Bank believes that it is significant to cultivate talents within the organization through planned development activities like mentoring, training and job rotation to replace key positions. The detailed program development of the Bank for its succession planning is incorporated in its Policy on Succession Plan. The plan has detailed policies and procedures for short-term replacement and permanent appointment of second line management personnel in the event of unplanned and/or extended absence, retirement and/or resignation of the incumbent.

The Program Development Plan of the Bank are outline in the following manner:

- *Short-Term Succession Plan: Temporary or Unplanned Absence;*
- *Long-term/Permanent Succession Plan: Resignation, Retirement, Termination and Death; and,*
- *Emergency Retention Plan.*

INCENTIVE STRUCTURE

The incentive structure varies according to the peculiarities in the department belonging to the business group and the defined performance parameters and standards set year-on-year.

Overall, while the Management recognizes achievement beyond expectation, it also considers contribution to the bottom line in the administration of reward.

ORIENTATION AND EDUCATION PROGRAM

The Bank accords deserving employees a venue for professional advancement through continuing education in specialized courses in their field of expertise during off-work hours, which is deemed beneficial to both the individual and the Bank.

For its employees to become effective in their jobs, the Bank regularly conducts training needs analysis to know the skills needed for professional enhancement of its employees.

The Bank provides both external and internal training as deemed necessary. Employees who are recommended to be sent to external training are granted full assistance.

The Bank also takes advantage of technology through online learning. Through webinars, employees are provided with reading materials, audiovisual presentations, and educational videos to get updated and well-informed of the latest trends to enrich their skills and competencies towards productivity and efficiency.

RETIREMENT PROGRAM

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

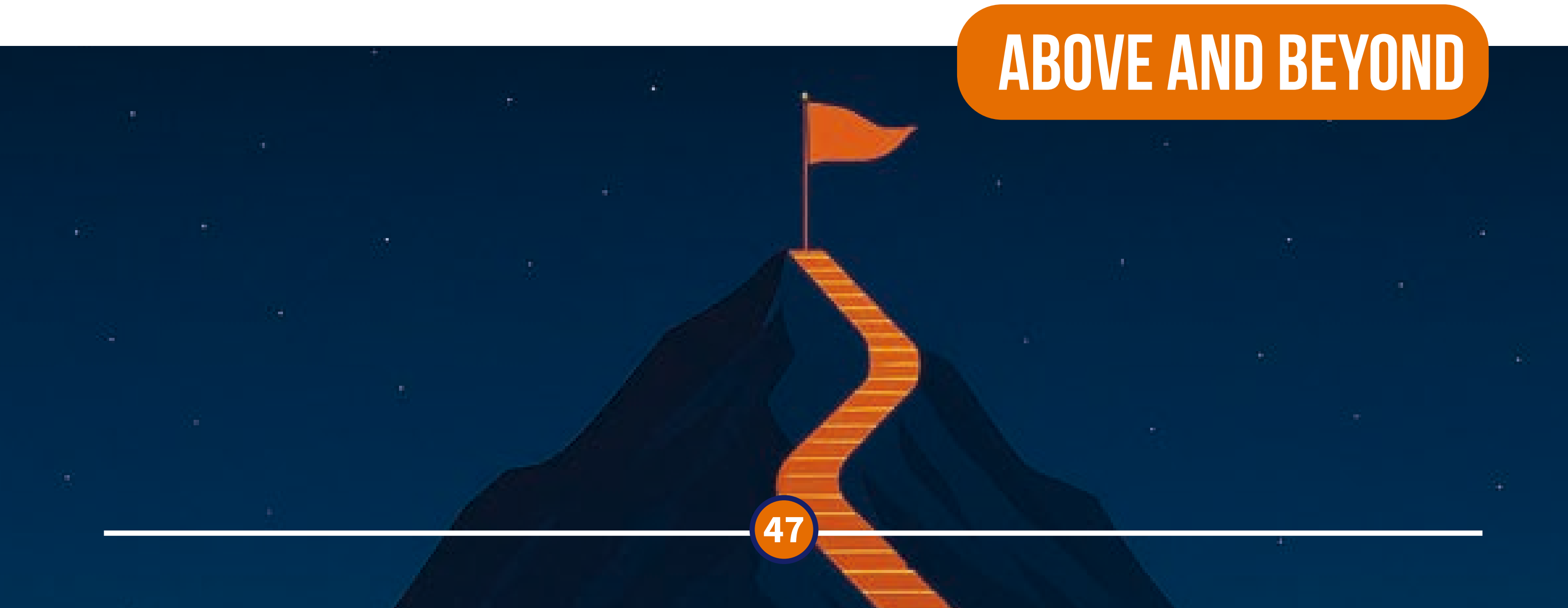
The Retirement Program is non-contributory and provides for post-employment, retirement or termination of employees.

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

The quoted retirement age also applies to senior management including members of the Board holding management positions, except those in consultancy or contract-type employment engagement.

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.

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



HUMAN RESOURCE: OUR GREATEST ASSET

RECOGNIZING EXCELLENCE AT WORK

At Enterprise Bank, Inc., we believe that our people are our greatest asset. Their dedication, hard work, and integrity are the driving force behind our continued growth and success. In recognition of this, EBI has developed structured performance management and employee recognition programs that highlight excellence across all levels of the organization.

We conduct annual performance reviews for all employees—from executives to rank-and-file staff—to assess strengths, identify areas for improvement, and provide guidance for career advancement. These evaluations serve as the foundation for performance-based salary adjustments and promotional opportunities, ensuring that merit and contributions are duly recognized.

To foster a culture of excellence, EBI implements monthly recognition programs for high-performing Account Officers. Those who demonstrate outstanding disbursement performance are rewarded with cash incentives, acknowledging their consistent delivery of results.

We also celebrate employee loyalty through our annual Service Awards. These honors recognize individuals who have dedicated 5, 10, 15, 20, or over 25 years of service to the Bank. Awardees receive cash incentives, plaques, and certificates, as a gesture of appreciation for their long-standing commitment. This program not only honors our loyal employees but also encourages others to build their careers with EBI.

In line with this, we also host an annual Awards Ceremony to honor top performers across key categories. The following accolades are given: Branch of the Year, Account Officer of the Year, Branch Head of the Year and BOO (Branch Operations Officer) of the Year. Each awardee receives a plaque and cash incentive as a token of the Bank's appreciation for their exemplary performance and dedication. Through these recognitions, EBI reinforces its values of hard work, integrity, and excellence across the organization.

PROMOTING WELLNESS AND WORK-LIFE HARMONY

In today's fast-paced environment, EBI is committed not only to professional development but also to the holistic well-being of its employees. Our wellness framework integrates mental health and work-life balance indicators into our core performance metrics, underlining our dedication to a healthy and productive workforce.

In 2024, EBI organized several initiatives to promote both mental and physical wellness. These included wellness webinars and health-related activities, addressing the importance of mental resilience, stress management, and physical health.

EBI ACTIVITIES SUPPORTING MENTAL AND PHYSICAL WELL-BEING

ZUMBA SESSIONS

The Bank recognizes that its human resources are its greatest assets; therefore, the physical well-being of employees is given the highest priority. In line with this, the Bank organized weekly Zumba sessions at its Head Office in Davao City as part of its wellness program. This initiative aimed to reduce stress, improve physical health, and promote a positive work environment by enhancing mood and encouraging social interaction. The sessions were held once a week over a three-month period.

THE VOICE/EBI GOT TALENT

Company-led activities such as The Voice and EBI Got Talent play a vital role in building a positive organizational culture and strengthening employee engagement. These events provide a platform for employees to showcase their talents beyond the workplace, fostering creativity, camaraderie, and confidence.

By encouraging participation in fun and expressive activities, the Bank nurtures a sense of belonging and community among its staff. These initiatives break down hierarchical barriers, promote teamwork, and enhance interpersonal relationships across departments.

Ultimately, activities like The Voice and EBI Got Talent are not only entertaining but are also meaningful tools in building a vibrant and supportive workplace culture—where people feel valued, engaged, and inspired.

BOWLING

The Bank recognizes that fostering teamwork and employee engagement extends beyond the confines of the workplace. In line with this, a bowling activity was held on November 30, 2024, at SM Lanang Bowling Center, attended by personnel from the Head Office and Matina Branch.

The event featured friendly competition, with cash prizes and medals awarded to the highest-scoring team, as well as to the top individual performers in both male and female categories. It was a fun-filled occasion that encouraged camaraderie, communication, and connection in a relaxed and enjoyable environment.

Through initiatives like this, the Bank reaffirms its commitment to promoting employee wellness, enhancing engagement, and cultivating a positive and inclusive workplace culture.

EMPLOYEE TRAINING, DEVELOPMENT AND STRATEGIC ENGAGEMENTS

IN-HOUSE TRAINING

The Bank recognizes the critical importance of employee training and development in remaining competitive within an increasingly dynamic and complex corporate environment. In 2024, the Bank implemented a comprehensive suite of learning and engagement programs aimed at equipping employees with essential skills and knowledge in key areas such as operational efficiency, leadership, and risk management.

To reinforce operational strength, the Bank conducted the Branch Operations Officer Conference—a strategic initiative designed to support the operational backbone of the organization. This conference served as a collaborative platform for operations leaders across all branches, facilitating open dialogue, knowledge sharing, and the resolution of operational challenges. Key topics covered included risk management, audit findings, process improvements, customer service enhancement, and the adoption of emerging technologies. The event also helped align branch operations with updated policies and compliance standards while promoting best practice standardization across the network.

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In parallel, the Bank held a bankwide sales meeting to cultivate a high-performance sales culture and advance business growth objectives. The meeting aligned sales teams with corporate targets, strategic initiatives, and evolving market conditions. It also served as a venue to communicate product updates, recognize top performers, and encourage the sharing of effective sales strategies across branches.

To ensure compliance with regulatory requirements and uphold industry best practices, the Bank facilitated core regulatory and compliance training sessions, including Anti-Money Laundering (AML) education and Risk Control Self-Assessment (RCSA) workshops. These sessions strengthened the Bank's risk awareness and internal control frameworks while enhancing the compliance capabilities of its employees.

The onboarding and continuous development of new employees also remained a priority.

Through targeted in-house training programs, new hires were equipped with the knowledge, skills, and competencies necessary to perform effectively and align with the Bank's policies, service standards, and regulatory expectations. These programs not only supported operational excellence and regulatory compliance but also fostered a culture of continuous learning and professional growth.

By investing in the ongoing development of its workforce through both internal and external learning platforms, the Bank continues to build organizational capacity, foster innovation, and strengthen its long-term sustainability. These initiatives demonstrate a steadfast commitment to operational excellence, employee empowerment, and strategic alignment at all levels of the organization.

EXTERNAL TRAININGS

In a rapidly evolving financial and regulatory landscape, attending external trainings is vital for enhancing employee competencies, staying updated with industry developments, and reinforcing the Bank's commitment to excellence, compliance, and customer-centric service.

In 2024, the Bank participated in various external training programs covering a wide range of critical topics, each contributing uniquely to organizational resilience and employee growth:

• **Cybersecurity & Data Privacy:** As digital threats intensify, training on cybersecurity and data privacy ensures that employees understand current risks, protective measures, and regulatory obligations. These sessions help safeguard sensitive information and maintain customer trust in the Bank's digital infrastructure.

• **Know Your Money (KYM):** KYM training enhances employee capability to detect counterfeit currencies and understand the evolving nature of currency authentication—supporting operational integrity and regulatory compliance.

• **PhilCare Mental Health Awareness:** Promoting mental well-being is a priority in ensuring a productive, engaged, and resilient workforce. This training emphasized the importance of mental health in the workplace and provided practical strategies for stress management and employee support.

• **Cash Flow Analysis & Institutional Risk Assessment:** These technical trainings deepened staff understanding of financial health evaluation and institutional risk profiling. They contribute directly to sound credit decision-making and enhanced risk management practices across lending operations.

• **Approach to Creating Recovery and Resolution Plans (RRP):** This training supported the Bank's readiness for stress scenarios by providing insights on regulatory expectations and structured approaches to formulating RRPs—an essential component of systemic risk mitigation and business continuity.

• **Appraisal Training:** Accurate valuation of collateral is critical to managing credit risk. Appraisal training strengthened the skills of personnel in property assessment, market analysis, and compliance with valuation standards.

• **Performance Management:** Training in this area reinforced the importance of aligning individual goals with organizational objectives. It also provided tools for constructive feedback, continuous improvement, and employee development planning.

These external trainings not only enhanced individual capabilities but also reinforced the Bank's collective capacity to meet regulatory standards, manage risks, and adapt to emerging challenges. By investing in external learning opportunities, the Bank demonstrates its commitment to cultivating a skilled, agile, and future-ready workforce prepared to support sustainable growth and institutional excellence, information security and cybersecurity awareness, and data privacy compliance.

Specialized programs such as *"Signature Verification, Bank Fraud and Forgery Detection"* and *"Approach to Creating Recovery and Resolution Plans"* further enhanced operational efficiency and reinforced compliance with evolving regulatory expectations.

In addition, technical and specialized training—particularly on cybersecurity and IT risk fundamentals—was delivered to ensure employees remain well-informed of the latest technological developments and threats.

SELF-ASSESMENT FUNCTION

INTERNAL AUDIT

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. It is mandated to ensure adherence to Board-approved policies and procedures by all operating units. The head of the Internal Audit Department ensures that the internal audit function complies with sound internal auditing standards. The department's recommendations to improve operations are timely discussed and coordinated with the Management through the President and CEO where progress reports of Management action plans are discussed, deliberated, and reported during ARCCo meetings.

COMPLIANCE

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 Head of the Compliance Department, the department's primary duties include the identification, monitoring, and controlling of compliance risk

RISK MANAGEMENT

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. It also ensures that the system remains effective and that established limits under existing policies are observed and if there is breach, monitor the immediate corrective actions it has recommended.

CUSTOMER PROTECTION

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

In view of Circular No. 857 series of 2014, for the protection of Enterprise Bank, Inc. and to assure that every customers' 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 provide effective recourse for the financial consumer is depicted in the consumer assistance policies and procedures embodied in the CAMS and engendered in the Bank's day-to-day operations. The CAMS also advances transparency, fairness, and ease of access in financial transactions including the resolution of complaints.

The Senior Management is responsible for the effective implementation of the CAMS and the 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 the nature of complaints, develops recommendations and solutions, and reports to Senior Management and the Board, through the ARCCo, the status of complaints.

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

We will be happy to address our clients' concerns. Here are ways that they can reach us.

To properly address and document the concerns raised by our financial consumers, the bank instituted the following channels for proper attention and provide prompt resolutions:

- *Clients are welcome to visit any of the Bank's branches where the Branch Operations Officer (BOO) will immediately address and document issues concerning the client's financial transactions.*

If the issue(s) can be resolved within the BOO's level, the latter shall resolve the same while putting into record the resolution provided. The BOO should endorse the documented complaint and resolution to the Consumer Assistance Officer.

Financial consumers have alternative options of raising financial transaction-related issues via electronic mail at **customercentral@enterprisebank.com.ph** where an attending Consumer Assistance Officer is ready to answer complaints and inquiries with proper documentation.

Financial consumers may also raise their complaints via registered mail addressed to or simply via phone call:

THE CUSTOMER ASSISTANCE OFFICER

ENTERPRISE BANK, INC.
KM. 5, Buhangin-Lapanday Road,
Barangay Buhangin,
Davao City, 8000

LANDLINE:
(082) 225-1111 loc. 309

OUR CORPORATE SOCIAL RESPONSIBILITY

As part of its ongoing commitment to social responsibility and community engagement, the Bank conducted a meaningful Corporate Social Responsibility (CSR) activity on February 18, 2024, in Baganihan, Marilog District, Davao City. The initiative formed part of the Bank's community outreach program, aimed at supporting underprivileged and marginalized sectors, particularly indigenous communities.

During the outreach, the Bank distributed 400 food packs and 345 pairs of slippers to the Lumads—indigenous natives residing in the area. This effort was designed to provide immediate relief and promote the well-being of families facing economic hardship, especially in remote and underserved communities.

The activity reflects the Bank's core values of compassion, inclusivity, and shared growth. By reaching out to the Lumad community, the Bank not only extended material assistance but also reinforced its commitment to uplifting lives and empowering those in need.

This CSR initiative highlights the Bank's belief that meaningful progress is rooted in inclusive development and social impact. Through acts of service and solidarity, the Bank continues to make a positive difference in the lives of Filipinos, particularly in areas that are often overlooked.

ENTERPRISE BANK JOINS BRIGADA ESKWELA: SUPPORTING EDUCATION THROUGH VOLUNTEERISM

In line with its commitment to community development and nation-building, Enterprise Bank, Inc. (EBI) proudly participated in the Brigada Eskwela initiative of the Department of Education (DepEd), a nationwide program that promotes volunteerism in preparing public schools for the opening of classes.

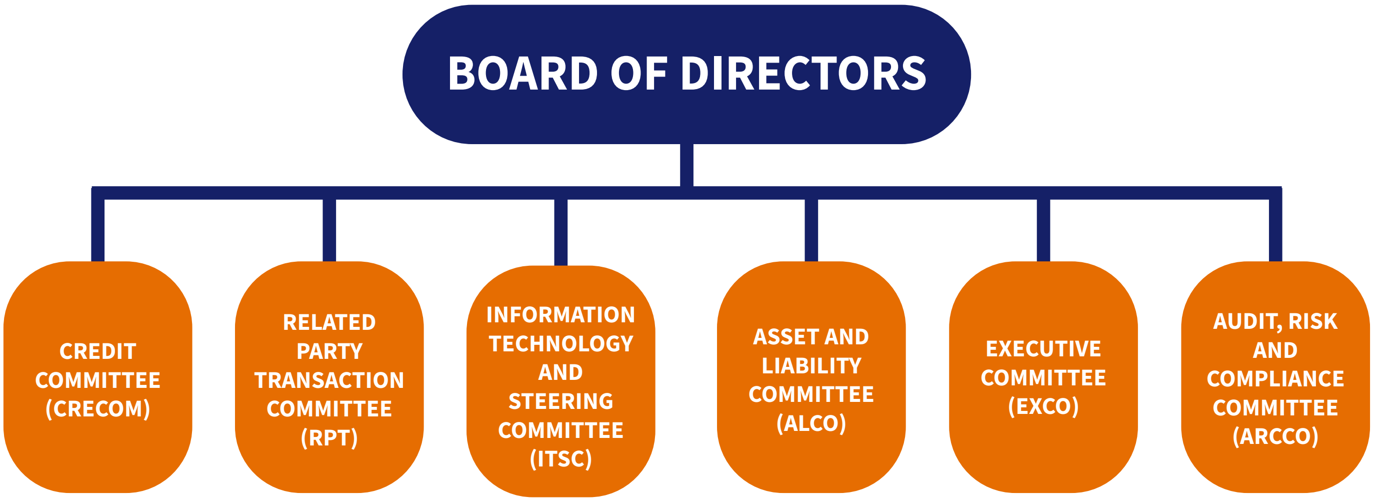
EBI employees across various branches took part in this meaningful activity by donating school supplies and cleaning materials, as well as volunteering time and effort to help clean, repaint, and repair school facilities. This collective effort aimed to create a more conducive and welcoming learning environment for students, particularly in underserved areas.

