ENTERPRISE Bank

2023 ANNUAL REPORT

Reshape with a Mission to Transform
47 Years of Innovation and Creativity

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ABOUT THE COVER

In the past 2 years, resiliency through technology and innovation is in the mindset of the Bank. With the recent global health crisis, we were driven into isolation and limitation, demanding us to change our normal way of doing things. However, this gives us the opportunity to adapt in the new normal and rediscover our competitive advantage and prowess to ensure uninterrupted delivery of quality service to clientele.

2023 is a new beginning towards recovery and regained what was left behind by time. The vector and grid lines in the cover represent endless opportunity for operational development and boundless challenges the Bank should triumph in order to sustain stability and profitability. Innovation is the key to staying competitive in this fast-paced business world. So, the Bank institute technological advancement in its product development and business strategies. To keep up in the world of innovation, the Bank prioritized to invest in technology to improve its system, strengthen cyber security and develop digitized loan application and processing for efficient operation.

We value personalized banking and the Bank will continue to adapt a client relationship that is strengthened by technology and warmth of human touch.

EBI depicts its operational and financial goals to infinity and beyond just like the cover represent. This is a manifestation of our persistent effort to provide every household an innovative financial product and services to improve their well-being and secure economic stability and security.

BRINGING IDEAS AND INNOVATION
TO LIFE THROUGH TECHONOLOGY

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

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

03 Strive to offer the highest quality service 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) is guided by its mission and vision in defining its direction for the future. EBI aims to broaden its reach while remaining committed to serve small entrepreneurs, thus contributing to the devepment 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 regulations.

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.

- Digitial 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

Mr. Roberto F. Salazar
President/CEO

Forty-seven years ago, May 10, 1976, our Chairman Emeritus, Mr. Ignacito U. Alvizo founded the New Rural Bank of Lianga, Inc. (NRBL) together with other local investors coming from Lianga, Surigao del Sur as a community-based rural bank serving the needs of the locality. Forty-seven years after, Enterprise Bank, Inc. (formerly known as NRBL) has established itself to become a compelling financial provider that has made a difference and improved the lives of thousand of households in Mindanao and Visayas. EBI has grown from one-community bank to 29 networks of branches within Mindanao and Visayas and serving more than one-hundred twenty thousand households. EBI has grown into a three-billion Bank from a single unit-bank and this will not be possible without the continued trust and support of all of the shareholders of the Bank.

2023, is the year for recovery for all banks and EBI is among those Banks that exhibits greatest resilience amidst the huge effect brought by the pandemic. With the new normal, we have reprojected, refocus and created new strategies to attuned ourselves with the new business trend in the banking industry. “Banking that includes you”, is our commitment to all our clients and this become our drive to do our best to deliver personalized services according to the banking needs of all our clienteles. And with this philosophy, the Bank was able to thrive with flying colors enabling to expand its outreach and extend financial banking services in the Visayas region.

As we work as one, year 2023 was also one of the greatest years for Enterprise Bank. The Bank's income reached P62.7 million mainly due to robust interest income and lower credit provision. Thus, the Bank's return on average equity in 2023 reached 10.97%.

With the increased trust and confidence of our depositors, we were able to boost our deposit portfolio by 13.76% for 2023.

On the operational side, the Bank took steps in streamlining the business processes and simplify workflows and operations. The Bank continues to enhance its credit practices to be able to deliver fast and reliable services to our clienteles.

For improved business operations, the Bank focused in IT infrastructure development. The Bank upgraded its network and firewall devices for increased security of our data and efficient monitoring of network downtimes. We also provided branches with two internet connectivity to lessen connectivity downtime and upgraded the data core network switch for faster and better performance. We aimed to be one of the preferred Bank in the Philippines so the Bank employed technological advancement and innovations to prepare the Bank for its future growth and development.

Our aim is to give our customer a fruitful banking experience. The Bank enhanced its branding by creating and promoting one EBI identity. Branches were renovated with one set-up design internally and externally and some were relocated to a better location for improved service to customers. Our satisfied customers are our greatest asset and we always see to it that every customer coming out from our bank wear a smile on their faces. Happy faces of the clients entail our success in achieving our business goals and objectives.

In behalf of the EBI board of directors and EBI Kabanays, I would like to express my profound appreciation to our customers, shareholders, business partners and all stakeholders for the continued support, trust and confidence to Enterprise Bank. We ensure that all your unwavering support and dedication will drive us to strive harder for greater success and together we will continue to grow as one.

ROBERTO F. SALAZAR
President and CEO

FINANCIAL AND OPERATING HIGHLIGHTS

Minimum Required Data	2023	2022
Profitability		
Total Net Interest Income	255,917,861	219,729,149
Total Non-Interest Income	107,541,913	148,873,013
Total Non-Interest Expenses	300,660,330	271,283,087
Pre-Provision Profit	62,799,444	97,319,075
Allowance for credit losses	0.00	5,590,499
Net Income	62,799,444	91,728,576
Select Balance Sheet Data		
Liquid Assets	784,617,289	546,629,429
Gross Loans	2,213,671,140	2,275,391,487
Total Assets	3,304,794,808	2,864,078,500
Deposits	2,723,370,858	2,393,835,499
Total Equity	263,612,284	220,888,044
Selected Ratios		
Return on equity	10.97%	40.11%
Return on assets	0.86%	2.68%
Capital Adequacy Ratio	10.19%	9.20%
Net Income per share:		
Basic	6.67	19.40
Diluted	6.67	19.40
Others		
Headcount	271	270
Officers	13	11
Staff	258	259

REVIEW OF OPERATIONS

FINANCIAL PERFORMANCE

2023 is the road to recovery for any banking institution in the Philippines. It is the time wherein banking operation is slowly transitioning to pre-COVID pandemic level and like any other financial institutions EBI have so far demonstrated the greatest resilience to the economic effects of COVID-19.

In 2023, enterprise loan grow extensively as the Bank was able to take advantage to assist thriving entrepreneurs to recover operationally that was being affected by the pandemic. Moreover, the Bank was able to maintain the level of its consumer loan portfolio and able to manage portfolio growth into its desired level to balance risk exposures.

Consumer loan portfolio of the Bank under account management was maintained at P1.66 billion and enterprise loan portfolio increase from P349.88 million to P413.04 million. Total assets increase by 15% from P2.86 billion to P3.30 billion. Due to Bank's increased branding and reliability, deposits registered a 13.76% increase from P2.39 billion to P2.72 billion. For 2023, EBI posted an income of P62.79 million.

EBI continue to fulfill its vision to be a strong regional Bank by providing high quality financial product and services to promote and encourage entrepreneurship in the countryside to uplift their economic well-being.

2023 ACHIEVEMENTS

P3.30 billion
Total Assets

P2.72 billion
Total Deposits

P2.21 billion
Total Loans

P263.61 million
Total Equity

REVIEW OF OPERATIONS

OPERATIONAL HIGHLIGHTS

LENDING

Growth in lending operation in 2023 focuses in secured loans while maintaining the level of the unsecured loans thus, consumer loan portfolio under account management was maintained at P1.66 billion. Meanwhile, Enterprise Loans grew by 18% from P349.88 million to P413.04 million. Non-performing loans decline from P367.04 million in 2022 to P264.42 million in 2023.

3.87%
Increase in Total Loans

18%
Increase in Enterprise Loans

28%
Decrease in Non-Performing Loans

CONSUMER LOANS

In 2023, the Bank strategically managed its consumer loan portfolio, maintaining it at P1.66 billion. This focus aligned with its goal of emphasizing collateralized loans to balance risk and enhance asset quality. Specifically, the Automatic Payroll Deduction System (APDS) loan portfolio grew from P668.11 million in 2022 to P685.62 million in 2023. This increase was largely driven by extending the loan term for salary loans to DepEd employees from three years to five years, which significantly boosted the APDS portfolio.

However, the Bank faced challenges with its Non-APDS loans, resulting in a decrease in this segment of the portfolio. Challenges included issues such as blocked ATMs, auto-debiting by other financial institutions, online fund transfers, and instances of borrowers resigning due to working abroad. To address these challenges, the Bank adopted targeted customer selection by area when extending ATM loans to new borrowers. Additionally, it pursued legal actions, including filing criminal cases against borrowers engaged in fraud or document falsification.

Despite these challenges, the Bank successfully maintained its consumer loan portfolio at the desired level while keeping non-performing loans in check. This strategic approach underscores the Bank's commitment to prudent risk management and maintaining asset quality amidst evolving market conditions.

SME LOANS

In 2023, increase in portfolio is geared toward collateralized loan secured by real estate mortgage and chattel mortgages to enhance asset quality. Enterprise loans (EL) increase from P349.88 million in 2022 to P413.04 million in 2023. Increase in sales productivity was focused on targeted customer selection that was supported by credit policy enhancement and credit practices. Deployment of seasoned account officers to branches in key cities within Visayas and Mindanao also provided a boost in Enterprise loan portfolio growth.

Moreover, with the increasing Enterprise Loan Portfolio of the Bank, EBI centralized its enterprise lending operation and establish regionalized lending centers in Visayas and Mindanao in the last quarter of the year with the purpose of streamlining the business processes and operations of the enterprise lending. Visayas Enterprise Lending Office was being established in Mandaue, Cebu last October 2023 to provide an exclusive office to cater the needs and provide assistance to the existing and future SME loan borrowers of the Bank. With this initiative, the Bank was able to improve its turn-around time and able to achieve efficiency in its enterprise loan operations.

2023 is the year for recovery of most businesses in the country thus, some of the clients of Bank is still thriving in its operations. The Bank implemented some strategies to help alleviate the aftermath of the pandemic for those businesses to sustain their operations. The Bank provided financial literacy and education for sustainable business development.

On the other hand, the Bank was able to manage its past due level due to enhanced collection mechanism and stronger collection efforts brought by our Collection Department and Legal Department.

REVIEW OF OPERATIONS

OPERATIONAL HIGHLIGHTS

DEPOSIT TAKING

In 2023, the Bank focuses in enhancing its corporate branding by establishing visual identity of branches and embarking into digital marketing. With the continued trust and confidence of the clienteles, the Bank was able to generate deposits of P2.72 billion from P2.39 billion in 2022 wherein total number of deposit accounts increased to 120,298 from 117,607 in 2022. Increased number of POS terminal deployed to select clients also contributed to the improvement of the Bank's CASA outstanding balance.

EBI will open ten (10) new branches for the next three (3) years to extend our reach to those unbanked and unserved areas and stimulate economic activity in the community by providing high quality deposit and lending services. The Bank is committed to promote savings consciousness and provide innovative financial products and services to MSME's to uplift their well being and provide economic growth and development.

BRANCH OPERATIONS

P2.72 billion
Total Deposits

13.76%
Increase in Total Deposits

29
Total Number of Branches

22
Total Number of ATMs

TREASURY

In 2023, EBI focuses in funding the growing portfolio from deposit generation to provide a reasonable cost to our clienteles. Increase is deposits is brought by the competitive pricing offered to clients and this developed loyalty from existing clients and garnered new clients referred by our satisfied depositors. Excess funds of the Bank being invested to high-yielding government securities. Our Treasury operations provided additional income from its investment operations of P11.8 million in 2023.

For 2024, the Bank will focus on CASA and TD generation through referral programs, targeted promotions, digital engagement and community partnership to fund the Bank's loan expansion. Moreover, the Bank will continue to utilize its investment portfolio to generate income to support the other Bank's programs and initiatives.

REVIEW OF OPERATIONS

OPERATIONAL HIGHLIGHTS

MANPOWER AND ORGANIZATION

In 2023, total workforce of the Bank is 271. Increase in number of employees is brought by the objective of the Bank to deploy designated consumer loan account officers to all branches and enterprise loan account officers to key cities in Mindanao and Visayas. At the same time to maintain a good asset quality, the Bank deployed collection associates to select branches that contributed to the increase in the Bank's number of employees.

On the other hand, recruitment of talent employees remained to be challenging as the Bank unique structure requires skills and talents that are not readily available in the market. Moreover, with the influx of work opportunities in the market and the booming virtual work opportunities has driven the Bank to hire outside the industry and entails extensive trainings of new hires to adapt and develop skills appropriate in a highly regulated work environment.

Mental and physical health was also given priority by the Bank in 2023. EBI continued its annual physical examination as a means of monitoring the health status of the employees and provide immediate assistance and proper intervention if necessary. The Bank also employed wellness programs and physical activities to improve mental health of employees to enhance productivity, reduce absenteeism, improve creativity, entail positive company culture and improve work-life balance.

VISION FOR THE FUTURE

EBI will continue to adhere in its mandate to provide innovative financial products and services to small and medium sized enterprises and to members of low income groups to improve their economic well being. On the other hand, as a means of extending savings consciousness, EBI is geared to expand its network of branches in Visayas and Mindanao for the next five years. EBIRB will continuously enhance its operating and credit policies and procedures and further develop products that are customized to the needs and demands of the clients. The Bank will further explore digital innovations and technology solutions through unified payment interface, adoption of cloud technology, net banking, E-Banking and mobile banking to improve client access, increase productivity and reduce financing cost.

And above all, the Bank will continue to provide excellent customer service and engage into fruitful partnerships with our future and new clienteles to build-up trust and loyalty to promote operational sustainability and viability.

RISK MANAGEMENT FRAMEWORK

Enterprise Bank believe that risk is an inherent aspect of operations in a banking institution. Therefore, it is imperative for the Bank to 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 safeguarding the interests of the stakeholders. Thus, EBI adopts an effective risk management practice to stay committed to comply with the regulatory guidelines and legislative framework in mitigating the various risks inherent risk in Banks thereby enhancing 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 handles 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 managed. The Board oversight approves the RM Framework of the Bank, as well as, the RM policies and procedures and other forms of controls proposed to manage the risks.

At the Management Level, the President of EBI acts as the comprehensive risk officer that sets the risk priorities of the Bank and aligns business and risk strategies. Specific risks are mapped with the proper management committees. The Executive Committee provides general oversight of the strategic and business risks of EBI. The Asset-Liability Committee provides risk oversight in balancing the Bank's financial assets, ensuring a sound mix of assets and liabilities. The Management Committee ensures the smooth implementation of EBI's plans and programs and oversees operational risks. These committees provide recommendations and valuable inputs to the President 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 acts as the coordinating office that supports the Executive Committee and collects, analyses and prepares risk reports. The RMO is likewise tasked with the responsibility of enforcing risk policies and limits, reporting risk exposures, measuring risks, validating risk management strategies and ensuring that the culture of risk is ingrained in the entire 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 in 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, Three Lines of Defense) 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

First Line of Defense: OPERATIONAL MANAGEMENT	Second Line of Defense: RISK MANAGEMENT/COMPLIANCE	Third Line of Defense: INTERNAL AUDIT
• Functions that own and manage risks • Day to day ownership and management of risks and control	• Functions that oversee risks • Continuously monitors control system	• Functions that provide independent assurance

Figure 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.