By joining Brigada Eskwela, EBI demonstrates its strong support for education and youth empowerment. The initiative not only reflects the Bank's dedication to corporate social responsibility but also fosters a spirit of bayanihan and teamwork among its employees and partner communities.

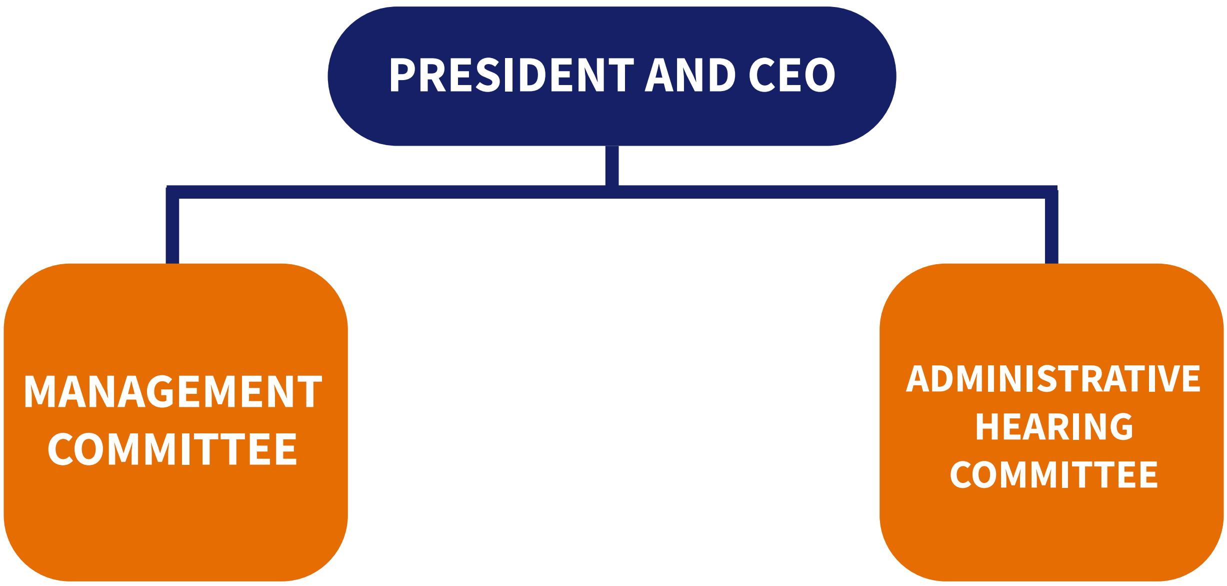
Through activities like Brigada Eskwela, EBI continues to strengthen its role as a socially responsible institution that goes beyond banking to help uplift lives and contribute to a brighter future for Filipino learners.

CORPORATE INFORMATION

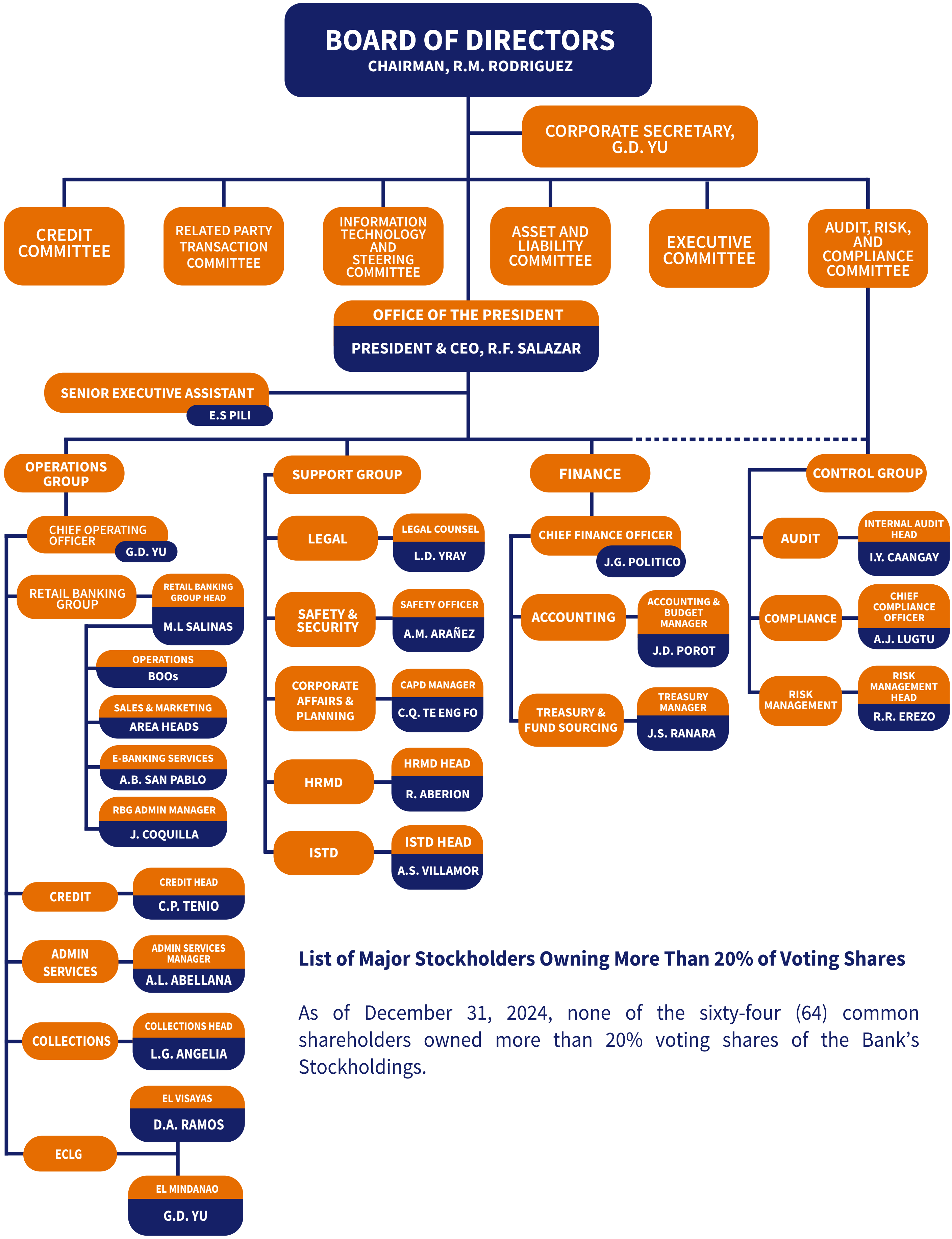
THE BOARD COMMITTEES



THE MANAGEMENT COMMITTEES



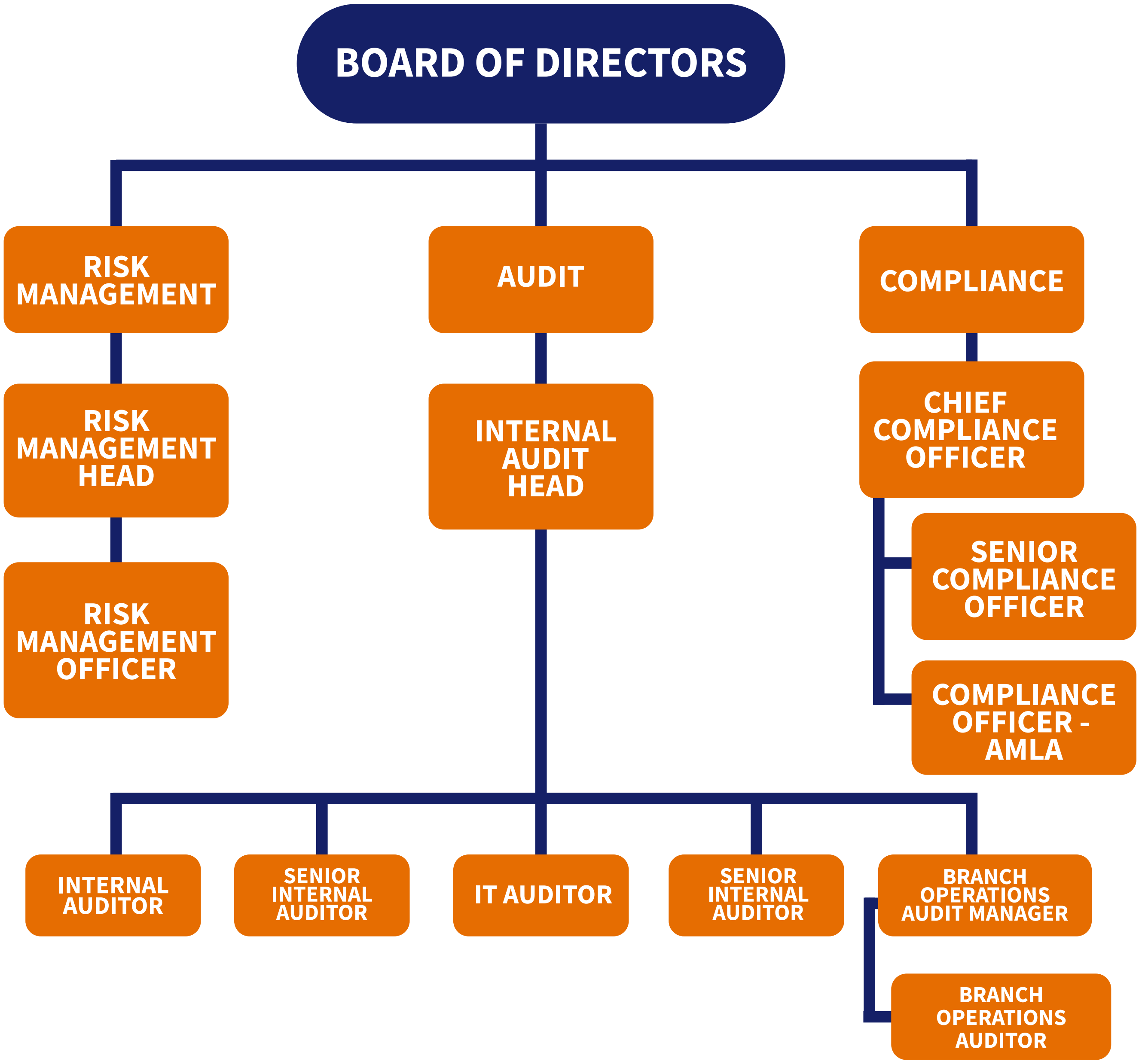
ORGANIZATIONAL CHART



List of Major Stockholders Owning More Than 20% of Voting Shares

As of December 31, 2024, none of the sixty-four (64) common shareholders owned more than 20% voting shares of the Bank's Stockholdings.

THE CONTROL GROUP



SUSTAINABILITY FINANCE

At Enterprise Bank, Inc. (EBI), we recognize the pivotal role those financial institutions play in advancing sustainable development. In alignment with the Bangko Sentral ng Pilipinas' (BSP) issuances—particularly BSP Circulars that promote green and sustainable finance—EBI has committed to integrating environmental, social, and governance (ESG) considerations into its operations and financial strategies.

Guided by our approved Sustainable Finance Framework, EBI aims to embed sustainability principles into our core business model through the following components:

EBI'S SUSTAINABILITY OBJECTIVES

A. To pursue sustainable and resilient growth by becoming environmentally and socially responsible in its business decisions; and ,
B. Install and communicate the bank's policy strategies to cope the physical and transitional risks arising from the environmental and social issues tending to affect the Bank and its stakeholders;

E&S POLICY

The Bank continually endeavors to ensure effective environmental & social management practices in all its activities, products and services with a special focus on the following:

TABLE 1: EBIRB'S SUSTAINABILITY VISION AND SUSTAINABILITY BUSINESS OBJECTIVES

STAKEHOLDER GROUP	SUSTAINABILITY VISION AND BUSINESS OBJECTIVES
INVESTORS	• Promote investor confidence and achieve a balance between profitability and to sustain a stable source of income. • Maintain built-in processes and policies as tools for countering financial crime and poor credit quality.
CUSTOMERS	• Protect depositors' interests through responsible banking. • Be a responsible lender in ensuring the proper conduct of the credit initiation and evaluation process towards maintaining a healthy loan portfolio. • Serve customers within the highest degree of excellence and professionalism. • Continue to be a catalyst for growth and improving the lives of individual customers, particularly to those who lack financial access, by providing excellent financial products and services. • To proactively promote financial literacy for capacity development and wealth creation.

STAKEHOLDER GROUP	SUSTAINABILITY VISION AND BUSINESS OBJECTIVES
EMPLOYEES	• Develop highly trained and motivated human resource to carry out their respective duties and responsibilities within the highest degree of efficiency, competence and professionalism.
SUPPLIERS	• Maintain a good balance between considerations and procurement practices.
COMMUNITY	• Create value and enrich the lives of the people in the community and contribute to positive change through interventions in various community-related activities. e.g., healthcare, education and entrepreneurship.
ENVIRONMENT	• Promote environmental conservation in the workplace by adopting environmentally friendly practices into daily operating processes.

SUSTAINABLE FINANCE FRAMEWORK

The Bank's Sustainability Framework defines the strategies that serve as guideposts in the Bank's journey towards sustainability.

The EBIRB's Sustainable Finance Framework outlines plan for implementing sustainable Financing Instruments ("SFI") to finance loans and initiatives with a clear environmental comparable social advantage.

The objectives of the Bank's Sustainable Finance Framework are the following:

- Achieve strategic resilience by incorporating sustainability in the way Bank's conducts business;
- Integrate environmental, social and governance ("ESG") and sustainability principles in financial products and services;
- Embed sustainability principles when making decisions, assessing relationships and creating products;
- Align business operations with the SDGs;

METHODOLOGY

EBIRB's Sustainable Finance Instruments (SFI) may be funded with green, blue, social and sustainability loans, and any other debt financing instruments that fund or will fund the Sustainable Finance Portfolio that conform to the Sustainable Finance Framework.

Any financing and / or re-financing activity will and at all times, be consistent with Bank's Sustainability Philosophy and Strategies, and other internal environmental and social guidelines.

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

EBIRB will work to eventually reach a level of allocation for the eligible green and social enterprises.

Environmental advantages like a smaller carbon footprint and a decreased susceptibility of communities to climate change are required for green initiatives to be eligible.

A favorable social outcome for the underprivileged, excluded, and unemployed sector is a required for eligible social initiatives. Initiatives that have been recognized as green and social must clearly benefit the environment and society, and EBIRB will evaluate/quantify these advantages.

ENVIRONMENTAL PROJECT CATEGORY	SUSTAINABLE DEVELOPMENT GOALS (SDGs)	ALIGNMENT WITH SDGs
Renewable energy	Affordable and clean energy	Increase substantially the share of renewable energy in the global energy mix.
Green Buildings Clean Transportaion	Affordable and clean energy, eco-friendly cities and communities	The provision of safe, a sustainable, attainable price road safety, and transportation for all enhancing public awareness of safety issues. Considering the requirements of individuals in vulnerable circumstances in particular, transport people with impairments, women, and children, elderly individuals.
Sustainable Water Management	Clean water and sanitation	Ensure productivity in all areas by utilizing the supply and sustainable extraction from freshwater to help with water shortages and significantly lessen the population suffering from a lack of water.
Employment Generation	Decent work and economic growth	Encourage development-focused policies that encourage effective actions, decent employment growth, entrepreneurship, and creativity.
Affordable Basic Infrastructure	Clean water and sanitation	Ensure productivity in all areas by utilizing the supply and sustainable extraction from freshwater to help with water shortages and significantly lessen the population suffering from a lack of water.

2024 SUSTAINABILITY PERFORMANCE AND IMPACT ON SDGS

	• P86M Total portfolio supports agricultural production, food manufacturing, wholesale/retail food selling and food-related activities • 1 community outreach activity program at Marilog District, Davao City
	• 100% employees covered by HMO • No reported incidents of work-related injuries, fatalities or death • 4 activities conducted that promotes wellness and well being • 1 activity that promote mental health
	• 492 Total number of employees who underwent In-House training • 1,695 Total training hours of employees who underwent outsource training • 352 Total number of employees who underwent outsourced training • 967 Total training hours of employees who underwent outsource • 2,662 Total training hours of all employees
	• 31% Total percentage of employees at executive level are female • 38% Total percentage of employees at management level are female
	• 2 Offices using renewable energy (solar power) (Head Office and Lianga, Surigao del Sur Branch)

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESRMS)

The Environmental and Social Risk Management System (ESRMS) of EBIRB was established to provide additional clarity and transparency on how the Bank will approach environmental and social risks, which touch almost every aspect of our business. Like all risks, environmental and social risks require coordinated governance, clearly defined roles and responsibilities, and well-developed processes to ensure they are identified, measured, monitored and controlled appropriately in a timely manner.

The ESRMS was consistent with our Enterprise Risk Management Framework, which outlines Enterprise Bank's risk management approach and each employee's risk management responsibilities. There are four (4) key risk universe categories that we face as an organization, as articulated in our Enterprise Risk Management (ERM) Framework: strategic, operational, financial, and compliance. Our five (5) key risks were identified through further prioritization: credit, liquidity, compliance, operational, and IT availability/continuity. Environmental and social issues have a significant impact on many of these risk areas, but most often result in credit and operational risks at this time.

A. OBJECTIVES OF THE ESRMS

Consistent with the efficiency and resiliency objectives of adopting the ERM approach on risk management, Enterprise Bank, Inc. adopts and shall implement this Environmental and Social Risk Management System

with the following intention:

1. *to augment the bank's commitment, cooperation, and support in addressing the pressing issues brought about by climate change and crucial social issues;*
2. *to identify and assess social and environmental impacts of the lending activities of the Bank and thereby enhance its understanding of environmental and social risks (E&S) associated with Bank's transactions;*
3. *to provide guidance in assessing risks in the bank's operations, products and services, transactions, activities and its operating environment; and*
4. *to adhere to industry's best risk management practices when financing the private sector activities and thereby to significantly reduce the Bank's environmental and social risks. Aside from the primary goal of ESRMS, which is to facilitate systematic assessment of E&S risks and opportunities arising from a client's operations and to aid in risk management, the bank may also benefit from the following:*
   - I. *Provide the organization with assurance that the Bank meets, and will continue to meet, social and environmental commitments which are intrinsic to accomplish corporate wide E&S policy requirements.*
   - II. *Verify the Bank's systems for recognizing and complying with environmental laws and regulations, and go beyond environmental compliance.*
   - III. *Improve relationships with regulators.*
   - IV. *Show the business partners, regulatory agencies and community that EBI is environmentally and socially responsible.*
   - V. *Increase competitiveness, increase profits through potential process improvements and energy conservation.*
   - VI. *Reduce costs (e.g., as a result of potentially lower insurance rates).*
   - VII. *Increase awareness and participation inside and outside the organization.*
   - VIII. *Safety benefits – by reviewing the procedures for controlling significant operations, including a review of emergency preparedness and response procedures.*
   - IX. *Capturing institutional knowledge as ESRMS ensures information is properly documented, communicated and retained.*
   - X. *Streamlining operations - organizations often realize monetary savings as a result of greater operational efficiency (e.g., energy conservation).*

B. RISK APPETITE

The Bank's risk appetite towards E&S risks will be attuned with the Bank's general risk appetite statements and risk appetite threshold stipulated in the Bank's ERM Manual.

The Bank has low risk appetite on activities and decisions that carry residual risk level of at least 3 on the following risks:

- *Strategic and Reputational Risk*
- *Credit Risk*
- *Liquidity Risk*
- *Operational Risk*
- *Compliance Risk*

For risks with risk level of 3 and more, the Bank is not willing to accept the risk in any situation that may result in loss of operations, compromise its long-term profitability, create massive impact on bank's reputation among its stockholders, major breakdown of its information system or information integrity, significant incidents of regulatory non-compliance. It is perceived that there is more risk than potential rewards in an initiative.

Circumstances or events when E&S factors may significantly contribute to the above-mentioned risks are summarized as follows:

- *client's default or inability to fulfill contractual obligations associated with a transaction as a result of E&S issues*
- *reduction in the value of collateral due to environmental and social problems*
- *significant or large exposure to clients faced with E&S issues and struggles to fulfill contractual obligations tightens the liquidity buffer thereby affecting the Bank's lending capacity*
- *exposure to liability risk stemming from a client's legal obligations attached to the collateral to be acquired and liquidated – these may be fines, penalties, and costs for addressing third party claims for damages due to negligence in managing E&S risks in a client's operations and clean-up of contamination*
- *negative publicity associated with the client's poor environmental and social practices exposing the Bank to reputational risk*
- *disruption to client's operations brought by E&S issues may affect client's ability to timely settle obligation*
- *disruption in the Bank's operations arising from manpower inadequacy and inefficiency, energy crises, logistical limitation or restrictions, and among others that would impact adversely on the Bank's ability to generate desired revenues and cope with the fixed administrative costs*

C. RESTRICTED ACTIVITIES

The Bank has already put in place restrictions and limitations to certain industry sectors and activities.

1. ON LENDING

Businesses or enterprise engaged in the following activities are not acceptable for business loan financing under the Bank's Enterprise Lending: mining, informal Lending, logging, gambling-related business, entertainment Bars/Clubs, motels and other indecent business against morals

2. ON EMPLOYEE'S WELFARE

Establish a safe and healthy workplace and to uphold the welfare of the employees and its clients, the Bank's Code of Conduct clearly and strictly prohibits the following acts: smoking inside the office premises, non-disclosing one's contagious and communicable diseases, possessing or selling/passing/use of any prohibited drugs at any time while on duty or elsewhere and unauthorized possession of explosives, weapons or fire arms or anything designed to be deadly within the Bank premises.

EBIRB BANK'S COMMITMENT TO SUSTAINABLE DEVELOPMENT

EBIRB's commitment to sustainability is to ensure that we embody our commitments as part of our key operational goals.

We seek to build strategic resilience by incorporating sustainability into our daily operations. We make an effort to include sustainability ideas while making decisions, assessing interactions, and creating products.

Enterprise Bank, Inc., A Rural Bank (EBIRB) faced many challenges in the last decade, with the onslaught of super typhoons Sendong, Pablo, Vinta, Yolanda and lately the Monster Typhoon Odette which made 8 landfalls and brought catastrophic damage in many parts of Mindanao and the Visayas Regions. Many lives and businesses were lost and disrupted just as when the Philippine economy is recovering from its worst setback brought about by the COVID-19 Pandemic.

EBIRB has built up momentum in its business improvement and turnaround initiatives. Despite business disruptions, the bank continues to be a catalyst in the improvement of the lives of individual customers and entrepreneurs by providing excellent financial services for the last 47 years.

The Bank despite these challenges, adapted and managed to obtain considerable gains in various aspects of its business and operations. The bank was able to expand its operations in the Visayas Region with the opening of Bacolod and Tacloban Branches last August 18, 2021 and continues to stand by its commitment to provide quality products and services at all times, creating value and enriching the lives of its employees, customers and the community by adopting and implementing policies that provide for a safe, flexible, and inclusive workplace.

EBIRB is a brand built through 48 years and always aims to be a "Bank of Choice", providing our clients and community uninterrupted, accessible, safe, and secure banking services while promoting good governance, sound risk management, and environmental and social responsibility.

The Bank is committed to empower employees by building their skills and capabilities towards a manpower resource that is adequately trained and motivated to perform their assigned duties and responsibilities within the highest degree of integrity and excellence.

Human Resource Department is tasked to undertake capacity building programs of the Board of Directors, Senior Management and other personnel to equip them in identifying, measuring, monitoring and controlling E&S risks.

EBIRB's commitment to sustainability is fostered at the Board level. The Bank anchors its sustainable development strategy to the 17 United Nations Sustainable Development Goals ("SDGs"). EBIRB also supports and upholds the principles of the United Nations Global Compact on the following:

- *Corporate governance;*
- *Climate-friendly solutions and opportunities for business;*
- *Access to clean, renewable, and reliable energy sources and services;*
- *Adoption of instruments that help quantify, manage, and report on the carbon footprint of its businesses;*

- *Responsibility to protect the dignity of every person and uphold human rights;*
- *Recognition of the role of women in achieving economic growth and poverty reduction; and*
- *Elimination of all forms of forced and compulsory labor, and child labor.*

The EBIRB Sustainability Framework defines the strategies that serve as guideposts in the Bank's journey towards sustainability.

1. PRODUCT SUSTAINABILITY STRATEGY

Create financial products and services to serve that evolving needs of our customers at all times and support the SDGs.

Develop capabilities to create value for our customers across all sectors with relevant products and services within the highest degree of efficiency and excellence.

2. SUSTAINABILITY CONTRIBUTION STRATEGY

Support the achievement of national economic goals as partners in nation building through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities, and disaster resilience initiatives.

3. HUMAN CAPITAL SUSTAINABILITY STRATEGY

Develop leaders in the sustainability movement. Develop a corporate culture that is customer -focused and a highly motivated and trained workforce that adapts a sustainability mind-set that is embedded as part of their individual responsibilities.

4. DISASTER RESPONSE SUSTAINABILITY STRATEGY

Leverage our resources in providing the relief, rehabilitation, and recovery of disaster-stricken communities.

5. GOVERNANCE-BASED SUSTAINABILITY STRATEGY

Continually improve corporate governance framework to respond to the needs of the changing environment and subscribe to the principles of good governance of accountability, transparency, integrity and fairness, in dealing with all stakeholders.

KEY COMPONENTS OF ESRMS

Develop leaders in the sustainability movement. Develop a corporate culture that is customer -focused and a highly motivated and trained workforce that adapts a sustainability mind-set that is embedded as part of their individual responsibilities.

- **INTEGRATION OF ENVIRONMENTAL & SOCIAL (E&S) RISKS INTO ENTRPRISE RISK FRAMEWORKS**
  - EBIRB has enhanced its Enterprise Risk Framework and Risk Taxonomy to incorporate Environmental and Social (E&S) risks. This includes the identification and assessment of climate-related risks—both physical (e.g., natural disasters) and transition risks (e.g., regulatory shifts toward a low-carbon economy).

- **OPERATIONAL RESILIENCE AND RISK MANAGEMENT**
  - EBIRB regularly evaluates the physical risk exposure of its branches and branch-lite units, especially those located in high-hazard zones, utilizing advanced tools and internet-based platforms. Furthermore, E&S criteria have been embedded into the Bank's vendor management processes to promote sustainability across the supply chain and strengthen operational resilience.
- **CAPITAL STRESS TESTING**
  - The Bank conducts regular capital adequacy stress testing in line with Bangko Sentral ng Pilipinas (BSP) guidelines. These stress tests consider potential E&S risk impacts to ensure capital buffers remain sufficient under adverse scenarios.

BREAKDOWN OF LOAN EXPOSURE BY PHILIPPINE STANDARD INDUSTRIAL CLASSIFICATION

INDUSTRY	2024		2023	
	AMOUNT	% TO TOTAL	AMOUNT	% TO TOTAL
Salary Consumption Loan	1,638,383,921	69.74	1,585,084,616	71.60
Wholesale & Retail Trade	191,089,388	8.13	205,258,515	9.27
Real Estate Activities	169,239,589	7.20	137,928,898	6.23
Constructions	137,257,365	5.84	97,733,754	4.42
Auto Loans	53,617,334	2.28	11,110,310	0.50
Agriculture, Forestry, & Fishing	44,274,561	1.88	53,688,034	2.43
Manufacturing	37,274,479	1.59	40,420,679	1.83
Transportation & Storage	28,168,151	1.20	10,112,698	0.46
Admin & Support Service Activities	11,793,024	0.50	20,758,743	0.94
Accommodation & Food Service Activities	8,244,575	0.35	4,047,162	0.18
Electricity, Gas, Steam & Aircon Supply	6,815,617	0.29	2,000,001	69.74
Professional, Scientific & Technical	5,829,314	0.25	12,419,962	0.09
Other Service Activities	17,147,983	0.73	33,107,768	1.50
TOTAL	**2,349,135,301**	**100.00**	**2,213,671,140**	**100.00**

EBIRB'S ENVIRONMENTAL PERFORMANCE

ENERGY EFFICIENCY AND SUSTAINABILITY INITIATIVES

Enterprise Bank, Inc. has implemented a comprehensive set of measures to enhance energy efficiency and promote environmental sustainability across its operations:

1) SOLAR ENERGY UTILIZATION

- At the Head Office, EBI has installed solar panels capable of generating up to 40,000 watts, producing an estimated 160 kWh per day.
- Solar panels have also been installed at the Lianga, Surigao del Sur branch, generating approximately 16 kWh per day.
- In line with the Bank's advocacy for energy efficiency and sustainability, we plan to expand the installation of solar panels to more branches, prioritizing urban areas with unstable or interrupted power supply.

2) OPERATIONAL RESILIENCE AND RISK MANAGEMENT

- Head Office and branches have transitioned from conventional lighting to energy-efficient LED fixtures.
- Inverter-type air conditioning units was being prioritized to be installed to branches and offices to reduce electricity consumption.
- Employees are actively encouraged to power down non-essential equipment and lights during lunch breaks and after office hours.
- A bank-wide memorandum mandates the shutdown of air conditioning units after business hours to conserve energy.

3) CAPITAL STRESS TESTING

- EBI performs quarterly preventive maintenance on all generators to ensure fuel efficiency and optimal performance.
- To further reduce fuel consumption, branch site inspections and official travel are consolidated, minimizing the number of trips required.

4) SUSTAINABLE PROCUREMENT AND PROPERTY INVESTMENTS

- Energy efficiency and environmental sustainability are key considerations in the evaluation of future property investments.
- The Bank is geared towards transitioning from desktop computers to energy-efficient laptops to further reduce power consumption.

5) MONITORING AND MANAGEMENT OF ENERGY USE

- EBI regularly monitors and manages fuel and power consumption across all offices and branches to identify opportunities for improvement and cost savings.

6) GREEN FINANCIAL PRODUCTS

- In support of national and global sustainability goals, the Bank is working towards launching renewable energy loan products. This aligns with our broader advocacy to support green and sustainable financial solutions, empowering clients to adopt environmentally responsible practices.

WATER RESOURCE MANAGEMENT

While water is not a material input in the core financial operations of EBI, we recognize the importance of managing this resource responsibly as part of our broader environmental commitment.

1) **EFFICIENT USE AND CONSUMPTION MONITORING**
   - EBI continues to improve water efficiency and minimize consumption across its facilities. Water usage is primarily limited to cooling systems, sanitation, and general cleanliness within Head Office and branches.
2) **WATER SOURCES**
   - At the Head Office, water is supplied by the Davao City Water District.
   - In other branches, water is sourced from local utilities or community providers, depending on availability and location.
3) **SUSTAINABILITY PRACTICES**
   - Although direct water recycling systems are not yet in place, the Bank explore opportunities for integrating sustainable water management solutions in the future.
4) **COMMITMENT TO RESPONSIBLE USE**
   - EBI remains committed to reducing its environmental footprint by embedding water conservation considerations into facility operations and strategic planning.

MONITORING OUR EMISSIONS

Enterprise Bank, Inc. (EBI) is committed to the annual reduction of greenhouse gas (GHG) emissions as part of its broader environmental responsibility. Our efforts are guided by both national and international environmental standards, ensuring compliance while fostering a culture of sustainability across the organization.

KEY EMISSION REDUCTION MEASURES

- *Energy Efficiency: Transitioning to LED lighting across all offices and branches to lower electricity consumption.*
- *Digital Transformation: Implementing paperless workflows and digital documentation systems to reduce reliance on printed materials.*
- *Travel Optimization: Streamlining travel planning and logistics to reduce fuel consumption and associated emissions from official transport activities.*

MATERIAL AND WASTE MANAGEMENT

EBI is committed to responsible material use and waste management as part of our broader effort to promote environmental sustainability across all operations.

1) **RESPONSIBLE MATERIAL CONSUMPTION**
   - While paper remains a key material input, the Bank actively encourages:
     - Digitization of records and workflows,
     - Double-sided printing, and
     - The use of electronic communication platforms, to significantly reduce paper consumption and waste.

2) REUSE AND LIFECYCLE EXTENSION

- EBI adopts a repair-and-reuse approach for defective equipment, furniture, and fixtures. This practice extends the lifecycle of materials, reduces landfill contribution, and avoids unnecessary procurement.

3) WASTE SEGREGATION AND RECYCLING

- The bank has established a waste management system that emphasizes:
  - Proper segregation of biodegradable and non-biodegradable waste, and
  - Implementation of recycling initiatives across offices and branches.

4) CIRCULAR ECONOMY PRACTICES

- As part of our vision to support a circular economy, EBI is working to:
  - Integrate reusable and recyclable materials into operations,
  - Minimize packaging waste, and
  - Raise awareness among employees and stakeholders on sustainable consumption and waste reduction.

SUSTAINABLE SOURCING AND SUPPLY CHAIN MANAGEMENT

Enterprise Bank, Inc. (EBI) recognizes that sustainable sourcing and supply chain management are critical to achieving long-term environmental, social, and governance (ESG) goals. As such, the Bank ensures that all procurement activities are aligned with our commitment to sustainability, ethical practices, and regulatory compliance.

1) STRUCTURED PROCUREMENT PROCESS

- EBI employs a structured and transparent procurement process that prioritizes:
  - High-quality standards,
  - Policy compliance, and
  - Alignment with ESG principles across all purchases and supplier engagements.

2) SUPPORT FOR LOCAL ECONOMIES

- To promote inclusive growth and reduce environmental impact through minimized transport emissions, the Bank prioritizes sourcing from local vendors, particularly for provincial branches. This approach supports local economic development while optimizing logistical efficiency.

3) VENDOR ACCREDITATION AND MANAGEMENT

- The Administrative Services Department (ASD) is responsible for vendor accreditation, management, and evaluation. The department has strengthened its systems by incorporating enhanced risk assessment and due diligence protocols.

  Recent updates to vendor-related documentation now include evaluation criteria such as:

    - Gender diversity and inclusion,
    - Compliance with environmental regulations, and
    - Adherence to labor rights and social welfare standards.

  These improvements ensure that our supply chain remains responsible, resilient, and aligned with our corporate sustainability values.

PRODUCT AND SERVICES

PERSONAL BANKING

BASIC SAVINGS DEPOSIT

No maintaining balance; open with just ₱100 and earn 0.10% interest annually.

SUPER SAVINGS ACCOUNT

Earn higher interest if ADB exceeds ₱300,000 and no withdrawals are made.

CHECKING ACCOUNT

Requires ₱3,500 for individuals or ₱10,000 for corporate clients.

SUPER CHECKING ACCOUNT

Comes with ATM, passbook, and checkbook; minimum deposit of ₱5,000.

REGULAR TIME DEPOSIT

Lock in for 30 to 360 days with ₱5,000 minimum and variable interest.

TD5 (5-YEAR TIME DEPOSIT)

Tax-free 5-year term with a ₱500,000 minimum and variable interest.

AUTOMATIC TRANSFER DEPOSIT ACCOUNT

Earn higher interest if ADB exceeds ₱300,000 and no withdrawals are made.

PRODUCT AND SERVICES

LOAN PRODUCTS

ENTERPRISE LOANS

Secured loans for business expansion, equipment, or asset purchases.

CONSUMER LOANS

Payroll-based loan exclusive to government employees.

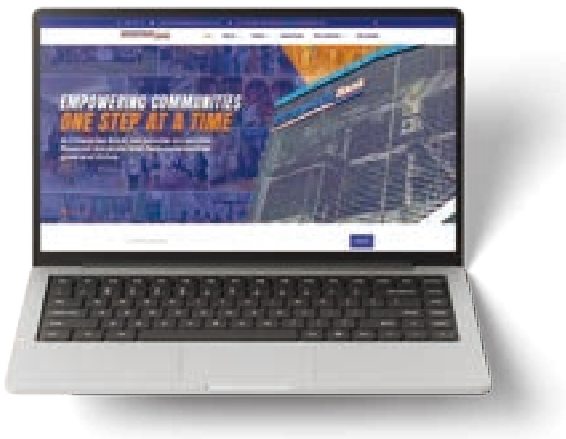
BACK-TO-BACK LOANS

Loan secured by your existing deposit with the Bank.

AUTO LOAN

Get up to 90% financing, flexible terms, and competitive rates—ideal for first-time or repeat buyers.