A. First Line of Defense
This is a function that owns and manage risks. These are Bank employees assigned in branches, other business units and Support Departments. As the First Line of Defense, they must ensure the effective management of risks within the scope of their direct organizational responsibilities. Their First Line operational risk management responsibilities must be 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 must be integrated into the day-to- day activities of every business and operating unit in the Bank. This process also includes effective implementation and adherence to the Bank’s RM policy and embedding its prescribed standards in the execution of their duties.

First Line process owner 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 Incident
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 is assigned to a First Line Owner. This emphasizes clear accountability for the processes, risks and the effectiveness of controls.

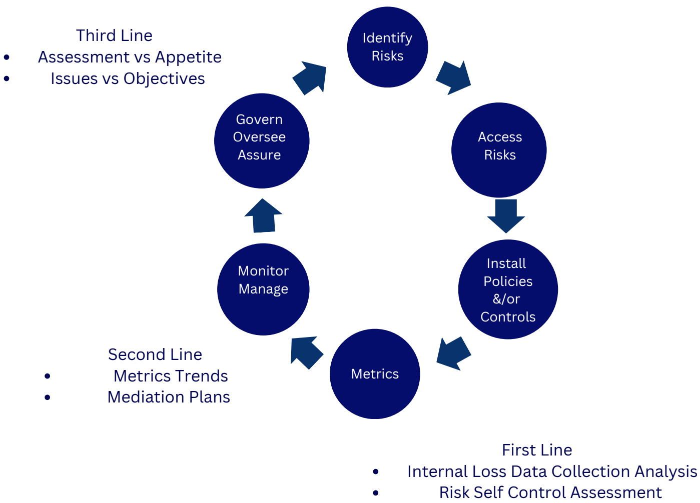
B. Second Line of Defense
The Second Line of Defense are the support units with functions that essentially oversee or who specialize in compliance or the management of risk and challenge the effectiveness of controls, and independent of the income generating functions to ensure that the necessary balance 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.

C. 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 assessment of the suitability of the governance structure and overall operational risk management system, and reports the assessment results to the Board of Directors through the Audit, Risk and Compliance Committee (ARCCo).

The adapted 3 Lines of Defense of the Bank was aligned in the objectives and conditions of the Bank. Specific roles and processes are assigned appropriately to each line of defense to promote structured communication and collaboration for a more effective risk management practices.

EBI’s Operational Risk Management System



First Line
- Detailed and Iterative Exercise
- Periodic Revisit with Metrics
- Informed by Any Actual Issues and Events

Second Line
- Based on Impact and Probability
- Risk Level and Potential Losses
- Context=Risk Appetite

Third Line
- Require and implement policies and procedures
- Reflect and How of Business
- Calibration for Balance vs Risk Appetite

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 shall be 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 shall directly report 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 shall be 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 shall conduct an independent assessment of the bank's compliance with several 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 shouldbe 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 iterative process of identifying, analyzing, measuring, controlling and monitoring risks. It 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 toa high degree of compliance with relevant regulations as well as its internal policies and procedures.

Implementing Strategies

- The Bank shall take calculated risks in order to abide by regulatory requirements and serve its shareholders and maintain a Capital Adequacy Ratio of above 10%.
- The Bank shall sustain its profitability in order to pursue its social responsibility and attain its annual Return on Equity set in the approved operations plan.
- The Bank shall effectively and efficiently manage and allocate its resources in order to realize the Return on Assets set in the approved operations plan.
- The bank shall maintain a liquidity ratio of at least 20% and to maintain liquidity ratio above the minimum liquidity ratio required by BSP to ensure Bank's obligations is meet.
- The Bank shall effectively implement 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.

EBI Risk Appetite Threshold

Level	Description
Above 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.

- The Bank shall create an organizational climate that promotes professionalism, nurtures talents and provides opportunities for professional growth and security.
- The Bank shall develop IT systems that will facilitate the delivery of products and services to its target clients, as well as, achieve process efficiencies.

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 and 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 RM monitoring, the risk reporting process is designed/re- designed, modified or enhanced.

The Risk Management Office of EBI shall be 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 shall be 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 STUCTURE 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:

	Amount (in millions)
Tier 1 Capital	185.65
Tier 2 Capital	133.88
Total Qualifying Capital	**319.53**
Capital Requirement for Credit Risk	271.77
Capital Requirement for Market Risk	0.00
Capital Requirement for Operational Risk	41.77
Total CAR (%)	**10.19%**
Tier 1 CAR	**5.92%**

Breakdown of Qualifying Capital (in millions)	Tier 1	Tier 2	Total
Core Capital	**297.54**	**133.88**	**431.42**
- Paid up Common Stock	400.00	0.00	400.00
-Deposit for Common Stock Subscription	0.00	0.00	0.00
- Retained Earnings	(165.25)	0.00	(165.25)
- Undivided Profits	62.79	0.00	62.79
- Paid up Perpetual and Cumulative Preferred Stock	0.00	0.00	0.00
- Paid up limited life redeemable preferred stock with the replacement upon redemption	0.00	114.80	114.80
- General loan loss provision	0.00	19.08	19.08
- Unsecured Subordinated Debt	0.00	0.00	0.00
Deductions	**111.89**	**0.00**	**111.89**
- Deferred Tax Asset	105.63	0.00	105.63
- Un-booked Valuation Reserves	0.00	0.00	0.00
-Gooodwill	2.95	0.00	2.95
-Intangible Assets	3.31	0.00	3.31
- Unsecured Loans to DOSRI	0.00	0.00	0.00
- Total Operational Risk-weighted Assets	0.00	0.00	0.00
Total Qualifying Capital	**185.65**	**133.88**	**319.53**

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 was 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. (the Bank). 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's Over-all Responsibility

EBI's Board of Directors sets the overall policies and strategic directions of the Bank, which will guide 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 soundess, 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	Continuous ly devote time and attention as necessary for the discharge of his/her duties and responsibili tes; and,	Conduct fair business transaction s 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 must be a Filipino and non-Filipino citizens, at least at least 25 years old at the time of election or appointment; and physically and mentally fit to discharge their functions. No individual shall be 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 o related interests during the past three (3) years counted from the date of his election. 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 hank, 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 shall be 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. To provide leadership in the Board of Directors. The chairman of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members.
2. To ensure that the board takes an informed decision. The chairman of the board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process

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 2023, the board held a total of nine (9) meetings: four (4) regular meetings and five (5) 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 Meeting's Attendance	
					Jan-Dec 2023	
Richard M. Rodriguez	Non-Executive	7	233,242	5.83%	9/9	100%
Roberto F. Salazar	Executive	3	746	0.02%	9/9	100%
Maximino A. Salang, Jr.	Non-Executive	16	450,171	11.25%	9/9	100%
Atty. Ronald E. Alvizo	Non-Executive	5	14,636	0.37%	9/9	100%
Alberto P. Capati	Non-Executive	9	261,879	6.55%	9/9	100%
Lung Fai Chan	Non-Executive	6	304,070	7.60%	9/9	100%
Emerson DC Sta. Ana	Independent	1	1	0.00%	9/9	100%

Renumeration

Enterprise Bank Inc.'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 shall be fixed by the Board of Directors in accordance with such rules and regulations as the Monetary Board may prescribe. The Bank will pay for the actual travel expenses incurred by the non-Filipino directors to attend board meetings in an amount not exceeding USD35,000 per year or as may be prescribed by the board under prevailing circumstances.