BANK WEBSITE AND CONTACT DETAILS



BANK WEBSITE

https://www.enterprisebank.com/

CUSTOMER CARE EMAIL

customercentral@enterprisebank.com.ph

OUR NETWORK OF BRANCHES

HEAD OFFICE ADDRESS:

KM. 5, Buhangin Lapanday Road, Barangay
Buhangin, Davao Ciy, 8000

VISAYAS BRANCHES

Bacolod Branch
Ground Floor,
GA Esteban Bldg.,
Brgy. 19, Lacson Street,
Bacolod City, Negros
Occidental
(034) 434-6398

Ronda Branch
Villanueva Bldg.,
Centro Poblacion,
Ronda, Cebu
(032) 413-0242

Tacloban Branch
Unit B M Block Bldg.
Marasbaras St., Brgy. 77
Tacloban City, Leyte
(053) 888-9502

Talisay Branch
National Highway,
Lawa-an, I
Talisay City, Cebu
(032) 268-9229

Iloilo Branch
City Time Square,
Gaisano City 2,
Benigno Avenue,
Diversion Road,
Mandurriao, Iloilo City
(033) 327-1600

Mandaue Branch
City Time Square Phase II,
Mantawe Avenue,
Barangay Tipolo, Mandaue
City, Cebu
(032) 234-5598

MINDANAO BRANCHES

Matina Branch
DBC McArthur Highway,
Matina, Davao City
0965-386-6811

Panabo Branch
Ground Floor, Centino Realty,
Quezon Street, Sto. Nino,
Panabo City, Davao del Norte
(084)
823-4403/098-113-82168

Nabunturan Banch
Westgate 1, Units 3 & 4 Purok 8,
Barangay Poblacion,
Nabunturan, Davao de Oro
8800
(084) 817-1059/ 0947-270-7768

Tagum Branch
Door Nos. 3 & 4, AAC Bldg.,
No. 1 Circumferential Road,
Tagum Public Market,
Magugpo West,
Tagum City, Davao del Norte
(084) 807-1584

Mati Branch
Door 10 MJI Building,
Rizal Extension, Mati City,
Davao Oriental
(087)
811-0596/0948-807-2017

Cateel Branch
Lapu-lapu Street, Poblacion,
Cateel Davao Oriental 8205
(087) 306-2386

General Santos Branch
Ground Floor, RDRDC Bldg.,
Magsaysay Avenue cor.
Salazar Street,
General Santos City
(083)
553-8937/0923-202-8716

Gingoog Branch
Ground Floor,
Nadal Building, National
Highway, Brgy 20, Gingoog
City,
Misamis Oriental
(088) 858-3659

Cagayan de Oro Branch
Doors 3 & 4, G/F RMR
Diamond Residences Bldg.,
Tomas Saco St.,
Cagayan de Oro City
Misamis Oriental
(088) 326-6563/723-869

Valencia Branch
G. Lavina Avenue,
Guinoyoran Road,
Valencia City, Bukidnon
(088) 282-2086

Butuan Branch
Ground Floor,
Intino Building,
Aquino Avenue,
Brgy. Bayanihan,
Butuan City,
Agusan del Norte
(085) 815-4408

Bayugan Branch
Yakal Street,
Taglatawan,
Bayugan City,
Agusan del Sur
(085) 231-1797

San Francisco Branch
Quezon St., San
Francisco,
Agusan del Sur
0909-885-9777

Trento Branch
Unit # Door 1 Ground
Floor,
SKS Commercial
Building,
Rizal St., Purok 6,
Poblacion,
Trento,Agusan del
Sur
0910-276-2593

Aras-Asan Branch
Aras-asan, Cagwait,
Surigao del Sur
(086) 856-0155

Barobo Branch
Poblacion, Barobo,
Surigao del Sur
(086) 314-0896

Bislig Branch
Abarca Street,
Mangagoy, Bislig
City, Surigao del Sur
(086) 645-5136

Hinatuan Branch
Hinatuan, Surigao
del Sur
(086) 856-0971

Lianga Branch
Poblacion, Lianga,
Surigao del Sur
0985-350-1114

Madrid Branch
Corner
Guillen-Arreza Sts.,
Brgy. Quirino, Madrid,
Surigao del Sur
0970-874-4444

Surigao City Branch
Ground Floor, CML
Building, Amat
Street, Washington,
Surigao City
(086)
310-9040/0948-229-
3454

Tandag Branch
Hypermart, Navales
Extension Rd,
Bag-ong Lungsod,
Tandag City, Surigao
del Sur
(086) 211-5010

Financial Statements of

Enterprise Bank, Inc. (A Rural Bank)

December 31, 2024 and 2023

2024 Reports to Bangko Sentral ng Pilipinas (BSP)

- Certifications from External Auditors
- Audited Financial Statements (AFS)
- Reconciliation Statement of AFS and FS submitted to BSP
- Adjusting Journal Entries

QUILAB & GARSUTA
CERTIFIED PUBLIC ACCOUNTANTS

quilabgarsuta.com

QUILAB & GARSUTA
Certified Public Accountants

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2F, Executive Centrum Building, J.R. Borja Street
Cagayan de Oro City, Philippines, 9000
(063) 88-856-4401, 0917-7121352
quilabgarsuta.com

Current Accreditations
BOA, BIR, SEC, BSP, IC
CDA, NEA, MISEREOR, KNH

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Enterprise Bank, Inc. (A Rual Bank)
Buhangin, Davao City, Davao del Sur

Report on the Financial Statements

We have audited the financial statements of Enterprise Bank, Inc. (A Rural Bank) which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, comprising of a summary of material accounting policy information and other explanatory notes, collectively referred to a 'financial statements.'

In our opinion, except for the effect on the 2023 financial statements of the matter described in the *Basis 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 Rural Bank) as of December 31, 2024 and 2023, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Unqualified Opinion for 2024 and Qualified Opinion for 2023
As explained in Notes 6 and 10 to the financial statements, the Bank restated its 2022 financial statements for additional allowance for expected credit losses (ECL) and additional allowance for impairment losses representing changes in the accounting estimates of the adequacy of the 2022 and prior years' loss provisions for loan and other receivables and investment properties, respectively, determined as at December 31, 2023, totaling ₱16,299,316. The booking of additional ECL and impairment losses reduced the opening balance of the 2022 surplus and undivided profits by ₱12,224,487 and correspondingly increased the deferred tax assets by ₱4,074,829. In accordance with PAS/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 for loans and other receivables and the impairment losses in investment properties should have been booked only in 2023. Had the Bank charged to the 2023 operation the additional loss provisions, the Bank's reported profit for the year ended December 31, 2023 would reduce to only ₱34,354,624. The timing of the booking of the foregoing loss provisions no longer affected the operations of 2024.

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.

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 audits. 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.

Report on the Supplementary Information Required by Supervising Agencies of the Bank

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplementary information are presented as compliance to the requirements by the corresponding supervising Government agencies in the prudential reporting of the Bank and are not required parts of the basic financial statements. Such information is the responsibility of management.

Supervising Government	*Nature of Information*	*Presented in*
BIR Revenue Regulation 15-2010	Supplementary Information on Taxes, Licenses and Fees	Note 18
Securities Regulation Code Rule 68 (2019 Version)	Schedule of Retained Earnings Available for Dividend Declaration	Annex 1
BSP Circular No.1074	Supplementary Information Required By The BSP	Annex II

The forgoing information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

QUILAB & GARSUTA, CPAs
By:

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Partner
CPA Cert. No. 46034
TIN No. 129-040-841
PRC/BOA Cert. No. 7787, 2023-2026
BIR No. 16-007506-001-2022, 2022-2024
CDA CEA No. 1898, 2024-2028
46034-SEC Group B, 2020-2024
46034-BSP Group B, 2020-2024
46034-IC Group A, 2020-2024
PTR No. 6133947 A
January 2, 2025
Cagayan de Oro City

April 10, 2025
Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION
Enterprise Bank, Inc. (A Rural Bank)

December 31,	**2024**	2023
ASSETS		
Cash and Cash Equivalents *(Note 5)*	**₱699,907,621**	₱784,617,289
Loans and Other Receivables – Net *(Note 6)*	**2,103,209,532**	1,970,703,314
Investments in Debt Securities – At Amortized Cost *(Note 7)*	**371,493,253**	180,410,691
Bank Premises, Furniture, Fixtures and Equipment – Net *(Note 8)*	**75,373,106**	68,035,136
Right-of-Use Asset – Net *(Note 9)*	**69,583,913**	76,426,239
Investment Properties - Net *(Note 10)*	**110,492,178**	113,013,753
Other Assets *(Note 11)*	**236,573,131**	111,588,386
	₱3,666,632,734	₱3,304,794,808
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposit liabilities *(Note 12)*	**₱2,964,393,280**	₱2,723,370,858
Other liabilities *(Note 13)*	**288,980,121**	234,618,674
Lease liabilities *(Note 9)*	**78,536,577**	83,192,992
Total Liabilities	**3,331,909,978**	3,041,182,524
Shareholders' Equity		
Share capital *(Note 14)*	**400,000,000**	400,000,000
Reserves	**34,577,037**	34,577,037
Deficit *(Notes 6 and 10)*	**(99,854,281)**	(170,964,753)
Total Shareholders' Equity	**334,722,756**	263,612,284
	₱3,666,632,734	₱3,304,794,808

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Enterprise Bank, Inc. (A Rural Bank)

Years Ended December 31,	2024	2023
INTEREST INCOME		
Loans *(Note 6)*	**₱343,930,667**	₱330,481,043
Bank deposits and investments in debt securities *(Notes 5 and 7)*	**46,886,280**	18,362,292
Total	**390,816,947**	348,843,335
LESS INTEREST EXPENSE		
Borrowed funds	**–**	182
Deposit liabilities *(Note 12)*	**111,841,259**	92,925,292
		92,925,474
NET INTEREST INCOME	**278,975,688**	255,917,474
LESS PROVISION FOR EXPECTED CREDIT LOSSES (ECL) *(Note 6)*	**11,163,512**	–
PROFIT AFTER PROVISION FOR ECL	**267,812,176**	255,917,861
ADD APPLICATION FEES AND OTHER INCOME *(Note 15)*	**112,954,387**	107,541,913
PROFIT BEFORE OPERATING EXPENSES	**380,766,563**	363,459,774
OPERATING EXPENSES		
Compensation and employees' benefits *(Note 16)*	**109,107,085**	104,895,929
Taxes, licenses and fees *(Note 18)*	**45,040,583**	42,689,773
Depreciation *(Notes 8, 9, and 10)*	**31,247,692**	31,591,486
Travel and transportation	**34,750,445**	29,432,611
Security, messengerial and janitorial services	**13,356,390**	12,520,200
Other operating expenses *(Note 17)*	**69,242,175**	79,530,331
Total Other Expenses	**302,744,370**	300,660,330
PROFIT BEFORE INCOME TAX EXPENSE	**78,022,193**	62,799,444
INCOME TAX EXPENSE – Net *(Note 18)*	**6,911,721**	36,226,771
PROFIT FOR THE YEAR *(Note 19)*	**71,110,472**	26,572,673
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may not be subsequently reclassified to profit or loss:		
Actuarial and re-measurement losses *(Note 16)*	**–**	102,757
Deferred income tax *(Note 18)*	**–**	(25,689)
Total Other Comprehensive Income	**–**	77,068
TOTAL COMPREHENSIVE INCOME FOR THE YEAR *(Note 19)*	**₱71,110,472**	₱26,649,741

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Enterprise Bank, Inc. (A Rural Bank)

December 31,	**2024**	2023
SHARE CAPITAL *(Note 14)*		
Ordinary (Common) Shares – ₱100 par value		
Opening balances	**₱400,000,000**	₱383,925,500
Additional shares issued during the year	**–**	16,074,500
Closing balances	**400,000,000**	400,000,000
Preference Shares – ₱100 par value	**–**	–
Total Share Capital	**400,000,000**	400,000,000
RESERVES		
Surplus Reserves	**28,430,427**	28,430,427
Accumulated Actuarial Gains		
Opening balances	**6,146,610**	6,069,542
Actuarial gain on defined benefit plan	**–**	77,068
Closing balances	**6,146,610**	6,146,610
Total Reserves	**34,577,037**	34,577,037
DEFICIT		
Opening balances, as originally stated	**(170,964,753)**	(182,911,180)
Adjustments to restate beginning balances *(Notes 6 and 10)*	**–**	(14,626,246)
Opening balances, as restated	**(170,964,753)**	(197,537,426)
Profit for the year	**71,110,472**	26,572,673
Closing balances	**(99,854,281)**	(170,964,753)
	₱334,722,756	₱263,612,284

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Enterprise Bank, Inc. (A Rural Bank)

Years Ended December 31,	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	**₱78,022,193**	₱62,799,444
Add (deduct) adjustments for:		
Depreciation on bank premises/investment properties *(Notes 8 and 10)*	**18,602,463**	17,968,826
Depreciation on right-of-use assets *(Note 9)*	**12,645,229**	13,622,660
Provision for retirement benefits *(Note 16)*	**3,425,864**	3,164,493
Provision for expected credit losses (ECL) *(Note 6)*	**11,163,512**	–
Interest on lease liabilities *(Note 9)*	**4,954,196**	4,036,953
Operating income before changes in working capital	**128,813,457**	101,592,376
Add (deduct) changes in working capital, excluding cash and cash equivalents:		
Increase in loans and other receivables *(Note 6)*	**(143,069,019)**	(73,544,086)
Increase in other assets *(Note 11)*	**(119,958,317)**	(4,909,471)
Increase in deposit liabilities *(Note 12)*	**241,022,422**	329,535,359
Increase in other liabilities *(Note 13)*	**50,935,583**	64,053,292
Net cash provided by operations	**157,744,126**	416,727,470
Income taxes paid *(Note 18)*	**(12,538,860)**	(6,011,630)
Net Cash Provided from Operating Activities	**145,205,266**	410,715,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment properties *(Note 10)*	**(2,376,774)**	(7,932,299)
Increase in investments in debt securities *(Note 7)*	**(191,082,562)**	(135,566,738)
Net proceeds on sale of bank premises *(Note 8)*	**1,167,991**	844,591
Additions to bank premises – net *(Note 8)*	**(22,210,075)**	(30,601,177)
Payment of lease liabilities and interest *(Note 9)*	**(15,413,514)**	(15,416,841)
Net Cash Used for Investing Activities	**(229,914,934)**	(188,672,464)
CASH FLOWS FOR FINANCING ACTIVITIES		
Issuance of additional ordinary shares *(Note 14)*	**–**	16,074,500
Settlement of bills payable *(Note 13)*	**–**	(130,016)
Net Cash Provided from Financing Activities	**–**	15,944,484
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(84,709,668)**	237,987,860
OPENING CASH AND CASH EQUIVALENTS	**784,617,289**	546,629,429
CLOSING CASH AND CASH EQUIVALENTS *(Note 5)*	**₱699,907,621**	₱784,617,289

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Enterprise Bank, Inc. (A Rural Bank)
As of and for the Years Ended December 31, 2024 and 2023

Note 1
Organization

The Enterprise Bank, Inc. (A Rural 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.

The Bank's registered office and principal place of business is located at Buhangin, Davao City, Davao del Sur. It operates twenty-seven (28) branches and one (1) branch lite unit within the islands of Mindanao and Visayas.

Note 2
Statement of Compliance with Philippine Financial Reporting Standards (PFRSs)

Statement of Compliance
The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations-IFRIC.

PFRSs include statements named PFRSs and Philippine Accounting Standards (PAS/IAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) of the Philippine Board of Accountancy (BOA) from the pronouncements issued by the International Accounting Standards Board and approved by BOA and adopted by the Securities and Exchange Commission (SEC).

Prudential Reporting with BSP and PFRSs
Because the Bank is a supervised financial institution (BSFI) by the Bangko Sentral ng Pilipinas (BSP), it also abides by the prudential regulations of BSP particularly those that are set forth in the Manual of Regulations for Banks (MORB), and all applicable BSP Circulars and accounting requirements. These regulations and requirements are substantially compliant with PFRSs.

In its Circular No. 494 dated September 20, 2005, BSP emphasized that, as a general rule, BSFIs shall comply in all respect with the provisions of PFRSs in preparing both their audited financial statements and the financial statements for prudential reporting. In its Circular No. 915 dated 05 July 2016 BSP clarified that deviations between local and international accounting standards only apply to the preparation of prudential reports to the BSP. The accounting treatment for prudential reporting aims to ensure that the financial statements provide a suitable basis for measuring risks and ratios of BSFIs.

The preparation of the Bank's financial statements took into considerations deviations from PFRSs that are allowed by BSP for prudential reporting purposes but are incorporated in these financial reporting as explained in the following paragraphs. The Bank prepares only a single set of audited financial statements for general use and for submission to BSP.

- *Consolidation of Financial Statements*
  Under PAS 27, all bank/quasi-bank subsidiaries, regardless of type, are consolidated on a line-by-line basis. For prudential reporting purposes, however, financial allied subsidiaries, except insurance

companies, are consolidated with the financial statements of the parent bank on a line-by-line basis. Non-financial allied subsidiaries and insurance subsidiaries, on the other hand, are accounted for using the equity method. This requirement has no impact on the Bank as it has no subsidiaries.

- *Provisioning Requirement*
  In preparing general purpose audited financial statements, BSFIs adopt the provisions of PFRSs 9 in booking provisions for credit losses. For prudential reporting purposes, however, BSFIs are also required to adopt the expected credit loss model in measuring credit impairment in accordance with the provisions of PFRS 9. BSFIs are also required to set up a general loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. BSFIs are not required to provide a 1 percent (1%) GLLP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments. Allowance for credit losses for Stages 1, 2 and 3 accounts shall be recognized in the profit or loss statement. In cases where the computed allowance for credit losses on Stage 1 accounts is less than the 1 percent GLLP required, the deficiency shall be recognized by appropriating the Retained Earnings (RE) account. The Bank generally follows the foregoing provisioning requirements for loans and discounts and adopted the provisions of PFRSs for the provisioning requirements of other financial instruments.

- *Deemed Cost of ROPA in Settlement of Loans*
  In computing the deemed cost of real and other properties acquired (ROPA), BSFIs are required to value the property at initial recognition based on the carrying amount of the asset given up in the exchange, i.e., carrying amount of the loan, instead of the fair value of the real and other property acquired. The Bank values its ROPA in accordance with this requirement; however, it has subjected the ROPA to impairment testing and disclosed their fair market values at the reporting date.

- *Accrual of Interest Income on Non-Performing Loans*
  Interest income is allowed to be recognized on non-performing exposures for the purposes of preparing the general purpose financial statements financial statements. For prudential reporting purposes, however, BSFIs are not allowed to recognize interest income on non-performing exposures, except when payment is received. The Bank follows this latter requirement in preparing these financial statements as dictated by prudence and conservatism.

New and Amended IFRS Accounting Standards that are Effective for the Current Year
In the current year, the Bank has applied a number of amendments to PFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the FSRSC (as Philippine Financial Reporting Standards) that are mandatorily effective for an accounting period that begins on or after January 1, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to PAS/IAS 7 Statement of Cash Flows and
PFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements
The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments contain specific transition provisions for the first annual reporting period in which the Bank applies the amendments. Under the transitional provisions an entity is not required to disclose:

- Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments

- The information otherwise required by PAS/IAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Bank has no supplier finance arrangements.

Amendments to PAS/IAS 1 Classification of Liabilities as Current or Non-current
The Bank has adopted the amendments to PAS/IAS 1, published in January 2020, for the first time in the current year. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to PAS/IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants
The Bank has adopted the amendments to PAS/IAS 1, published in November 2022, for the first time in the current year. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The Bank has no non-current liabilities with covenants.

Amendments to PFRS 16 Leases—Lease Liability in a Sale and Leaseback
The Bank has adopted the amendments to PFRS 16 for the first time in the current year. The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

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

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

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

New and Revised IFRS Accounting Standards in Issue But Not Yet Effective
At the date of authorization of these financial statements, the Bank has not applied the following new and revised IFRS Accounting Standards (which will become PFRS Accounting Standards) that have been issued but are not yet effective and is some cases had not yet been adopted by the FSRSC.

- PFRS 17 *Insurance Contracts* (including the June 2020 and December 2021 amendments to IFRS 17)

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

- Amendments to IAS 21 *Lack of Exchangeability*

- IFRS 18 *Presentation and Disclosures in Financial Statements*

- IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The Board of Directors 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 if indicated below, when applicable.

PFRS 17 Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. IFRS 17 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 uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—*Comparative Information (Amendment to IFRS 17)* to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must be 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 of 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 FSRSC adopted the amendments to IFRS 17 on December 15, 2021 (and identified the standard as PFRS 17) and amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

The Bank is aware that the new standard applies to any insurance contract regardless of who issued it. The Bank, however, has determined that it has no contracts or arrangements containing insurance risks. The Bank has not issued any financial guarantees; it has no credit card contracts, nor it engages in derivatives. It has also not engaged in issuing deposit accounts bundled with insurance. The Board of Directors has determined that PFRS 17, when effective by January 1, 2025, will have no significant impact on the Bank's operations.

Amendments to PAS 7 Statement of Cash Flows and
PFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements
The FSRSC has adopted the amendments to IAS 7 and IFRS 7 on June 19, 2023, to be effective beginning January 1, 2025. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments contain specific transition provisions for the first annual reporting period in which the Bank applies the amendments. Under the transitional provisions an entity is not required to disclose:

- Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments

- The information otherwise required by PAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Bank has no supplier finance arrangements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability
The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include: (a) a spot exchange rate for a purpose other than that for which an entity assesses exchangeability, and (b) the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

In addition, the IASB made consequential amendments to IFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The Board of Directors of the Bank anticipates that the application of these amendments may not have any impact on the Bank's financial statements in future periods.

IFRS 18 Presentation and Disclosures in Financial Statements

The FSRSC has adopted PFRS 18 on October 10, 2024, to be effective beginning January 1, 2027. PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some PAS 1 paragraphs have been moved to PAS 8 and PFRS 7. Furthermore, minor amendments were made to PAS 7 and PAS 33 *Earnings per Share*.

PFRS 18 introduces new requirements to: (1) present specified categories and defined subtotals in the statement of profit or loss, (2) provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements, and (3) improve aggregation and disaggregation.

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

The Board of Directors of the Bank anticipates that the application of these amendments may have an impact on the Bank's financial statements in future periods.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply PFRS 19 if, at the end of the reporting period: (1) it is a subsidiary (this includes an intermediate parent), (2) it does not have public accountability, and (3) its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

A subsidiary has public accountability if: (1) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or (2) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

The Board of Directors of the Bank does not anticipate that IFRS 19 (to become PFRS 19 in the Philippines) will be applicable to the financial statements of the Bank.

Note 3
Material Accounting Policy Information

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The Bank's management expects these policies to influence the decisions of users of the financial statements. Accounting policies related to immaterial transactions or events were no longer disclosed.

Going Concern
The Board of Directors has at the time of approving the financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing financial statements.

Basis of Preparation
The financial statements have been prepared using the historical cost basis, except for financial instruments that are measured at fair values at the end of the year, as explained in the following accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are within the scope of PFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS/IAS 2 or value in use in PAS/IAS 36.

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 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 reporting 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 4.

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 (non-current) 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.

Fair Value Measurement
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.

Financial Instruments
Financial assets and financial liabilities are recognized in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for trade and other receivables that do not have a significant financing component which are measured at transaction price. 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.

If the transaction price differs from fair value at initial recognition, the Bank accounts for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, or if the valuation technique includes unobservable inputs and those unobservable inputs are insignificant relative to their contribution to the difference between the fair valuation and the transaction price, then the difference is recognized in profit or loss on initial recognition (i.e., day 1 profit or loss)

- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e., day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a systematic and rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Although the Bank does not have all of the following financial instruments in its financial statements, the policies governing the accounting of these financial instruments are discussed in detail to allow for the proper understanding of the policies governing such financial instruments.

Financial Assets
All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. For all financial assets, the amount presented in the statement of financial position includes all amounts receivable, including accrued interest.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets
Debt instruments that meet the following conditions are measured subsequently at amortized cost: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset: (a) the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 *Business Combinations* applies in OCI, (b) the Cooperative may irrevocably designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Bank has applied the fair value option and so has designated debt instruments that meet the amortized cost or FVTOCI criteria as measured at FVTPL because doing so significantly reduced an accounting mismatch.

Fair value is determined in the manner described in the preceding paragraphs.

Business Models

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business models do not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank's business models reflect how the Bank manages its financial assets in order to generate cash flows and determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as: (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel, (b) the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed, and (c) how managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses its business models each reporting period to determine whether the business models have changed since the prior reporting period. For the current and prior reporting period, the Bank has not identified any changes in its business models.

SPPI Test

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs and a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The business model reflects how groups of financial assets are managed together to achieve a business objective and does not depend on management's intention for individual financial assets. A change in business model will occur only when the Bank begins or ceases to perform an activity that is significant to its operations. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no significant change in the Bank's operation. As a result, there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made.

Amortized Cost and Effective Interest Method
An effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Bank recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to a gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

The Bank's cash, loans and other receivables, investments in debt securities and some items in other assets having the nature of receivables are financial assets at amortized cost.

- *Cash and Cash Equivalents*
  In the statement of financial position, cash and cash equivalents are comprised of cash (i.e. cash on hand and on-demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

  Deposits with Bangko Sentral ng Pilipinas (BSP) or other financial institution counterparties that are subject to third party contractual restrictions are included as part of cash unless the restrictions result in a deposit no longer meeting the definition of cash. Where the deposit does not meet the definition of cash, depending on the extent of the restriction, it may be a cash equivalent. Presently, there are no contractual restrictions affecting use of deposits.

  For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Bank's cash management. Such overdrafts, if any, are presented as short-term borrowings in the statement of financial position.

- *Loans and Other Receivables*
  Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise with the Bank providing money, goods and services directly to the debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers, sales contract receivables and all receivables from customers and other banks (due from other banks). They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

  The Bank's loan receivables represent the amounts granted to borrowers with interest charged at the prevailing lending rate approved by the Bank's Board of Directors. The loan policies followed by the Bank hew closely to the policies allowed by the Bangko Sentral ng Pilipinas (BSP).

  Individually significant other receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

- *Investments in Debt Securities*
  Investments in debt securities are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Bank has the positive intention and ability to hold on to maturity. The investments consist substantially of government debt securities.

Debt Instruments at Amortized Cost or at FVTOCI
Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment. The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g., if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs and a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt Instruments Classified as at FVTOCI
Debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments had been measured at amortized cost. All other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Equity Instruments Designated as at FVTOCI
On initial recognition, the Bank may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive incomes and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with PFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

A financial asset is held for trading if: (1) it has been acquired principally for the purpose of selling it in the near term; (2) on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or (3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial Assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI [see (i) to (iii) above] are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Bank designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition [see (iii) above].

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria [see (i) and (ii) above] are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Bank has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (the Bank has no hedge investments). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other services and other income' line item. Fair value is determined in the manner described the Bank's material accounting policy information.

Impairment of Financial Assets
The Bank recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI for the following financial assets: (a) loans and receivables that are measured at amortized cost; (b) investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income (FVOCI), and (c) credit commitments and financial guarantee contracts that are not measured at fair value through profit or loss (FVTPL). No impairment loss is recognized on investments in equity securities.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate.

ECLs are required to be measured through a loss allowance at an amount equal to: (a) 12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage 1) and (b) full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

Stage 1 impairment is characterized by credit exposures that are considered 'performing' and with no significant increase in credit risk since initial recognition or with low credit risk. The time horizon in measuring ECL is twelve (12) months.

Stage 2 impairment is characterized by credit exposures that are considered 'under-performing' or not yet non-performing but with significant increase in credit risk since initial recognition. The time horizon in measuring ECL is lifetime.

Stage 3 impairment happens when credit exposures are considered 'under-performing' or not yet non-performing but with significant increase in credit risk since initial recognition. ECL provision is lifetime.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Measurement and Recognition of Expected Credit Losses (ECL) of Loans and Receivables
The expected credit losses on loans and receivables are estimated using a provision matrix based on the Bank's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Bank considers reasonable and supportable information, including forward-looking information that affect credit risk in estimating the twelve (12)-month ECL. The Bank exercises experienced credit judgment and considers both qualitative and quantitative information that may affect the assessment.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate (EIR), regardless of whether it is measured on an individual basis or a collective basis.

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

The Bank treats Stage 1 provisions for loan accounts as General Provision (GP), while Stages 2 and 3 provisions are treated as Specific Provisions (SP).

The Bank sets up general loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. The Bank is not required to provide a 1 percent (1%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments.

The allowance for credit losses for Stages 1, 2 and 3 accounts are recognized in the profit or loss statement. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1 percent GP required, the deficiency is recognized by appropriating the Retained Earnings account. The GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in RE are considered as Tier 2 capital subject to the limit provided under the Capital Adequacy Ratio (CAR) framework.

The Bank transfers credit exposures from Stage 1 to Stage 2 if there is significant increase in credit risk from initial recognition. The Bank establishes well-defined criteria on what constitutes significant increase in credit risk. The Bank considers a wide range of information, which includes, among others, information on macroeconomic conditions, economic sector and the geographical region relevant to the borrower, and other factors that are borrower-specific.

The Bank classifies exposures to Stage 2 if the exposures have potential weaknesses, based on current and/or forward-looking information, that warrant management's close attention. Said weaknesses, if left uncorrected, may affect the repayment of these exposures. The Bank also classifies exposures Stage 2 if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Bank transfers the exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Exposures should exhibit both the quantitative and qualitative indicators of probable collection prior their transfer. The quantitative indicator is characterized by payments made within an observation period (e.g., regularly pays during the minimum observation period). The qualitative indicator pertains to the results of assessment of the borrower's financial capacity (e.g., improvement in counterparty's situation). As a general rule, full collection is probable when payments of interest and/or principal are received for at least six (6) months.

The Bank observes the following guidelines for exposures that were restructured:

a) Non-performing restructured exposures that have exhibited improvement in creditworthiness of the counterparty may only be transferred from Stage 3 to Stage 1 after a total of one (1) year probation period [i.e., six (6) months in Stage 3 before transferring to Stage 2, and another six (6) months in Stage 2 before transferring to Stage 1; or directly from Stage 3 to Stage 1, without passing through Stage 2, after twelve (12) months]; and

b) Restructured accounts classified as 'performing' prior to restructuring are initially classified under Stage 2. The transfer from Stage 2 to Stage 1 will follow the six (6)-month rule mentioned in Item a) above.

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

- *Exposures to non-retail counterparties.*
  The Bank measures ECL at the counterparty level. In particular, the Bank considers all exposures to a counterparty as subject to lifetime ECL when any of its material exposure is subjected to lifetime ECL;

- *Exposures to a retail counterparty.*
  The Bank measures ECL at the transaction level. In particular, the Bank classifies one transaction under Stage 1 and another transaction under Stage 3. However, the Bank is not precluded from taking into account the potential of cross default, such that if one exposure is classified under Stage 3 all the other exposures may be classified under Stage 3; and

- *Exposures to counterparties belonging to a group of related entities.*
  The Bank measures ECL at the counterparty level (per entity). The Bank likewise considers the status of the other counterparties belonging to the same group in determining

Significant Increase in Credit Risk
The Bank monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank measures the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Bank's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Bank's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- An actual or expected significant deterioration in the operating results of the debtor;

- Significant increases in credit risk on other financial instruments of the same debtor; and

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet his debt obligations.

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Bank has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (1) the financial instrument has a low risk of default; (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Bank regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of Default

The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL and the identification of a significant increase in credit risk. The Bank considers the following as constituting an event of default: (a) the borrower is past due more than 90 days on any material credit obligation to the Bank, and (b) the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting and internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit-impaired financial assets below, default is evidence that an asset is credit-impaired. Therefore, credit-impaired assets will include defaulted assets, but will also include other non-defaulted assets given the definition of credit-impaired is broader than the definition of default.

Irrespective of the above analysis, the Bank considers that default has occurred when a financial asset is more than 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-Impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event; (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see above) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Modification and Derecognition of Financial Assets
A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g., a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for all borrowers.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

1) Qualitative factors, such as contractual cash flows after modification are no longer SPPI (or vice versa), change in currency of the asset or expiry of rights to cash flows between the original counterparties because a new debtor replaces the original debtor (unless both debtors are under common control). If these do not clearly indicate a substantial modification, then

2) A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original EIR. If the difference in present value is greater than 10 per cent the Bank deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime probability of default (PD) estimated based on data at initial recognition and the original contractual terms; with

- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, and various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit-impaired due to the existence of evidence of credit-impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets, if any, are included in profit or loss in 'Losses on modification of financial assets'. Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of the equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g., when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Write-Off Policy
Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition of Financial Assets
The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Bank has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Presentation of Allowance for ECL in the Statement of Financial Position
Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the assets

- For debt instruments measured at FVTOCI, no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve in the equity portion of the statement of financial position.

Financial Liabilities and Equity

Classification as Debt or Equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting

all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs. Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial Liabilities
All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Bank, are measured in accordance with the specific accounting policies set out below.

Financial Liabilities at FVTPL
Financial liabilities are classified as at FVTPL where the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if: (a) it has been acquired principally for the purpose of repurchasing it in the near term; or (b) on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or (c) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'application fees and other income' line item (Note 15) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guaranty contracts issued by the Bank that are designated by the Bank as at FVTPL are recognized in profit or loss.

Financial Liabilities Measured Subsequently at Amortized Cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of Financial Liabilities
The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Bank Premises, Furniture, Fixtures and Equipment
Bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Such a 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. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Interests incurred on borrowed funds used to finance the construction of properties during the construction period are capitalized. Other borrowing costs are expensed.

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; and
(d) Leasehold improvements, over the estimated useful lives of the improvements or the term of the lease, whichever is shorter.
(e) Land is not depreciated.

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.

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. These properties were

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.

ROPAs 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 PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PFRS 9 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). If the carrying amount of ROPA exceeds ₱5.0 million, the appraisal of the foreclosed/purchased asset should be conducted by an independent appraiser acceptable to the BSP.

The carrying amount of ROPA are allocated to land, building, other non-financial assets and financial assets (e.g., receivables from third party or equity interest in an entity) based on their fair values, which allocated carrying amounts shall become their initial costs.

The non-financial assets portion of ROPA shall remain in ROPA and shall be accounted for as follows:

(1) Land and buildings are accounted for using the cost model under PAS/IAS 40 *Investment Property*;

(2) Other non-financial assets are accounted for using the cost model under PAS/IAS 16 *Property Plant and Equipment*;

(3) Buildings and other non-financial assets are depreciated over the remaining useful life of the assets, which shall not exceed ten (10) years and three (3) years from the date of acquisition, respectively; and

(4) Land, buildings and other non-financial assets are subject to the impairment provisions of PAS/IAS 36 *Impairment of Assets*.

Expenditures incurred after the investment properties have been put into operation, 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.

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.

Other Assets
Other assets pertain to assets controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

Impairment of Non-Financial Assets
At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Shareholders' Equity
Share capital represents the nominal value of the ordinary and preference shares that have been issued. Surplus reserves comprise mainly of the appropriation from surplus and undivided profits (retained earnings) for the retirement of preference shares to provide for the reacquisition and cancellation of a Bank's preferred stock. Upon complete retirement of the preference shares, the account will cease to exist. Any excess of retirement premium not fully absorbed by the paid-in capital accounts will be charged surplus and undivided profits. Surplus and undivided profits include all current and prior period results of operations as disclosed in the statement of profit or loss, less appropriated surplus and dividends declared.

Revenue and Cost Recognition
The Bank's revenue is derived substantially from banking business and related activities and comprises net interest income and non-interest income. Income is recognized on an accrual basis in the period in which it accrues. Management has determined that the revenue from interest on loans are within the scope of PFRS 9 while the income from non-interest related activities are within the scope of PFRS 15.

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

Under PFRS 9
(a) Interest income and interest expense 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 an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) 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.

Under PFRS 15
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:

(a) Application fees and commissions are generally recognized when the related services are performed. Other non-finance charges on loans and penalties on delinquent accounts are recognized as the related services are performed.

(b) 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
Costs and expenses are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen, which can be measured reliably. Costs and expenses are recognized in the statement of profit or loss: i) on the basis of a direct association between the cost incurred and the earnings of specific items of income; ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Operating expenses include administrative and other operating expenses representing 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 employment 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 number 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 the 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.

Retirement Benefits
The Bank operates a defined benefit retirement plan which requires a contribution to be made to a separately administered fund. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. The defined benefit costs comprise the following: (a) service cost; (b) net interest on the net defined benefit liability or asset, and (c) remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by the Consulting Actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a trustee bank intended for retirement. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Leases – The Bank as Lessee

The Bank's leases substantially involve the use of office spaces that are used for its branch offices. The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these low value leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. For the purpose of discounting, the Bank is using the average borrowing rate of its bills payable and time deposits.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on Government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Bank and the lease does not benefit from a guarantee from the Bank. For the purpose of discounting, the Bank is using the average borrowing rate of its bills payable and time deposits.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS/IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Bank applies PAS/IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Bank Premises, Furniture, Fixtures and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Rent' in the statement of profit or loss.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components and instead accounts for any lease and associated non-lease components as a single arrangement. The Bank has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Leases – The Bank as Lessor
The Bank is not a lessor of properties.

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

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

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of the Chief Accounting Officer of the Bank supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred Tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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 assets are recognized for all deductible temporary differences and carry forward of unused tax credits from excess minimum corporate income tax (MCIT), 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 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.

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.

Contingencies
A contingency arises when there is a situation for which the outcome is uncertain, and which should be resolved in the future, possibly creating a loss. The accounting for a contingency is essentially to recognize only those losses that are probable and for which a loss amount can be reasonably estimated. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized either, but these are generally disclosed unless the possibility of an outflow of resources is remote.

Provisions and Contingent Liabilities
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Events After Reporting Date
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 4
Significant Accounting Judgment and Key Sources of Estimation Uncertainty

In applying the Bank's accounting policies, which are described in Note 2, *Summary of Material accounting policy information*, the management of the Bank are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the Bank's Accounting Policies
The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Bank have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Business Model Assessment
Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest (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 judgement 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 or a prospective change to the classification of those assets. No such changes were required during the periods presented.

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.

Key Sources of Estimation Uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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.

Calculation of Loss Allowance
When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment
The Bank reviews annually the estimated useful lives of its bank premises, furniture, fixtures 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 employees' 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.