The Bank shall 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 was 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.

THE BOARD OF DIRECTORS

RICHARD M. RODRIGUEZ, CHAIRMAN OF THE BOARD		
AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
49	Filipino	7
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 Chairman of the Board-May 19, 2021	
DIRECTORSHIPS IN OTHER COMPANIES		
Fastway Construction, Fastway Finance		

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS	BSP AND OTHER TRAININGS ATTENDED
Royal Colleges of Science and Management, Administrator Salazar Colleges, Professor	Rural Bank of Ronda-President/Director Merchant Bank-Branch Head Insular Savings Bank-CL Head	Management Training Program Seminar on Corporate Governance

ROBERTO F. SALAZAR, DIRECTOR		
AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
55	Filipino	3
EDUCATION	DATE OF FIRST APPOINTMENT	
BS Accountancy, Notre Dame of Marbel College	Director-May 26, 2020	
DIRECTORSHIPS IN OTHER COMPANIES		
None		

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS	BSP AND OTHER TRAININGS ATTENDED
None	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-Wealth Development Bank	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

THE BOARD OF DIRECTORS

MAXIMINO A. SALANG, JR., DIRECTOR		
AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
69	Filipino	16
EDUCATION	DATE OF FIRST APPOINTMENT	
BSBA Marketing, Southwestern University	Director-February 13, 2007	
DIRECTORSHIPS IN OTHER COMPANIES		
Tagdecor Chemwood		

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS	BSP AND OTHER TRAININGS ATTENDED
Maxan Construction and Trucking Services, Inc-President/Stockholder	Sales Specialist-ASSITCO-Cebu Sales Specialist-BORMAHECO Hauling Manager-FUTS/GSTS Trucking	Corporate Governance and Risk Management, Basic Rural Banking Course

RONALD E. ALVIZO, VICE-CHAIRMAN		
AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
56	Filipino	5
EDUCATION	DATE OF FIRST APPOINTMENT	
BS Economics, University of Mindanao Bachelor of Laws, Ateneo de Davao University	Director-June 25, 2018-May 19, 2021 Vice-Chairman-May 18, 2022	
DIRECTORSHIPS IN OTHER COMPANIES		
None		

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS	BSP AND OTHER TRAININGS ATTENDED
Alvizo Ronoco & Alvizo Law Office-Managing Partner	General Manager/President and CEO-Enterprise Bank, Inc. Director-Rural Bankers Association of the Philippines President-CARAGA Rural Bankers Federation Director-Mindanao Microfinance Council	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

THE BOARD OF DIRECTORS

ALBERTO P. CAPATI, DIRECTOR		
AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
72	Filipino	9
EDUCATION	DATE OF FIRST APPOINTMENT	
AB General Studies, Ateneo de Manila University MBA, De Lasalle University Diploma on Regional Industrial Development, Research Institute for Management Science (Netherlands)	Director-May 10, 2014	
DIRECTORSHIPS IN OTHER COMPANIES		
None		

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS	BSP AND OTHER TRAININGS ATTENDED
None	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	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

THE BOARD OF DIRECTORS

LUNG FAI CHAN, DIRECTOR		
AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
63	Filipino	6
EDUCATION	DATE OF FIRST APPOINTMENT	
Architecture, University of Sto. Tomas	May 6, 2017	
DIRECTORSHIPS IN OTHER COMPANIES		
None		

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS	BSP AND OTHER TRAININGS ATTENDED
Lam-an Candle Factory-Owner JKC Food Products-Owner Fongson Consumer Products Corp.-President	None	Corporate Governance for Rural Bank Directors

EMERSON DC STA. ANA, INDEPENDENT DIRECTOR		
AGE	NATIONALITY	NO. OF YEARS SERVED AS DIRECTOR
48	Filipino	1
EDUCATION	DATE OF FIRST APPOINTMENT	
BA Public Adminstration, UP Diliman Certificate in Business Economics, University of the Asia and the Paciific	May 18, 2022	
DIRECTORSHIPS IN OTHER COMPANIES		
None		

OTHER CURRENT POSITIONS	OTHER PREVIOUS POSITIONS	BSP AND OTHER TRAININGS ATTENDED
Saleslink Sources Corporation, President/Stockholder	Commercial Lending Division Head-Wealth Development Bank First Vice-President-Bank of Makati Vice-President-Asia Trust Development Bank Senior Assistant Manager-Planters Development Bank	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

BOARD COMMITTEES

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

A. Audit, Risk and Compliance Committee (ARRCo)

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Emerson DC. 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 shall meet once a 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:

- Supervision over 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;
- Establish and maintain 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;
- Implement independent investigation, appropriate follow-up action, and subsequent resolution of complaints;
- Assess the organizational structure and staffing of the Internal Audit, Risk Management Office and Compliance Department, subject to the Bank's guidelines.

B. Related Party Transactions Committee (RPT)

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Emerson DC Sta. Ana	Chairman, Inpedendent 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:

- Evaluate 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;
- Evaluate 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;
- Approve all related party transaction that falls below the materiality threshold, however, all approval made by RPT Committee is subject to BOD confirmation;
- Ensure 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;
- Report 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;
- Ensure that transactions with related parties, including the write-off of exposures, are subject to periodic independent review or audit process; and,
- Oversee 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 company. 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.

Material Related Party Transactions are specified in the Bank's 2022 Audited Financial Statement under Note 19 of the Notes to the Financial Statements.

C. Asset and Liability Committee (ALCO)

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Richard M. Rodriguez	Chairman, Non-executive Director	12/12	100%
Atty. Ronald E. Alvizo	Member, Non-executive Director	12/12	100%
Alberto P. Capati	Member, Non-executive Director	12/12	100%
Roberto F. Salazar	Member, 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:

- Ensure 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;
- Review and discuss 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,
- Approve 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:

- a) Reviews the current and prospective liquidity positions and monitor alternative funding sources;
- b) Reviews measurement reports on various risks that can be measured with a reasonable degree of effort. Compare simulated exposures of these risks to policy limits;
- c) Discusses and reports on the impact of major funding shifts and changes in overall investment and lending strategies;
- d) 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,
- e) 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:

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

In terms of other risks, ALCo's duties are to:

a) Perform 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
b) Coordinate 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 shall:

a) Review actual net interest income and asset/liability distributions versus budget;
b) Measure performance against established standards and, if appropriate, against peer group data;
c) Review the level and makeup of non-earning assets and,
d) Review 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.

D. Executive Committee (EXECOM)

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Roberto F. Salazar	Chairman, Executive Director	12/12	100%
Richard M. Rodriguez	Member, Non-executive Director	12/12	100%
Atty. Ronald E. Alvizo	Member, Non-executive Director	12/12	100%
Alberto P. Capati	Member, Non-executive Director	12/12	100%
Total Number of Meetings		**12**	

The EXECOM is a core group of officers of the Bank given authority 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.