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 5
Cash and Cash Equivalents

This account consists of the following:

December 31,	**2024**	2023
Due from Bangko Sentral ng Pilipinas	**₱83,629,216**	₱113,508,483
Due from other banks	**547,492,744**	599,049,568
Cash and other cash items	**68,785,661**	72,059,238
	₱699,907,621	₱784,617,289

Due from other banks earn annual interest rate at 0.125% in 2024 and 2023. Short-term deposits are made for varying periods up to three months depending on the immediate cash requirements of the Bank and earning interest ranging from 5.00% to 6.00% in 2024 and 2023. Interest income from bank deposits amounted to ₱27,307,138 and ₱2,779,763 in 2024 and 2023, respectively.

Due from other banks includes restricted time deposit with Philippine National Bank amounting to ₱166,147 held as security for redemption of preferred share.

Note 6
Loans and Other Receivables

The loans and other receivables consist of the following:

December 31,	**2024**	2023
Loans receivable	**₱2,349,135,301**	₱2,213,671,140
Other receivables	**59,050,701**	54,722,622
Total	**2,408,186,002**	2,268,393,762
Allowance for expected credit losses	**(260,216,370)**	(253,277,722)
Unearned interest and discounts	**(44,760,100)**	(44,412,726)
Net	**₱2,103,209,532**	₱1,970,703,314

Breakdown of Loans Receivable

December 31,	**2024**	**%**	2023	%
Agricultural	**₱52,404,078**	**3**	₱173,330,074	8
Commercial	**2,296,676,035**	**98**	2,040,285,554	92
Others	**55,188**	**0**	55,512	0
Total	**2,349,135,301**	**100**	2,213,671,140	100
Allowance for expected credit losses	**(241,652,556)**	**(12)**	(229,589,759)	(12)
Unearned interest and discounts	**(44,760,100)**	**(2)**	(44,412,726)	(2)
Net	**₱2,062,722,645**	**86**	₱1,939,668,655	86

These loans bear annual interest rates ranging from 6.50% to 21.57% per annum collectible over a period of 6 months to 5 years. Interest on loans recognized in the statement of profit or loss amounted ₱343,930,667 in 2024 and ₱330,481,043 in 2023.

December 31,	**2024**	**%**	2023	%
Maturity Profile of Loans Receivable				
Due more than 12 months	**₱1,932,012,877**	**82**	₱1,827,312,065	72
Due within 12 months	**417,122,424**	**18**	386,359,075	28
	₱2,349,135,301	**100**	₱2,213,671,140	100
Breakdown by Type of Security				
Unsecured loans	**₱1,787,506,230**	**76**	₱1,777,731,585	80
Secured loans				
Real estate	**433,460,086**	**18**	368,523,811	17
Chattel	**107,162,322**	**5**	37,108,084	2
Others	**21,006,663**	**1**	30,307,660	1
	561,629,071	**24**	435,939,555	20
	₱2,349,135,301	**100**	₱2,213,671,140	100

Breakdown of Unsecured Loans

December 31,	**2024**	**%**	2023	%
APDS	**₱716,337,930**	**40**	₱691,751,348	39
Non-APDS	**949,421,660**	**53**	1,042,111,492	59
Enterprise Loans	**121,691,466**	**7**	43,813,247	2
Microfinance	**55,174**	**0**	55,498	0
	₱1,787,506,230	**100**	₱1,777,731,585	100

Breakdown by Concentration of Credit

December 31,	**2024**	**%**	2023	%
Salary Consumption Loans	**₱1,638,383,921**	**69.74**	₱1,585,084,616	71.60
Wholesale & Retail Trade, Repair of MV	**191,089,388**	**8.13**	205,258,515	9.27
Real Estate Activities	**169,239,589**	**7.20**	137,928,898	6.23
Construction	**137,257,365**	**5.84**	97,733,754	4.42
Auto Loans	**53,617,334**	**2.28**	11,110,310	0.50
Agriculture, Forestry and Fishing	**44,274,561**	**1.88**	53,688,034	2.43
Manufacturing	**37,274,479**	**1.59**	40,420,679	1.83
Transportation And Storage	**28,168,151**	**1.20**	10,112,698	0.46
Admin. and Support Service Activities	**11,793,024**	**0.50**	20,758,743	0.94
Accommodation and Food Service Activities	**8,244,575**	**0.35**	4,047,162	0.18
Electricity, Gas, Steam & Aircon Supply	**6,815,617**	**0.29**	2,000,001	0.09
Professional, Scientific and Technical	**5,829,314**	**0.25**	12,419,962	0.56
Other Service Activities	**17,147,983**	**0.73**	33,107,768	1.50
	₱2,349,135,301	**100.00**	₱2,213,671,140	100.00

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, 2024	*Current*	*Past Due*	***Total***
Agricultural	**₱19,602,772**	**₱32,801,306**	**₱52,404,078**
Commercial	**2,009,489,216**	**287,186,819**	**2,296,676,035**
Others	**–**	**55,188**	**55,188**
	₱2,029,091,988	**₱320,043,313**	**₱2,349,135,301**
	86%	**14%**	**100%**
December 31, 2023			
Agricultural	₱140,809,941	₱32,520,133	₱173,330,074
Commercial	1,791,353,408	248,932,146	2,040,285,554
Others	–	55,512	55,512
	₱17,087,838	₱281,507,791	₱2,213,671,140
	87%	13%	100%

A portion of the past due accounts are covered with real estate mortgages, which could be foreclosed to reduce possible losses from non-collection.

Non-Performing Loans

The non-performing loans as defined under Section 304 of the MORB amounted ₱302,024,268 in 2024 and ₱264,419,953 in 2023. Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or 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 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until: (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written off.

Restructured loans amount to ₱116 million in 2024 and ₱110 million in 2023.

The related allowance for credit loss of such loans amounted to ₱84 million in 2024 and ₱95 million in 2023.

Breakdown as to Status of Loans (Performing and Past Due Non-Performing)

December 31, 2024	*Performing*	%	*Non-Performing*	%	*Total*	%
Agricultural	₱715,851	4	₱32,085,455	11	**₱32,801,306**	**10**
Commercial (SME)	17,303,195	96	269,883,624	89	**287,186,819**	**90**
Others–personal consumption	–	–	55,188	–	**55,188**	**–**
	₱18,019,046	100	₱302,024,267	100	**₱320,043,313**	**100**
December 31, 2023						
Agricultural	₱1,076,199	6	₱31,443,934	12	₱32,520,133	12
Commercial (SME)	16,011,639	94	232,920,507	88	248,932,146	88
Others–personal consumption	–	–	55,512	–	55,512	–
	₱1,949,251,187	100	₱264,419,953	100	₱281,507,791	100

Past Due Ratio on Total Loans is 14% in 2024 and 12% in 2023.

Allowance for Expected Credit Losses (ECL) – Loans
The accounts were subjected to impairment testing using the loan loss estimation methodology, provisioning and allowance for credit losses prescribed by the Bangko Sentral ng Pilipinas.

Roll-Forward Analyses of the Allowance for ECL

December 31,	**2024**	2023
Opening balances, as originally stated	**₱229,589,759**	₱346,325,104
Add additional allowance *(See restatement paragraph below)*	**–**	15,919,316
Opening balances, as restated	**229,589,759**	362,244,420
Additional provisions for the year	**10,562,801**	–
Write-off of loans	**(4)**	(131,255,196)
Reclassification	**1,500,000**	(1,399,465)
Closing balances, as restated	**₱241,652,556**	₱229,589,759

Restatement of 2022 and Prior Years' Allowance for Impairment Losses
In 2023, the Bank restated the 2022 and prior years' allowance for ECL on loans to record additional provision for loan losses amounting to ₱15,919,316, representing portion of under provision in prior years. As a result, the beginning balances of surplus and undivided profits and the deferred tax assets for the year 2022 were adjusted by ₱11,939,487 and ₱3,979,829 (₱15,919,316 x 25%), respectively. The additional provision for expected credit losses in prior years totaling ₱15,919,316 was recorded against surplus since said provisions were determined and represented expected credit losses of prior years.

Details of Other Receivables

December 31,	**2024**	2023
Accrued interest income on loans receivable	**₱10,564,113**	₱10,972,821
Accounts receivable *(See table below.)*	**38,117,548**	34,308,799
Sales contract receivable	**10,369,040**	9,441,002
Total	**59,050,701**	54,722,622
Allowance for expected credit losses *(See table below.)*	**(18,563,814)**	(23,687,963)
Net	**₱40,486,887**	₱31,034,659

Composition of Accounts Receivable

December 31,	**2024**	2023
Receivable from DEP-ED	**₱19,923,472**	₱14,308,543
Borrowers under litigation	**14,938,817**	6,686,667
Receivable from resigned employees	**1,291,343**	10,472,583
Matured investment debt security with Land Bank of the Philippines	**875,200**	875,200
Advances to contractors	**413,766**	1,113,766
Advances to SSS maternity/sickness	**357,578**	479,208
Advances to officers and employees	**137,552**	302,573
Other receivables	**179,820**	70,259
	₱38,117,548	₱34,308,799

Allowance for Expected Credit Losses – Other Receivables
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).

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

December 31,	**2024**	2023
Opening balances, as originally stated	**₱23,687,963**	₱24,029,659
Add additional allowance *(See restatement paragraph below)*	**–**	238,000
Opening balances, as restated	**23,687,963**	24,267,659
Provision for impairment losses	**600,711**	–
Write-off for the year	**(4,224,860)**	(1,979,161)
Reclassification	**(1,500,000)**	1,399,465
Closing balances, as restated	**₱18,563,814**	₱23,687,963

The reclassification of allowance from loans to other receivables is the overstated allowance provided in ECL loans in 2024 and 2023.

Restatement of 2022 and Prior Years' Allowance for Impairment Losses
In 2023, the Bank restated the 2022 and prior years' allowance for ECL of other receivables to record additional provision amounting to ₱238,000. As a result, the beginning balances of surplus and undivided profits and the deferred tax assets for the year 2022 were adjusted by ₱178,500 and ₱59,500 (₱238,000 x 25%), respectively. The Bank recorded the adjustment to the beginning deficit in 2022.

Note 7
Investments in Debt Securities – At Amortized Cost

This account consists of the following:

December 31,	**2024**	2023
Retail treasury bonds, at discounts on their face value	**₱371,493,253**	₱157,410,691
Retail treasury bonds, at face value	**–**	23,000,000
	₱371,493,253	₱180,410,691

Investment income earned amounted to ₱19,579,142 in 2024 and ₱15,582,529 in 2023. Management has determined that these investments have not been impaired during the year.

Retail Treasury Bonds, at Discounts on their Face Value
The treasury bonds represent 91 days to 5-year retail treasury bonds which are issued at discount and premium on its face value with interest rates ranging from 5.015% to 6.445% per annum payable quarterly. The bond will mature on various dates.

Analysis of the Retail Treasury Bonds

December 31,	**2024**	2023
Face value	**₱368,976,108**	₱157,037,374
Net discount	**2,517,145**	373,317
Carrying Amount	**₱371,493,253**	₱157,410,691

Retail Treasury Bonds, at Face Value
The retail treasury bonds purchased through Land Bank of the Philippines (LBP), totaling ₱23,000,000, have coupon rates ranging from 3.500% to 6.125% and already matured in 2024 and no longer renewed.

Note 8
Bank Premises, Furniture, Fixtures and Equipment

This account consists of the following:

December 31,	**2024**	2023
Land	**₱6,479,890**	₱6,479,890
Building	**12,425,582**	12,299,500
Furniture, fixtures and equipment	**114,017,597**	103,011,967
Transportation equipment	**44,348,488**	39,445,406
Leasehold improvements	**16,392,979**	15,445,573
Total	**193,664,536**	176,682,336
Accumulated depreciation	**(118,291,430)**	(108,647,200)
Net Book Value	**₱75,373,106**	₱68,035,136

The Bank disposed certain property and recognized gain on sale thereof amounting to ₱201,190 in 2024 and ₱270,690 in 2023, treated as part of other income. (See Note 15.)

As of December 31, 2024 and 2023, the land and building have estimated market values of ₱15 million.

Reconciliation of Carrying Amounts

December 31, 2024	*Opening Balances*	*Additions*	*Disposals/Adjustments*	***Closing Balances***
Cost				
Land	₱6,479,890	₱–	₱–	**₱6,479,890**
Building	12,299,500	126,082	–	**12,425,582**
Furniture, fixtures and equipment	103,011,967	14,309,505	(3,303,875)	**114,017,597**
Transportation equipment	39,445,406	6,827,082	(1,924,000)	**44,348,488**
Leasehold improvements	15,445,573	947,406	–	**16,392,979**
Total	176,682,336	22,210,075	(5,227,875)	**193,664,536**
Accumulated Depreciation				
Building	8,951,057	(469,898)	(8,677)	**(9,429,632)**
Furniture, fixtures and equipment	84,529,984	(6,426,775)	3,300,041	**(87,656,718)**
Transportation equipment	9,824,712	(5,031,861)	759,843	**(14,096,730)**
Leasehold improvements	5,341,447	(1,775,580)	8,677	**(7,108,350)**
Total	108,647,200	(13,704,114)	4,059,884	**(118,291,430)**
Net Book Value	₱68,035,136	₱8,505,961	(₱1,167,991)	**₱75,373,106**
December 31, 2023				
Cost				
Land	₱6,479,890	₱–	₱–	₱6,479,890
Building	17,062,518	495,916	5,258,934	12,299,500
Furniture, fixtures and equipment	97,520,365	5,571,532	79,930	103,011,967
Transportation equipment	20,742,619	21,191,588	2,488,801	39,445,406
Leasehold improvements	10,883,135	3,342,141	(1,220,297)	15,445,573
Total	152,688,527	30,601,177	6,607,368	176,682,336
Accumulated Depreciation				
Building	12,387,335	555,825	3,992,103	8,951,057
Furniture, fixtures and equipment	77,096,429	7,471,890	38,335	84,529,984
Transportation equipment	7,477,477	4,033,039	1,685,804	9,824,712
Leasehold improvements	4,070,374	1,317,608	46,535	5,341,447
Total	101,031,615	13,378,362	5,762,777	108,647,200
Net Book Value	₱51,656,912	₱17,222,815	₱844,591	₱68,035,136

Note 9
Right-of-Use Asset

This account consists of the following:

December 31,	**2024**	2023
Right-of-use assets	**₱100,704,220**	₱103,306,586
Accumulated depreciation	**(31,120,307)**	(26,880,347)
Net Book Value	**₱69,583,913**	₱76,426,239

The Bank has leases for buildings and spaces occupied by its branches dispersed in strategic locations within Mindanao and Visayas. With the exception of short-term leases and leases of low value assets, the leases are reflected on the statement of financial position collectively as right-of-use assets and lease liabilities. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liabilities and assets.

The Bank discounted the future lease payments at 5.78% per annum, the incremental borrowing rate (IBR) based on the existing average borrowing rate valuation in the Philippine. The observable rate was no longer adjusted for credit risk and other factors as management determined that any adjustments are immaterial. The Bank applied a single discount rate to the portfolio of leases as it considers the leases similar in class of underlying assets in a similar economic environment.

During 2023, the Bank remeasured its right-of-use assets at ₱103,306,586, and recognized lease liability of ₱83,192,992, interest expense of ₱4,036,953 and depreciation expense of ₱12,700,276. Total lease payments (including interest) amounted ₱15,413,514 in 2024 and ₱15,416,841 in 2023. During 2024, the Bank re-measured its right-of-use assets at ₱100,704,220 and its lease liabilities at ₱78,536,577.

Lease Liabilities
Lease liabilities are presented in the statement of financial position as follows:

December 31,	**2024**	2023
Current	**₱13,050,959**	₱13,955,872
Non-current	**65,485,618**	69,237,120
	₱78,536,577	₱83,192,992

Interest incurred on lease liabilities amounted ₱4,954,196 in 2024 and ₱4,036,953 in 2023.

Each lease imposes a restriction that, unless there is a written approval of the lessor to sublet the asset to another party, the right-of-use asset can only be used by the Bank. The lease contains an option to extend the lease for a further term under such terms and conditions as may be mutually agreed upon by the parties. The Bank is prohibited from selling or pledging the underlying leased assets as security.

For leases over office spaces premises, the Bank must keep the properties in good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Reconciliation of Carrying Amounts

December 31, 2024	*Opening Balances*	*Additions*	*Disposals/Adjustments*	***Closing Balances***
Right-of-use asset	₱103,306,586	₱–	(₱2,602,366)	**₱100,704,220**
Less accumulated depreciation	(26,880,347)	(12,645,229)	8,405,269	**(31,120,307)**
Net Book Value	₱76,426,239	(₱12,645,229)	₱5,802,903	**₱69,583,913**
December 31, 2023				
Right-of-use assets	₱101,924,757	₱1,381,829	₱–	₱103,306,586
Less accumulated depreciation	(24,701,753)	(13,622,660)	11,444,066	(26,880,347)
Net Book Value	₱77,223,004	(₱12,240,831)	₱11,444,066	₱76,426,239

Note 10
Details of Investment Properties

December 31,	**2024**	2023
Cost		
Opening balances	**₱129,531,726**	₱126,021,589
Additions	**26,091,729**	29,508,497
Disposals/reclassification	**(24,532,003)**	(25,998,360)
Closing balances	**131,091,452**	129,531,726

(Carried Forward.)

(Brought Forward.)

December 31,	**2024**	2023
Accumulated Depreciation		
Opening balances	**(14,394,296)**	(14,225,994)
Additions	**(4,898,349)**	(4,590,464)
Disposals/adjustments	**817,048**	4,422,162
Closing balances	**(18,475,597)**	(14,394,296)
Allowance for Impairment Losses		
Opening balances, as originally stated	**(2,123,677)**	(1,981,677)
Add additional allowance *(See restatement paragraph below)*	**–**	(142,000)
Opening balances, as restated	**(2,123,677)**	(2,123,677)
Provision for impairment losses	**–**	–
Closing balances	**(2,123,677)**	(2,123,677)
Net Book Value	**₱110,492,178**	₱113,013,753

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 and in Visayas recorded in the books at the total loan outstanding at the time of acquisition. These properties have estimated market values of ₱240.90 million at the end of 2024 and ₱291.6 million at the end of 2023.

Income from assets acquired recognized in the statements of profits or loss amounted to ₱9,285,068 in 2024 and ₱8,733,585 in 2023. Total depreciation charged to operations amounted to ₱4,898,349 and ₱4,590,464 for the years ended December 31, 2024 and December 31, 2023, respectively. The Bank management believes the investment properties were not further impaired as of December 31, 2024.

Restatement of 2022 and Prior Years' Allowance for Impairment Losses

During the year in 2023, the Bank restated the 2022 and prior years' allowance for ECL on investment properties to record additional provision amounting to ₱142,000. As a result, the beginning balances of surplus and undivided profits and the deferred tax assets for the year 2022 were adjusted by ₱106,500.

Note 11
Other Assets

The composition of this account is shown below:

December 31,	**2024**	2023
Investment in debt securities - Restricted	**₱123,592,990**	₱–
Deferred tax assets *(Note 18)*	**80,917,569**	77,960,235
Prepaid expenses	**17,969,191**	18,699,901
Security and rental deposits	**6,155,300**	6,518,768
Goodwill *(Notes 1 and 2)*	**2,949,039**	2,949,039
Stationery and office supplies	**2,451,522**	1,271,313
Other assets	**2,537,520**	4,189,130
	₱236,573,131	₱111,588,386

As of December 31, 2024, the Company holds investments in debt securities representing restricted long-term government treasury bonds. These investments are subject to various restrictions and are not available for general banking purposes. The restrictions apply to the following purposes: (1) deposits for future subscription, (2) retirement fund reserves, (3) sinking funds related to preferred shares, and (4) redemption of preferred shares.

The treasury bonds held have maturities ranging from 324 days to 10 years and were acquired at both discounts and premiums relative to their face value. These instruments bear interest rates ranging from 0.13% to 6.20% per annum, with interest payable on periodic terms as specified in the bond agreements. The bonds are classified as restricted long-term investments under non-current assets due to the nature of their restrictions. Maturity dates vary and align with the specific obligations for which the funds are designated. As of December 31, 2024, the total carrying amount of these restricted investments is ₱127,276,981, measured at ₱123,758,970.

The deferred tax assets have been subjected to impairment testing and the accordingly reduced by the corresponding tax benefits of the accounts written-off during the year. (See Note 18.) Prepaid expenses represent expenses such as: PDIC 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 12
Deposit Liabilities

This account is composed of the following:

December 31,	**2024**	2023
Savings and demand deposits	**₱1,130,761,549**	₱1,081,897,801
Time deposits	**1,833,631,731**	1,641,473,057
	₱2,964,393,280	₱2,723,370,858

The deposit liabilities earn annual fixed interest of 0.10% for savings accounts, and from 1.00% to 7.00% for time deposits.

Total interest incurred amounted ₱111,841,259 in 2024 and ₱92,925,292 in 2023.

Maturity Profile of Time Deposits

December 31,	**2024**	2023
Six months to one year	**₱1,046,933,275**	₱1,322,183,016
More than one year	**786,698,456**	319,290,041
	₱1,833,631,731	₱1,641,473,057

Note 13
Other Liabilities

These liabilities consist of the following:

December 31,	**2024**	2023
Redeemable preference shares *(Note 14)*	**₱114,799,100**	₱114,799,100
Deposit for future subscription	**73,548,800**	37,348,800
Accounts payable (See table below.)	**39,382,813**	23,502,255
Retirement benefit obligation *(Note 16)*	**25,294,331**	22,370,841
Accrued expenses	**18,287,940**	22,580,727
Accrued interest payable *(Note 12)*	**15,848,372**	14,016,951
Income tax payable *(Note 18)*	**491,798**	–
Other payables	**1,326,967**	–
	₱288,980,121	₱234,618,674

Breakdown of Accounts Payable

December 31,	**2024**	2023
Payable to Bancnet	**₱23,905,813**	₱12,053,357
Payable to clients	**7,134,342**	5,831,415
Deposits from borrowers for payment for mortgages	**1,862,407**	493,741
Documentary stamps	**1,414,016**	1,298,356
Payable to separated employees	**1,363,672**	737,824
Accounts payable – suppliers	**715,153**	296,546
Payable to appraisers	**650,720**	107,673
Payable to collecting agency	**540,053**	393,240
Payable to insurance	**362,738**	273,275
Payable to employees	**288,245**	17,434
SSS pension and remittances	**206,610**	206,609
Items in litigation	**114,901**	114,901
Payable to Merchant Partners	**81,686**	22,581
Payable to ROPA account	**–**	372,949
Others	**742,457**	1,282,354
	₱39,382,813	₱23,502,255

Accounts and other payables are non-interest bearing are on a 30 to 60-day term.

Note 14
Share Capital

Details of Share Capital

December 31,	**2024**	2023
Preference Shares A – ₱100 par value		
Government – non-voting and convertible, cumulative		
Authorized – 251,353 shares		
Issued and outstanding – shares	**₱–**	₱–
Preference Shares B – ₱100 par value *(Note 13)*		
Private – redeemable non-voting and convertible		
Authorized – 1,150,000 shares		
Issued and outstanding – 1,147,991 in 2024 and 2023	**–**	–
Ordinary (Common) Shares – ₱100 par value		
Authorized – 4,000,000 shares		
Issued and outstanding – 4,000,000 in 2024 and 2023	**400,000,000**	400,000,000
	₱400,000,000	₱400,000,000

Nature of the Preference Shares

(a) Preference 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) Preference 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 to ₱114,799,100 in 2024 and 2023, and are presented as part of 'Other Liabilities'. (See Note 13.)
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 (9%) net of tax payable yearly on a monthly basis, cumulative.

Compliance with Minimum Capital Required
In accordance with Circular No. 1151, Series of 2022, and the Minimum Required Capital under the Manual of Regulations for Banks (MORB), the Bank's minimum capital requirement is pegged at ₱200 million, given its location in a first-class city and its network of twenty-eight (28) branches and two (2) branch-lite units. As of 2024, the Bank has complied with this capitalization requirement.

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 PFRSs in some aspect.

The Bank's unimpaired capital includes its (i) paid-up ordinary (common shares), (ii) surplus and undivided profits, minus any (iii) unbooked valuation reserves and other capital adjustments as may be required by the BSP; (iv) total outstanding unsecured credit accommodations to directors, officers, shareholders and related interests (DOSRI); (v) deferred tax asset or liability; and (vi) other regulatory deductions.

The BSP determines the minimum level of capital to be held by the Bank against its market risks, in addition to its credit risk. Section 127 of the MORB defines risk-based capital adequacy ratio as a percentage of qualifying capital to risk-weighted assets which shall not be less ten percent (10.00%) for solo basis banks (head office and branches). Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptance under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board.

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. The Bank's policy is to maintain a strong capital base to maintain stockholders, creditors and market confidence and to sustain the 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.

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. 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 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.

Significant Financial Ratios

In compliance with the requirements of Section 174 of the MORB, the financial ratios of the Bank for the years 2024 and 2023 are presented as additional disclosures in the notes to the audited financial statements, as follows: (Please see table next page.)

December 31,	**2024**	2023
Return on Average Equity	**23.77%**	10.97%
Return on Average Assets	**2.04%**	0.86%
Net Interest Margin	**9.67%**	10.52%
Capital-to-Risk Assets Ratio	**13.99%**	12.29%
Risk-Based Capital Adequacy	**10.93%**	10.19%
Tier 1 Capital	**₱248,657,291**	₱185,652,049
Tier 2 Capital	**₱134,860,293**	₱133,887,173
Total Qualifying Capital	**₱383,517,584**	₱319,539,222
Total Risk-Weighted Assets	**₱3,507,856,340**	₱3,135,402,796
Tier 1 Ratio	**7.09%**	5.92%
Leverage Ratio	**7.06%**	5.75%
Minimum Liquidity Ratio	**21.01%**	25.80%

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 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 can generate more cash with which to pay down borrowings.

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

December 31,	**2024**	2023
Borrowings (total liabilities)	**₱3,331,909,978**	₱3,041,182,524
Less cash and cash equivalents	**699,907,621**	784,617,289
Net Debt	**2,632,002,357**	2,256,565,235
Total equity	**334,722,756**	263,612,284
Equity and Net Debt	**₱2,966,725,113**	₱2,520,177,519
Gearing Ratio (Net Debt/Equity and Net Debt)	**89%**	90%

Debt to Equity Ratio
Capital for the reporting periods under review is summarized as follows:

December 31,	2024	2023
Total Liabilities	**₱3,331,909,978**	₱3,041,182,524
Total Equity	**334,722,756**	263,612,284
Overall financing	**₱3,666,632,734**	₱3,304,794,808
Debt-to-Equity Ratio	**9.95 : 1**	11.54 : 1

Disclosures Required Under Revised SRC Rule 68 (2019 Version)
As at December 31, 2024, the Bank has a total of 64 shareholders with 61 shareholders owning 100 or more shares each of the Bank's share capital.

Note 15
Details of Application Fees and Other Income

Years Ended December 31,	2024	2023
Application fees	**₱76,197,942**	₱66,980,435
Income from assets acquired *(Note 10)*	**9,285,068**	8,733,585
Overnight charges	**6,786,047**	7,943,115
Income from ATM operation	**6,384,049**	6,420,524
Recovery on charged-off assets	**2,406,401**	6,382,780
Bank charges	**2,122,267**	2,283,408
Inter-branch transaction fees	**1,729,737**	1,926,888
Check book fee	**850,799**	1,021,838
Income on POS	**849,528**	12,540
Gain on sale from bank premises fixtures, furniture/equipment *(Note 8)*	**201,190**	270,690
Income from remittance and other services	**3,200**	977,785
Miscellaneous	**6,138,159**	4,588,325
	₱112,954,387	₱107,541,913

Note 16
Details of Compensation

Years Ended December 31,	2024	2023
Short-term employees' benefits	**₱105,681,221**	₱101,731,436
Post-employment benefits	**3,425,864**	3,164,493
	₱109,107,085	₱104,895,929

Post-Employment Benefits
In 2018, the Bank maintained a tax-qualified, noncontributory retirement plan that was being administered by a trustee (Insurance Company) covering all regular full-time employees. However, beginning in 2019, the Bank decided not to continue the retirement plan from the Insurance Company and just to maintain and invest the allocated funds for retirement benefit with the treasury bonds with Land Bank of the Philippines.

The Bank has an unfunded, non-contributory defined benefit retirement plan which provides a retirement benefit, an amount equal to 75% on one (1) month final salary for every year of service multiplied by the number of years of services. Benefits are dependent on the years of service and the respective employee's compensation. If the employee voluntarily resigns from the Bank, he shall be entitled to receive all or portion of his accrued retirement benefits in accordance with the terms of the plan.

The amount of retirement benefit obligation as of December 31, 2024 and 2023 presented under Other Liabilities in Note 14, recognized in the statement of financial position is determined as shown below.

December 31,	**2024**	2023
Opening balances, originally stated	**₱22,370,841**	₱16,106,761
Add additional provision *(See restatement paragraph below)*	**–**	3,202,344
Opening balances, as restated	**22,370,841**	19,309,105
Opening balances, as restated	**22,370,841**	19,309,105
Additional provision for the year	**3,425,864**	3,164,493
Actual retirement payments for the year	**(502,374)**	–
Actuarial gain	**–**	(102,757)
Retirement benefit obligation *(Note 13)*	**₱25,294,331**	₱22,370,841

Principal Actuarial Assumptions Used

The following principal actuarial assumptions used in determining plan obligations as of December 31, 2024 is based and 2023 are based on the actuarial valuation report obtained from an independent actuary as of December 31, 2023 and 2020. There were no plan amendments or curtailment, recognized as of December 31, 2024.

The amounts of retirement benefits expense recognized per actuarial valuation report are as follows:

Years Ended December 31,	**2024**	2023
Current service cost	**₱1,862,142**	₱1,807,905
Interest cost on benefit obligation	**1,563,722**	1,356,588
	₱3,425,864	₱3,164,493

Current service costs and interest costs on defined benefit obligations are charged to retirement benefit obligations established for the purpose of covering any shortfalls in the required defined benefits payable. (See Note 13.)

Components of Retirement Benefit Costs Recognized in OCI

December 31,	**2024**	2023
Opening balances	**₱6,146,610**	₱6,069,542
Actuarial (gain) loss on defined benefit obligation	**–**	102,757
Deferred income tax *(Note 18)*	**–**	(25,689)
Closing balances	**₱6,146,610**	₱6,146,610

Movements in Present Value of the Retirement Benefit Obligation from Actuarial Valuation Report

December 31,	**2024**	2023
Opening balances	**₱22,370,841**	₱19,309,105
Actuarial (gain) loss	**–**	(102,757)
Current service cost	**1,862,142**	1,807,905
Interest cost	**1,563,722**	1,356,588
Benefits paid by the plan	**(502,374)**	–
Closing balances	**₱25,294,331**	₱22,370,841

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

December 31	**2024**	2023
Discount rate	**6.99%**	6.99%
Salary increase rate	**3.00%**	3.00%

Assumptions regarding future mortality are based on the 1973-1978 Philippine Intercompany Mortality Table Basic, with the Accidental Death Rate at 10% of Mortality Rate.

The sensitivity analysis in the following page has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2023, assuming all other assumptions were held constant.

Parameter	*Change in Assumption*	*Revised PVBO*	*Inc./(Dec.) in PVBO*
Discount Rate	+1%	₱21,456,079	(₱914,762)
	-1%	23,361,252	990,411
Salary Increase Rate	+1%	23,166,032	795,191
	-1%	21,623,048	(747,793)
Mortality Rate	120% of PIC (Basic)	22,425,713	54,872
	80% of PIC (Basic)	22,315,497	(55,344)

The average duration of the defined benefit obligation at the end of the reporting date is 6.17 years. Shown below is the expected twenty-year benefit cash flow:

	Amount		*Amount*
2024	₱5,863,289	2027	₱4,163,025
2025	4,352,363	2028	5,115,911
2026	4,263,409	2029 and onwards	25,030,339

Restatement of 2022 Retirement Benefit Obligation

During 2023, the Bank restated the 2022 on retirement benefit obligation to record additional provision amounting to ₱3,202,344 as the deficit of the actuarially-computed retirement benefit obligation at the end of 2022. As a result, the beginning balances of surplus and undivided profits and the deferred tax assets for the year 2023 were adjusted by ₱3,202,344 and ₱800,586 (₱3,202,344 x 25%), respectively. The Bank recorded the adjustment to the current operation in 2022.

Note 17

Details of Other Operating Expenses

Years Ended December 31,	**2024**	2023
Insurance	**₱10,554,677**	₱8,861,159
Communications	**6,879,407**	6,377,000
Power, light and water	**6,413,767**	7,253,391
Information and technology expenses	**5,611,110**	3,206,645
Fuel, oil and lubricants	**5,432,511**	3,658,152
Interest on lease liabilities *(Note 9)*	**4,954,196**	4,036,953
Representation and entertainment	**4,929,252**	5,689,102
Rent *(Note 8)*	**3,977,742**	2,874,090
Stationery and supplies used	**3,875,996**	4,954,193
Repairs and maintenance	**3,863,023**	5,039,830
Litigation of asset acquired	**3,191,435**	1,418,995
Commission	**2,805,127**	2,841,459
Management and other professional fees	**1,537,539**	1,353,267
Banking fees	**1,194,332**	640,633
Fines, penalties and charges	**126,564**	10,250,802
Collection fee charges	**-**	6,235,448
Miscellaneous	**3,895,497**	4,839,212
	₱69,242,175	₱79,530,331

Note 18
Computation of Income Tax Expense

Components of Income Tax Expense
The income tax expenses for the years 2024 and 2023 were based on the MCIT rate which proved to be higher than the regular rate as shown in the following tables:

Details of Income Tax Expense

Years Ended December 31,	**2024**	2023
Current		
Corporate tax at MCIT	**₱3,161,604**	₱2,302,325
Final tax at 20%	**9,377,256**	3,709,305
Total	**12,538,860**	6,011,630
Deferred		
Unused 25% deferred tax asset on written-off accounts *(Note 9)*	**1,181,809**	33,308,589
Deferred 25% tax on provision for impairment on loan losses *(Note 5)*	**(2,640,700)**	–
Deferred 25% tax on prov. for impairment on other receivables *(Note 5)*	**(150,178)**	–
Deferred 25% tax on provision for retirement benefits *(Note 16)*	**(856,466)**	(791,123)
Deferred excess of MCIT against RCIT	**(3,161,604)**	(2,302,325)
Total	**(5,627,139)**	30,215,141
	₱6,911,721	₱36,226,771

Current Tax Expense – Regular Corporate Income Tax (RCIT) Rate at 25%

Years Ended December 31,	**2024**	2023
Profit before income tax expense	**₱78,022,193**	₱62,799,444
Add (deduct) reconciling items from permanent differences:		
Interest income on bank deposits already subject to final tax	**(46,886,280)**	(18,362,292)
Non-allowable interest expense	**9,377,256**	3,672,458
Add (deduct) reconciling items from temporary differences:		
Interest on lease liabilities	**4,954,196**	4,036,953
Depreciation of right-of-use asset	**12,645,229**	13,622,660
Rent expense	**(15,413,514)**	(15,416,839)
Provision for impairment loan losses *(Note 6)*	**11,163,512**	–
Write-off of loans receivable *(Note 6)*	**(4)**	(131,255,196)
Write-off of other receivables *(Note 6)*	**(4,224,860)**	(1,979,161)
Actual retirement payment *(Note 16)*	**(502,374)**	–
Provision for retirement benefits *(Note 16)*	**3,425,864**	3,164,493
Taxable income	**52,561,218**	(79,717,480)
Net Profit Operating Loss Carry Over (NOLCO) in 2023	**(79,717,480)**	–
Net Profit Operating Loss Carry Over (NOLCO)	**(27,156,262)**	(79,717,480)
Multiply by tax rate	**25%**	25%
Tax Due at RCIT	**₱–**	₱–

New Minimum Corporate Income Tax Rates Beginning July 1, 2023
In pursuance of the Corporate Recovery and Tax Incentives Enterprises Act (CREATE) and RRMC No. 69-2023, the rate of minimum corporate income tax (MCIT) for domestic and resident foreign corporations, including offshore banking units and regional operating headquarters, shall now revert to two percent (2%) based on the gross income of such corporations, effective July 1, 2023. Thus, the Bank used the MCIT average rate at 1.50% to compute for the MCIT for 2023.

MCIT Rate of 2.00% in 2024 and 1.50% in 2023

Years Ended December 31,	**2024**	2023
Gross Revenue		
Interest on loans receivable	**₱343,930,667**	₱330,481,043
Non-deductible interest expense	**9,377,256**	3,672,458
Other income	**112,954,387**	107,541,913
Total Gross Revenue	**466,262,310**	441,695,414
Cost of Services		
Interest expense	**111,841,259**	92,925,474
Salaries	**64,185,125**	61,658,432
Depreciation expense	**11,161,478**	10,781,296
Other expenses	**120,994,237**	122,841,916
Total Cost of Services	**308,182,099**	288,207,118
Gross Profit	**158,080,211**	153,488,296
Tax rate	**2.00%**	1.50%
Tax Due at MCIT	**₱3,161,604**	₱2,302,325

Computation of Net Income Tax Payable

December 31,	**2024**	2023
Regular Corporate Income Tax or MCIT whichever is higher	**₱3,161,604**	₱2,302,325
Less : Tax Credits		
Excess payment in prior year	**2,365,090**	3,586,348
BIR Form No. 1606	**–**	1,081,066
BIR Form No. 2307	**304,715**	
Excess payable	**₱491,799**	₱2,365,089

The MCIT amounted ₱3,161,604 in 2024 and ₱2,302,325 in 2023, can be claimed as tax credit against regular tax due until 2027 and 2026, respectively.