E. Credit Committee (CRECOM)

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Roberto F. Salazar	Chairman, Executive Director	11/11	100%
Richard M. Rodriguez	Member, Non-executive Director	11/11	100%
Atty. Ronald E. Alvizo	Member, Non-executive Director	11/11	100%
Alberto P. Capati	Member, Non-executive Director	11/11	100%
Total Number of Meetings		**11**	

The CreCom shall meet frequently as necessary and acting as a long committee, shall process, scrutinize, and recommend the approval or rejection of applications for loans. No loan shall be made unless the application has received the unanimous approval of the qualified membership of the CreCom present at the meeting at which such action is taken and provided further that no loan shall be granted in violation of the Thrift Banks Act and implementing rules and regulations approved by the Monetary Board. The committee shall meet at least once a month.

The Credit Committee is primarily responsible for the following:

- Design and recommend 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;
- Establish 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 agree on the maximum concentration attributed to the physical location, industry, or even by product. The Board CreCom should 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;
- Seek 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;
- Establish 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 should specify the grounds for the recommended rates. The CreCom shall possess adequate knowledge in the pricing of loans given the financial costs, the inherent credit risks, and the desired spread. It shall secure information from the Asset and Liability Committee (ALCo) through the Treasury Department on the existing funding costs as the determinant in setting the floor prices of loan products. The Board CreCom must be 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;

- Require 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;
- Monitor regularly the past due accounts and evaluating 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 shall be 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 must be updated on the ever-changing current market conditions, its challenges, and how it would affect the bank's risk exposure.

F. Information Technology Steering Committee (ITSC)

Name of Directors	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 Finance Officer	6/6	100%
Gilbert D. Yu	Member, Chief Operations Officer	6/6	100%
Total Number of Meetings		**6**	

The IT Steering Committee monitors IT performance and institute 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:

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

THE SENIOR MANAGEMENT

ROBERTO F. SALAZAR, CPA, PRESIDENT AND CEO		
AGE	NATIONALITY	YEARS IN SERVICE
55	Filipino	3
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 maximized 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.

GILBERT D. YU, CHIEF OPERATIONS OFFICER/CORPORATE SECRETARY		
AGE	NATIONALITY	YEARS IN SERVICE
54	Filipino	7
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. Temporarily 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.

JOY G. POLITICO, CPA, CHIEF FINANCIAL OFFICER		
AGE	**NATIONALITY**	**YEARS IN SERVICE**
47	Filipino	11
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.

GLADYS MAE HONQUILADA, HUMAN RESOURCE MGT. AND DEV'T. HEAD		
AGE	**NATIONALITY**	**YEARS IN SERVICE**
31	Filipino	4
EDUCATION	**OTHER PREVIOUS EMPLOYMENT**	
BA in Psychology, University of Immaculate Concepcion	HR Generalist, SM Lanang Premier Home HR Area Supervisor/Recruitment Head/DC HR Head, Citihardware	

PROFILE

She has been in the Human Resources field for 10 years with all-embracing experience in training, organizational behavior and specializes in consultative support for organizational planning, training design, development and recruitment areas. Ms. Honquilada joined Enterprise Bank, Inc. on October 1, 2019 as HR Manager then promoted to HRMD Head on September 1, 2020. With her expertise in the field of Human Resource Development she was able to contribute in the development of the training program and developmental activities of the Bank. She pursued and initiated the ranking re-alignment of all personnel and conducted yearly monitoring of the employees benefits and compensation. Her diligence and hardwork to improve the welfare of the employees is an example of an exemplary Human Resource practitioner.

MARK LOUIE S. SALINAS, RETAIL BANKING GROUP HEAD

AGE	NATIONALITY	YEARS IN SERVICE
44	Filipino	21

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BS in Computer Engineering, University of San Jose Recoletos, 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.

CRISANTO P. TENIO, CREDIT DEPARTMENT HEAD

AGE	NATIONALITY	YEARS IN SERVICE
44	Filipino	3

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.

LEOHMAR G. ANGELIA, COLLECTION DEPARTMENT HEAD

AGE	NATIONALITY	YEARS IN SERVICE
40	Filipino	2

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 15 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.

ATTY. JOSEPH P. REYES, LEGAL COUNSEL

AGE	NATIONALITY	YEARS IN SERVICE
31	Filipino	1

EDUCATION	OTHER PREVIOUS EMPLOYMENT
Bachelor of Arts Major in Mass Communication, Ateneo de Davao Univ. Bachelor of Laws, Jose Maria College of Law	Paralegal, Leverage Recovery, Yonkers, New York City, USA Paralegal, Gaisano Mall of Davao Customer Support, Convergys MDC Libis Philippines Technical Support Specialist, Sutherland Global Services, Dvo Technical Adviser on Political Affairs, Office of Councilor Zozobrado Administrative Legal Assistant, Sangguniang Panglungsod, Davao City

PROFILE

Atty. Reyes serves as the Legal counsel of the Bank for almost a year but during his leadership, the Bank was able to successfully work-out almost all of its pending cases. He also has given beneficial advises to EBI in terms of legal opinions and legal actions of the Bank specifically on collections for past due on consumer loans and enterprise loans. Atty. Reyes also represented the Bank to all of the legal cases and has gained successes in terms of closure and judgement in favor of Enterprise Bank. His contributions to the efficiency and effectivity of the Legal Department has contributed hugely in the Bank's business processes and likewise profitability.

REYMON R. EREZO, RISK MANAGEMENT HEAD

AGE	NATIONALITY	YEARS IN SERVICE
43	Filipino	9

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.

DEOGRACIAS A. RAMOS, JR., VISAYAS ENTERPRISE LENDING GROUP HEAD

AGE	NATIONALITY	YEARS IN SERVICE
60	Filipino	3

EDUCATION	OTHER PREVIOUS EMPLOYMENT
BS in Commerce Major in Accounting, University of San Carlos, Cebu	Senior Account Officer/Unit Head for Commercial Loans-Wealth Development Bank Account Officer (CL)-Allied Banking Corp. Account Officer (EL)-Philippine National Bank Marketing Assistant/Collection Assistant/Credit Investigator-BPI Family Bank

PROFILE

Mr. Ramos has 37 years of banking experience gained from BPI Family Bank, Philippine Savings Bank, Allied Banking Corporation, and Wealth Development Bank. Mr. Ramos joined EBI on May 2021, as EL Lending Head bankwide. In 2023, Mr. Ramos was locally deployed in Cebu as Visayas Lending Group Head to focus primarily in the marketing and portfolio increase of the enterprise loan portfolio in the Visayas area. With his extensive experience in Enterprise Lending, Mr. Ramos has made remarkable contribution to the increase in the Enterprise Loan portfolio of the Bank to P415 million in 2023.

JULIETA L. MIRANDA, SURIGAO AND NORTHMIN AREA HEAD		
AGE	NATIONALITY	YEARS IN SERVICE
47	Filipino	24
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 24 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.