Movements of Deferred Tax Assets

December 31,	**2024**	2023
Opening balances, originally stated	**₱77,960,235**	₱105,627,975
Add restatements:		
25% deferred asset on prov. for impairment losses *(Note 6)*	**–**	4,074,829
25% deferred asset on provision for retirement *(Note 16)*	**–**	800,586
Opening balances, as restated	**77,960,235**	110,503,390
Origination of temporary differences arising from:		
Minimum Corporate Income Tax (MCIT)	**3,161,604**	2,302,325
Provision for impairment loan losses *(Note 6)*	**2,640,700**	–
Provision for impairment losses on other receivable *(Note 6)*	**150,178**	–
Provision for retirement benefits *(Notes 16)*	**856,466**	791,123
Actual retirement payment *(Note 16)*	**(125,593)**	–
Written-off loans receivables *(Note 6)*	**(1)**	(32,813,799)
Written-off of accounts receivable *(Note 6)*	**(1,056,215)**	(494,790)
Application of excess payment in 2022	**(2,365,090)**	(2,302,325)
Re-measurement of actuarial gain *(Note 16)*	**–**	(25,689)
Application of prepaid withholding tax	**(304,715)**	–
Closing balances	**₱80,917,569**	₱77,960,235

As of December 31, 2024, the Bank did not recognize deferred tax assets on the temporary difference of the 2023 NOLCO, amounting to ₱27,156,262 (net of ₱52,561,218 taxable income in 2024); instead, the Bank intends to claim it as deduction against the taxable regular income for the next three (3) consecutive taxable years until 2026, pursuant to BIR RR 14-2021.

Management has determined that the remaining deferred tax assets have not been impaired at the end of the year and that its anticipated future profits can benefit from the deferred tax assets.

Current Tax Expense – Final

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

Details of Taxes, Licenses and Fees

Years Ended December 31,	**2024**	2023
Business Taxes		
Gross Receipt Tax	**₱26,203,729**	₱23,620,407
Business and realty tax, vehicles registration & others	**18,836,854**	19,069,366
Sub-Total	**45,040,583**	42,689,773
Other Taxes Paid		
Compensation and Expanded withholding taxes	**5,293,910**	4,697,301
Documentary stamp taxes	**17,045,552**	16,483,394
Final taxes	**11,524,295**	9,519,715
Sub-Total	**33,863,757**	30,700,410
Total	**₱78,904,340**	₱73,390,183

Note 19

Earnings Per Share

Years Ended December 31,	**2024**	2023
Basic		
Profit for the year	**₱71,110,472**	₱26,572,673
Weighted average number of ordinary (common) shares	**4,000,000**	3,983,172
Basic Earnings per Share	**₱17.78**	₱6.67
Diluted		
Profit for the year	**₱71,110,472**	₱26,572,673
Weighted average number of ordinary and potential ordinary shares	**4,000,000**	3,983,172
Diluted Earnings per Share	**₱17.78**	₱6.67

Note 20

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 as follows:

(a) In the ordinary course of business, the Bank has loan transactions with DOSRI. 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. As of December 31, 2024, the Bank is in compliance with these regulations.

The following are the information related to DOSRI and Other Related Parties:

December 31,	**2024**	2023
Total Outstanding DOSRI loans	**₱22,302,734**	₱24,875,813
Percent of DOSRI loans to total loans	**0.89%**	1.12%
Percent of unsecured DOSRI loans to total DOSRI loans	**0.00%**	0.00%
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%
Total Outstanding loans to related parties other than DOSRI	**0.00%**	0.00%
Percent of other related party (ORP) loans to total loans	**0.00%**	0.00%
Percent of unsecured ORP loans to total ORP loans	**0.00%**	0.00%
Percent of past-due ORP loans to total ORP loans	**0.00%**	0.00%
Percent of non-performing ORP loans to total ORP loans	**0.00%**	0.00%

(b) The Bank also extends advances subject to liquidation to its officers and employees. Total advances to officers and employees amounted to ₱137,552 in 2024 and ₱302,573 in 2023. (See Note 6.)

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

Years Ended December 31,	**2024**	2023
Short-term employees' benefits	**₱10,339,402**	₱9,507,003
Post-employment benefits	**651,416**	457,038
	₱10,990,818	₱9,964,041

Note 21
Fair Value Measurement

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed
The table in the following page summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the 2024 and 2023 statement of financial position but for which fair value is disclosed.

December 31, 2024	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents *(Note 5)*	₱699,907,621	₱–	₱–	**₱699,907,621**
Loans and other receivables *(Note 6)*			2,103,209,532	**2,103,209,532**
Investments in debt securities *(Note 7)*			371,493,253	**371,493,253**
	₱699,907,621	₱–	₱2,474,702,785	**₱3,174,610,406**
Financial liabilities				
Deposit liabilities *(Note 12)*	₱2,964,393,280	₱–	₱–	**₱2,964,393,280**
Other liabilities *(Note 13)*	288,980,121			**288,980,121**
Lease liabilities *(Note 9)*	78,536,577			**78,536,577**
	₱3,331,909,978	₱–	₱–	**₱3,331,909,978**

December 31, 2023	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents *(Note 5)*	₱784,617,289	₱–	₱–	₱784,617,289
Loans and other receivables *(Note 6)*			1,970,703,314	1,970,703,314
Investments in debt securities *(Note 7)*			180,410,691	180,410,691
	₱784,617,289	₱–	₱2,151,114,005	₱2,935,731,294
Financial liabilities				
Deposit liabilities *(Note 12)*	₱2,723,370,858	₱–	₱–	₱2,723,370,858
Other liabilities *(Note 13)*	234,618,674			234,618,674
Lease liabilities *(Note 9)*	83,192,992			83,192,992
	₱3,041,182,524	₱–	₱–	₱3,041,182,524

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 considering the related credit risk of counterparties 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, 2024 and 2023.

December 31, 2024	*Level 1*	*Level 2*	*Level 3*	*Total*
Bank prems, etc./ROUA *(Note 8)*	₱–	₱–	₱75,373,106	**₱75,373,106**
Investment properties *(Note 10)*	–	–	110,492,178	**110,492,178**
Other assets *(Note 11)*	236,573,131	–	–	**236,573,131**
	₱236,573,131	₱–	₱185,865,284	**₱422,438,415**
December 31, 2023				
Bank prems, etc./ROUA *(Note 8)*	₱	₱–	₱68,035,136	**₱68,035,136**
Investment properties *(Note 10)*	–	–	113,013,753	**113,013,753**
Other assets *(Note 11)*	111,588,386	–	–	**111,588,386**
	₱111,588,386	₱–	₱181,048,889	**₱292,637,275**

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 22
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 position.

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, 2024, the Bank's financial assets are composed of the following:

December 31, 2024	*Neither Past Due Nor Impaired*	*Past Due But Not Impaired*	***Total***
Cash and cash equivalents *(Note 5)*	₱699,907,621	₱–	**₱699,907,621**
Loans and other receivables *(Note 6)*	2,103,209,532	–	**2,103,209,532**
Investments in debt securities *(Note 7)*	371,493,253	–	**371,493,253**
	₱3,174,610,406	₱–	**₱3,174,610,406**

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

Market Risk Analysis

Market risk is the possibility that changes in equity prices or interest rates will adversely affect the value of the Bank's assets, liabilities or expected future cash flows. The Bank has no exposure arising from complex investments since it is not engaging in high risk investments, forward contracts, hedging, and the like, whether local or foreign transactions.

(a) *Price risk.*
The Bank has no exposure to price risks as it has no investment in quoted equity and debt securities.

(b) *Interest rate risk.*
The Bank's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, profit or loss, and equity. Interest risk arises from the mismatch of interest payable on the Bank's liabilities and the interest earned on its financial assets. The Bank's asset-liability profile is such that interest on its financial assets has short term maturities while interest rates on its bills payable and its time deposits are primarily fixed. The Bank's loan portfolio is primarily of fixed rates instruments. As a part of the Bank's risk management strategy, the Board established limits on the non–trading interest rate gaps for the interest rate sensitivities. These limits are consistent with the Bank's enterprise risk appetite and the Bank aligns its accounting objectives to keep exposures within those limits.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For liabilities with variable interest rates, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Bank's income before income tax.

	Increase (Decrease) in Interest Rate	Effect on Equity
2024	+0.05%	₱1,482,197
	-0.05%	(1,482,197)
2023	+0.05%	₱1,361,685
	-0.05%	(1,361,685)

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, 2024	Within One Year	Beyond One Year	Total
Financial Assets			
Cash and cash equivalents *(Note 5)*	₱699,907,621	₱–	**₱699,907,621**
Loans and other receivables *(Note 6)*	1,991,063,578	112,145,954	**2,103,209,532**
Investments in debt securities *(Note 7)*		371,493,253	**371,493,253**
Non-financial Assets			
Bank prems, etc. *(Note 8)*		75,373,106	**75,373,106**
Right-of-use asset *(Note 9)*		69,583,913	**69,583,913**
Investment properties *(Note 10)*		110,492,178	**110,492,178**
Other assets *(Note 11)*	236,573,131		**236,573,131**
Total Assets	₱2,927,544,330	₱739,088,404	**₱3,666,632,734**
Financial Liabilities			
Deposit liabilities *(Note 12)*	₱2,177,694,824	₱786,698,456	**₱2,964,393,280**
Other liabilities *(Note 13)*	263,685,790		**263,695,790**
Lease liabilities *(Note 8)*	78,536,577		**78,536,577**
Non-financial Liabilities			
Retirement benefit obligation *(Notes 13 and 16)*		25,294,331	**25,294,331**
Total Liabilities	₱2,519,917,191	₱811,992,787	**₱3,331,909,978**
December 31, 2023			
Financial Assets			
Cash and cash equivalents *(Note 5)*	₱784,617,289	₱–	₱784,617,289
Loans and other receivables *(Note 6)*	1,882,034,687	88,668,627	1,970,703,314
Investments in debt securities *(Note 7)*		180,410,691	180,410,691
Non-financial Assets			
Bank prems, etc./ROUA *(Note 8)*		68,035,136	68,035,136
Bank prems, etc. *(Note 8)*		76,426,239	76,426,239
Right-of-use asset *(Note 9)*		113,013,753	113,013,753
Other assets *(Note 11)*	111,588,386		111,588,386
Total Assets	₱2,778,240,362	₱526,554,446	₱3,304,794,808
Financial Liabilities			
Deposit liabilities *(Note 12)*	₱2,404,080,817	₱319,290,041	₱2,723,370,858
Other liabilities *(Note 13)*	212,247,833		212,247,833
Lease liabilities *(Note 8)*	83,192,992		83,192,992

(Carried Forward.)

(Brought Forward.) *December 31, 2023*	*Within One Year*	*Beyond One Year*	***Total***
Non-financial Liabilities			
Retirement benefit obligation *(Notes 13 and 16)*		22,370,841	22,370,841
Total Liabilities	₱2,699,521,642	₱341,660,882	₱3,041,182,524

Note 23
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 24
Authorization of Financial Statements

The Bank's financial statements as of and for the year ended December 31, 2024, were authorized for issue by the Bank's President on April 10, 2025.

SUPPLEMENTARY SCHEDULE TO THE FINANCIAL STATEMENTS

Annex I	Reconciliation of Retained Earnings Available for Dividend Declaration
Annex II	Supplementary Information Required By The BSP
Annex III	Supplementary Schedule of External Auditor Fee-Related Information

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Enterprise Bank, Inc. (A Rural Bank)

December 31,	**2024**	2023
UNAPPROPRIATED RETAINED EARNINGS OPENING BALANCES, AS ORIGINALLY STATED	**(₱170,964,753)**	(₱182,911,180)
ADJUSTMENT TO RESTATE BEGINNING BALANCES	**–**	(14,626,246)
UNAPPROPRIATED RETAINED EARNINGS OPENING BALANCES AS RESTATED	**(170,964,753)**	(197,537,426)
NET INCOME ACTUALLY EARNED/REALIZED DURING THE YEAR	**71,110,472**	26,572,673
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED	**(99,854,281)**	(170,964,753)
ADD (DEDUCT)		
Dividends declared during the fiscal year		
Appropriations of Retained Earnings during the fiscal year	**–**	–
Reversals of appropriation during the fiscal year	**–**	–
Deferred tax assets (SEC MC No. 16, s. 2023)	**(80,917,569)**	(77,960,235)
	(80,917,569)	(77,960,235)
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION	**(₱180,771,850)**	(₱248,924,988)

SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Enterprise Bank, Inc. (A Rural Bank)

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

(a) Selected Financial Performance Indicators

December 31,	**2024**	2023
Return on average equity*: (Net Profit/Average Total Capital Accounts)	**23.77%**	10.97%
Return on average assets*: (Net Profit/Average Total Resources)	**2.04%**	0.86%
Net interest margin*: (Net Interest Income/Average Interest Earnings Resources)	**9.67%**	10.52%

** Average asset, capital, and interest-earning assets are computed as the simple average of outstanding balance of assets, capital, and interest-earning assets at December 31, 2024 and December 31, 2023. (2 data points)*

(b) Capital Instruments Issued

As of December 31, 2024 and 2023, the Bank has only two classes of capital stock, which are common and preference shares. The Bank consider its common stock and preferred stock as capital instruments eligible as Tier 1 and Tier 2 capitals.

(c) Significant Credit Exposures for Loans

The Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL below are disclosed in Note 6.

December 31,	**2024**	**%**	2023	%
Salary Consumption Loans	**₱1,638,383,921**	**69.74**	₱1,585,084,616	71.60
Wholesale & Retail Trade, Repair of MV	**191,089,388**	**8.13**	205,258,515	9.27
Real Estate Activities	**169,239,589**	**7.20**	137,928,898	6.23
Construction	**137,257,365**	**5.84**	97,733,754	4.42
Auto Loans	**53,617,334**	**2.28**	11,110,310	0.50
Agriculture, Forestry and Fishing	**44,274,561**	**1.88**	53,688,034	2.43
Manufacturing	**37,274,479**	**1.59**	40,420,679	1.83
Transportation And Storage	**28,168,151**	**1.20**	10,112,698	0.46
Admin. and Support Service Activities	**11,793,024**	**0.50**	20,758,743	0.94
Accommodation and Food Service Activities	**8,244,575**	**0.35**	4,047,162	0.18
Electricity, Gas, Steam & Aircon Supply	**6,815,617**	**0.29**	2,000,001	0.09
Professional, Scientific and Technical	**5,829,314**	**0.25**	12,419,962	0.56
Other Service Activities	**17,147,983**	**0.73**	33,107,768	1.50
	₱2,349,135,301	**100.00**	₱2,213,671,140	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio except for thrift banks.

(d) Breakdown of Loans

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

December 31,	**2024**	%	2023	%
Unsecured loans	**₱1,787,506,230**	**76**	₱1,777,731,585	80
Secured loans				
Real estate	**433,460,086**	**18**	368,523,811	17
Chattel	**107,162,322**	**5**	37,108,084	2
Others	**21,006,663**	**1**	30,307,660	1
	561,629,071	**24**	435,939,555	20
	₱2,349,135,301	**100**	₱2,213,671,140	100

Breakdown of Unsecured Loans

December 31,	**2024**	%	2023	%
APDS	**₱716,337,930**	**40**	₱691,751,348	39
Non-APDS	**949,421,660**	**53**	1,042,111,492	59
Enterprise Loans	**121,691,466**	**7**	43,813,247	2
Microfinance	**55,174**	**0**	55,498	0
	₱1,787,506,230	**100**	₱1,777,731,585	100

Breakdown as to Status of Loans (Performing and Past Due Non-Performing)

December 31, 2024	*Performing*	%	*Non-Performing*	%	***Total***	**%**
Agricultural	₱715,851	4	₱32,085,455	11	**₱32,801,306**	**10**
Commercial (SME)	17,303,195	96	269,883,624	89	**287,186,819**	**90**
Others–personal consumption	–	–	55,188	–	**55,188**	**–**
	₱18,019,046	100	₱302,024,267	100	**₱320,043,313**	**100**
December 31, 2023						
Agricultural	₱1,076,199	6	₱31,443,934	12	₱32,520,133	12
Commercial (SME)	16,011,639	94	232,920,507	88	248,932,146	88
Others–personal consumption	–	–	55,512	–	55,512	–
	₱17,087,838	100	₱264,419,953	100	₱281,507,791	100

Non-Performing Loans

The non-performing loans as defined under Section 304 of the MORB amounted ₱302,024,267 in 2024 and

(e) Information on Related Party Loans

December 31,	**2024**	2023
Total Outstanding DOSRI loans	**₱22,302,734**	₱24,875,813
Percent of DOSRI loans to total loans	**0.89%**	1.12%
Percent of unsecured DOSRI loans to total DOSRI loans	**0.00%**	0.00%
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%
Total Outstanding loans to related parties other than DOSRI	**0.00%**	0.00%
Percent of other related party (ORP) loans to total loans	**0.00%**	0.00%
Percent of unsecured ORP loans to total ORP loans	**0.00%**	0.00%
Percent of past-due ORP loans to total ORP loans	**0.00%**	0.00%
Percent of non-performing ORP loans to total ORP loans	**0.00%**	0.00%

(f) **Contingencies and Commitments Arising from Off-balance Sheet Items**

During 2024 and 2023, the following is a summary of contingencies and commitments arising from off-balance sheet items:

December 31,	**2024**	2023
Late deposits/payment received	**₱1,942,654**	₱15,261
Items held as collaterals	**9,738**	8,497
	₱1,952,392	₱23,758

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION

Enterprise Bank, Inc. (A Rural Bank)

Years Ended December 31,	[Keywords]	QCB & Co
Total Audit Fees *(See Notes below.)*	**₱500,000**	₱500,000
Non-Audit Service Fees		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Non-Audit Fees *(See Notes below.)*	–	–
Total Audit and Non-Audit Fees	**₱500,000**	₱500,000

Notes

(1) The Bank's external auditors for the years 2024 and 2023 were the Quilab & Garsuta, CPAs, with Head Office in Cagayan de Oro City and Branch Office in General Santos City.

(2) The fees disclosed herein excluded out-of-pocket expenses and the related VAT thereon.

(3) The Bank has no related entity over which it has direct control therefore the said External Auditors were auditing only the Rural Bank as a stand-alone entity preparing and issuing stand-alone financial statements.

(4) We understand that the amount of audit fees paid to our External Auditors cannot be considered as falling under the 'fee dependency situation'.

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A Rural Bank

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Enterprise Bank, Inc. is regulated by the Bangko Sentral ng Pilipinas (BSP)