SATURTINO DJ LAPINING, VISAYAS AREA HEAD		
AGE	NATIONALITY	YEARS IN SERVICE
47	Filipino	3
EDUCATION	OTHER PREVIOUS EMPLOYMENT	
BS in Electrical Education, MSU IIT, Iligan City	Group Head-Consumer Lending, Wealth Development Bank	

PROFILE

Mr. Lapinig's career is entirely in the banking industry for more than 20 years, mostly in the loans and operations. Before he joined Enterprise Bank, he serves as the Group Head of the Consumer Lending in Visayas Area in Wealth Development Bank. He currently heads the branches located in the Visayas Area specifically in Mandaue, Talisay, Ronda, Tacloban, Ilo-ilo and Bacolod.

NOEL E. CABRERA, SOUTH CENTRAL AREA HEAD		
AGE	NATIONALITY	YEARS IN SERVICE
43	Filipino	22
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.

ARTHUR JOHN O. LUGTU, CPA, COMPLIANCE DEPARTMENT HEAD

AGE	NATIONALITY	YEARS IN SERVICE
64	Filipino	2

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.

IAN Y. CAANGAY, AUDIT HEAD

AGE	NATIONALITY	YEARS IN SERVICE
44	Filipino	16

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.

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 2023, 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:

1.Levels 1-4: Rank and File
2.Level 5-6: Supervisory
3.Levels 7-10: Managerial
4.Levels 11-13: Executives
5.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:
a. Short-Term Succession Plan: Temporary or Unplanned Absence
b. Long-term/Permanent Succession Plan: Resignation, Retirement, Termination and Death and:
c. 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.

NURTURING OUR HUMAN RESOURCE

Enterprise Bank is dedicated to nurturing employee well-being while effectively achieving our goals and cultivating a company culture that benefits all employees. Our employees are our greatest assets, and we prioritize motivating everyone to work together, develop strengths, and address any weaknesses. To promote teamwork and wellness, we embed these values in our culture.

In 2023, we successfully held Enterprise Bank's first bowling tournament, attended by all Davao-based employees. This event facilitated connections and bonds among our team members, contributing to a positive employee experience. Rather than fostering competition, it inspired collaboration.

As part of our ongoing commitment, EBI will continue organizing collaborative activities annually to enhance communication and teamwork in pursuit of shared objectives. Together, we strive and succeed as one unified team.

SELF-ASSESSMENT 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—

Address:
The Consumer Assistance Officer
Enterprise Bank, Inc.
Km. 5, Buhangin
8000 Davao City

Landline:
(082) 225-1111 loc. 309

OUR CORPORATE SOCIAL RESPONSIBILITY

Enterprise Bank aimed for social accountability and making an impact on the society. Thus, EBI embrace a mission to yearly contribute to the well-being of the communities and society through environmental and social measures.

In 2023 CSR activity, the Bank turned-over a complete set of sound system to Malalan Elementary School in Carmen, Baguio District, Davao City. The sound system will help equip the school of a technology to be used for their school activity and celebrations.

Aside from the CSR activity, the Bank also provided financial literacy education to all teaching and non-teaching staff of the school.

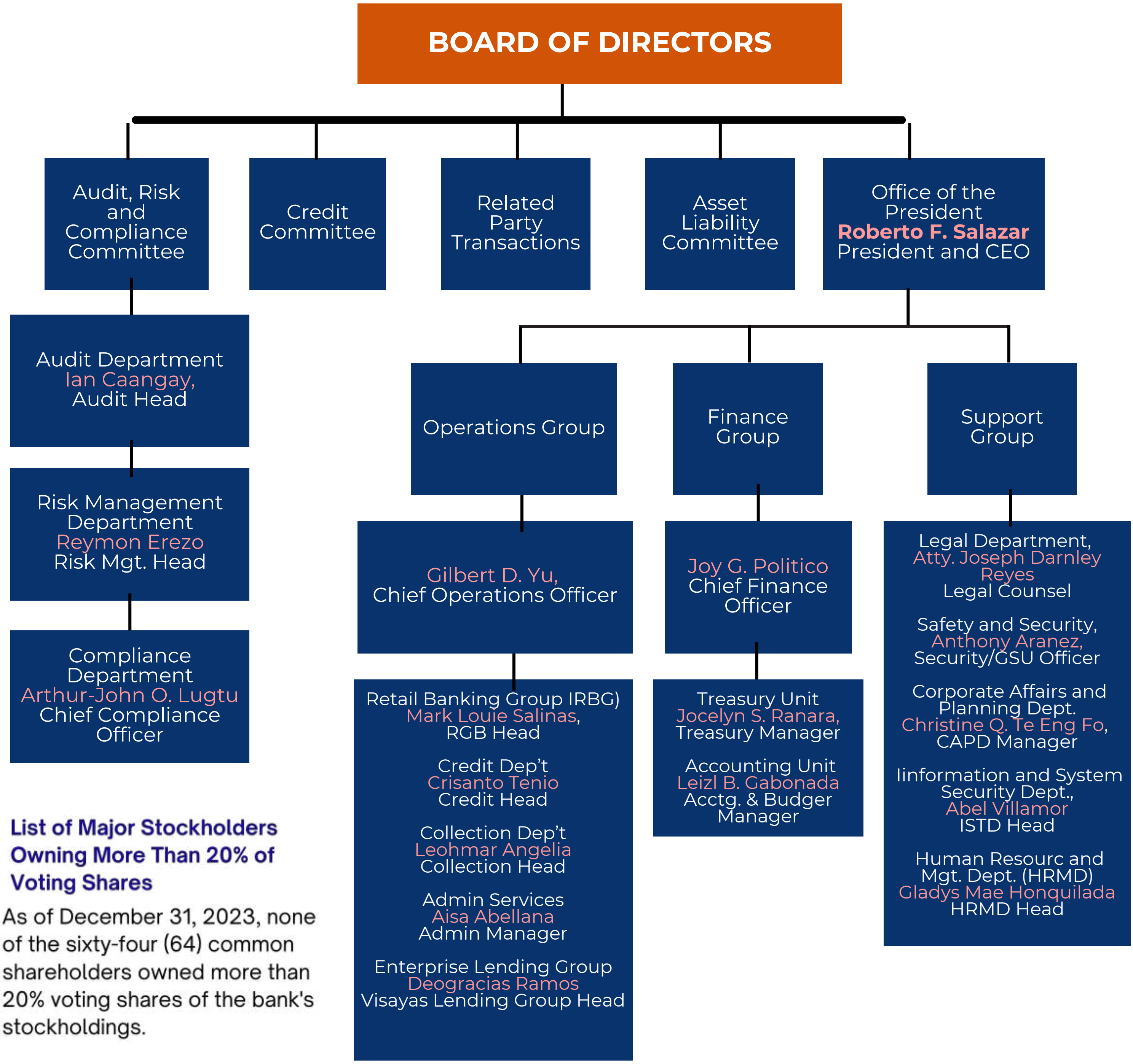
Awareness on the benefits of savings in banks was also cascaded to all learners of the school to introduce as early as possible to them the importance of banking and savings.

The Bank also provided breakfast or snacks to all learners of the school for them to feast on.

The Corporate Social Responsibility is embedded in the DNA of the Bank thus, for 2024 the Bank will again conduct CSR to promote meaningful causes and impact to the society specifically in the rural communities.

CORPORATE INFORMATION

ORGANIZATIONAL STRUCTURE



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

As of December 31, 2023, none of the sixty-four (64) common shareholders owned more than 20% voting shares of the bank's stockholdings.

PRODUCT AND SERVICES

Personal Banking

Basic Savings Deposit

This deposit may come in either passbook or ATM card with NO maintaining balance required. Minimum deposit amount is 100 peso with 0.10% annual interest rate.

TD5 (5-year Time Deposit)

This deposit is supplied with Certificate of Time Deposit with term of 5 years, tax exempt. Minimum deposit required is 500,000 with variable interest depending on amount and term.

Automatic Transfer of Deposit Account

Minimum deposit required for individual account is 5,000 and 10,000 for corporate accounts.

Current/Checking Account

This deposit product is also known as checking or demand deposit. This has minimum required amount of 3,500 for individual and 10,000 for corporate.

Super Checking Account

This account comes in passbook, ATM and check book designed for individual depositors only. Minimum amount of deposit required is 5,000.

Regular Time Deposit

This deposit is supplied with Certificate of Time Deposit with term options of 30, 90, 180, or 360 days. Minimum deposit required is 5,000 with variable interest depending on amount and term.

Super Savings Account

This product comes with a passbook. Interest rate will be incurred if monthly ADB exceeds 300,000 following treasury Bulletin. An additional interest of 0.5% is incurred if no withdrawals made during the month.

PRODUCT AND SERVICES

Loan Products

Enterprise Loans

Secured loan offering for business expansion and purchases related to business operation such as supplies, inventories, equipment, and other fixed assets.

Consumer Loans

Payroll-based consumption loan for government employees.

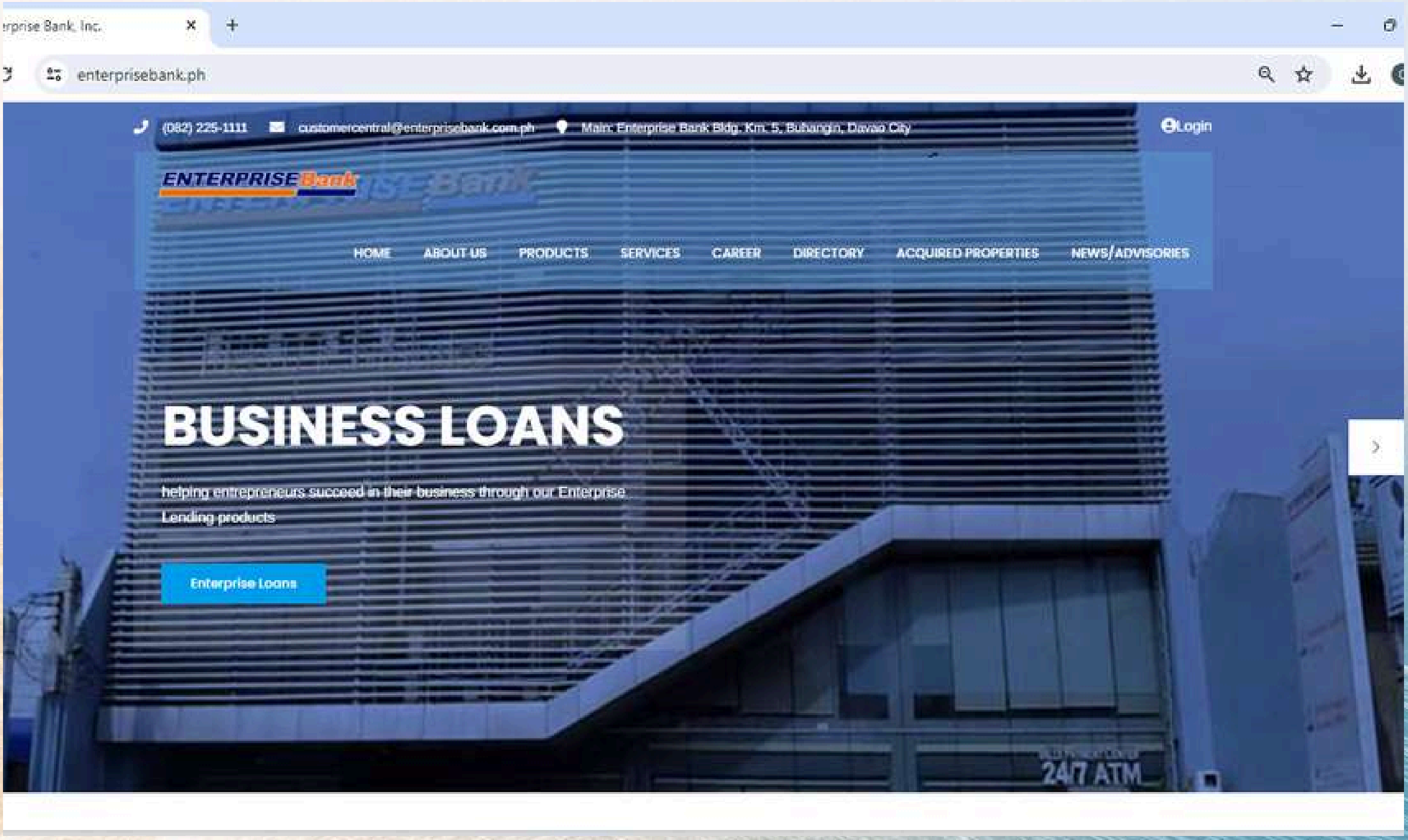
Back-to-back Loans

Hand-out loan granted to existing clients against his/her deposit account with the Bank.

Loans Against ADB on Deposit

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

BANK'S WEBSITE



https://www.enterprisebank.ph/

EBI'S CUSTOMER CARE EMAIL ADDRESS

customercentral@enterprisebank.com.ph

OUR NETWORK OF BRANCHES

KM. 5 BUHANGIN, DAVAO CITY
Head Office

VISAYAS BRANCHES

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

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

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

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
Purok 1,
Nabunturan,
Compostela Valley,
Davao de Oro
(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
Castro Avenue,
Poblacion, Cateel,
Davao Oriental
(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, 2023 AND 2022

And

Report of Independent Auditors

QUILAB & GARSUTA
CERTIFIED PUBLIC ACCOUNTANTS

quilabgarsuta.com

QUILAB & GARSUTA
Certified Public Accountants

Contact Information
2F, Executive Centrum Building, J.R. Borja Street
Cagayan de Oro City, Philippines, 9000
(063) 88-231-6365, 8822-727515
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

Qualified Opinion
We have audited the financial statements of Enterprise Bank, Inc. (A Rural Bank) which comprise the statements of financial position as at December 31, 2023 and 2022, 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 information, collectively referred to a 'financial statements'.

In our opinion, except for the effect 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, 2023 and 2022, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion
As explained in Note 24 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 2022. Had the Bank charged to current operation the additional loss provisions, the Bank's reported profit for the year ended December 31, 2023 will reduce to only ₱34,354,624.

In our report dated April 13, 2023, our opinion on the 2022 financial statements was qualified as being subject to the effects on the 2022 financial statements of such adjustments, if any, as might have been determined to be necessary, had the Bank booked the retirement benefit expense for 2022 of ₱3,202,344. During 2023, the Bank booked in full the required retirement expense provisioning thereby complying with the requirements of PFRSs. Accordingly, our present opinion on the 2022 financial statements, insofar as it pertains to the booking of the provision for retirement benefits, as expressed herein, is different from that expressed in our previous report.

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 19
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:

RICO P. QUILAB
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
46034-SEC Group B, 2020-2024
46034-BSP Group B, 2020-2024
46034-IC Group A, 2020-2024
PTR No. 5864057 A
January 3, 2024
Cagayan de Oro City

April 3, 2024
Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Enterprise Bank, Inc. (A Rural Bank)

December 31,	2023	2022 *(As Restated)* *(Note 24)*	2021 *(As Restated)* *(Note 24)*
ASSETS			
Cash and Cash Equivalents *(Note 5)*	**₱784,617,289**	₱546,629,429	₱582,059,577
Loans and Other Receivables – Net *(Note 6)*	**1,970,703,314**	1,897,159,228	1,480,138,501
Investments in Debt Securities – At Amortized Cost *(Note 7)*	**180,410,691**	44,843,953	46,515,088
Bank Premises, Furniture, Fixtures and Equipment – Net *(Note 8)*	**68,035,136**	51,656,912	74,068,080
Right-of-Use Asset – Net *(Note 9)*	**76,426,239**	77,223,004	16,628,788
Investment Properties *(Note 10)*	**113,013,753**	109,671,918	114,926,066
Other Assets *(Note 11)*	**111,588,386**	136,894,056	149,903,240
	₱3,304,794,808	₱2,864,078,500	₱2,464,239,340
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposit liabilities *(Note 12)*	**₱2,723,370,858**	₱2,393,835,499	₱2,193,434,954
Bills payable *(Note 13)*	**–**	130,016	1,083,545
Other liabilities *(Note 14)*	**234,618,674**	167,477,957	127,081,325
Lease liabilities *(Note 9)*	**83,192,992**	81,746,984	18,422,293
Total Liabilities	**3,041,182,524**	2,643,190,456	2,340,022,117
Shareholders' Equity			
Share capital *(Note 15)*	**400,000,000**	383,925,500	358,925,400
Reserves	**34,577,037**	34,499,969	34,499,969
Deficit *(Note 24)*	**(170,964,753)**	(197,537,425)	(269,208,146)
Total Shareholders' Equity	**263,612,284**	220,888,044	124,217,223
	₱3,304,794,808	₱2,864,078,500	₱2,464,239,340

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Enterprise Bank, Inc. (A Rural Bank)

Years Ended December 31,	2023	2022 *(As Restated) (Note 24)*
INTEREST INCOME		
Loans *(Note 5)*	**₱330,481,043**	₱292,742,166
Bank deposits and investments in debt securities *(Notes 5 and 7)*	**18,362,292**	3,421,948
Total	**348,843,335**	296,164,114
LESS INTEREST EXPENSE		
Deposit liabilities *(Note 12)*	**92,925,292**	76,414,896
Bills payable *(Note 13)*	**182**	20,069
Total	**92,925,474**	76,434,965
NET INTEREST INCOME	**255,917,861**	219,729,149
LESS PROVISION FOR EXPECTED CREDIT LOSSES (ECL) *(Note 6)*	**–**	5,590,499
PROFIT AFTER PROVISION FOR ECL	**255,917,861**	214,138,650
ADD APPLICATION FEES AND OTHER INCOME *(Note 16)*	**107,541,913**	148,873,013
PROFIT BEFORE OPERATING EXPENSES	**363,459,774**	363,011,663
OPERATING EXPENSES		
Compensation and employees' benefits *(Note 17)*	**104,895,929**	104,249,273
Taxes, licenses and fees *(Note 19)*	**42,689,773**	40,140,990
Depreciation *(Notes 8 and 9)*	**31,591,486**	26,960,064
Travel and transportation	**29,432,611**	27,741,503
Security, messengerial and janitorial services	**12,520,200**	11,675,292
Other operating expenses *(Note 18)*	**79,530,331**	60,515,965
Total Other Expenses	**300,660,330**	271,283,087
PROFIT BEFORE INCOME TAX EXPENSE	**62,799,444**	91,728,576
INCOME TAX EXPENSE – Net *(Note 19)*	**36,226,771**	20,057,855
PROFIT FOR THE YEAR *(Note 20)*	**26,572,673**	71,670,721
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may not be subsequently reclassified to profit or loss:		
Actuarial and re-measurement losses *(Note 17)*	**102,757**	–
Deferred income tax *(Note 19)*	**(25,689)**	–
Total Other Comprehensive Income	**77,068**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR *(Note 20)*	**₱26,649,741**	₱71,670,721

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Enterprise Bank, Inc. (A Rural Bank)

December 31,	2023	2022
		(As Restated) *(Note 24)*
SHARE CAPITAL *(Note 15)*		
Preference Shares – ₱100 par value	**₱–**	₱–
Ordinary (Common) Shares – ₱100 par value		
Opening balances	**383,925,500**	358,925,400
Additional shares issued during the year	**16,074,500**	25,000,100
Closing balances	**400,000,000**	383,925,500
Total Share Capital	**400,000,000**	383,925,500
RESERVES		
Surplus Reserves	**28,430,427**	28,430,427
Accumulated Actuarial Gains		
Opening balances	**6,069,542**	6,069,542
Actuarial gain on defined benefit plan	**77,068**	–
Closing balances	**6,146,610**	6,069,542
Total Reserves	**34,577,037**	34,499,969
DEFICIT		
Opening balances, as originally stated	**(182,911,180)**	(138,137,088)
Adjustments to restate beginning balances *(Notes 6, 9, and 16)*	**(14,626,246)**	(131,071,058)
Opening balances, as restated	**(197,537,426)**	(269,208,146)
Profit for the year	**26,572,673**	71,670,721
Closing balances	**(170,964,753)**	(197,537,425)
	₱263,612,284	₱220,888,044

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Enterprise Bank, Inc. (A Rural Bank)

Years Ended December 31,	2023	2022
		(As Restated) (Note 24)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	**₱62,799,444**	₱91,728,576
Add (deduct) adjustments for:		
Depreciation on bank premises and investment properties *(Notes 8 and 10)*	**17,968,826**	17,214,712
Depreciation on right-of-use assets *(Note 9)*	**13,622,660**	9,745,352
Provision for retirement benefits *(Note 17)*	**3,164,493**	5,336,220
Provision for expected credit losses (ECL) *(Note 6)*	**–**	5,590,499
Interest on lease liabilities *(Note 9)*	**4,036,953**	4,175,552
Operating income before changes in working capital	**101,592,376**	133,790,911
Add (deduct) changes in working capital, excluding cash and cash equivalents:		
Increase in loans and other receivables *(Note 6)*	**(73,544,086)**	(422,611,226)
Increase in other assets *(Note 11)*	**(4,909,471)**	(3,172,581)
Increase in deposit liabilities *(Note 12)*	**329,535,359**	200,400,545
Increase in other liabilities *(Note 14)*	**64,053,292**	35,060,411
Net cash provided by (used in) operations	**416,727,470**	(56,531,940)
Income taxes paid *(Note 19)*	**(6,011,630)**	(3,876,090)
Net Cash Provided from (Used for) Operating Activities	**410,715,840**	(60,408,030)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in investment properties *(Note 10)*	**(7,932,299)**	998,739
Decrease (increase) in investments in debt securities *(Note 7)*	**(135,566,738)**	1,671,135
Net proceed of bank premises, furn., fixt. and equipment *(Note 8)*	**844,591**	25,172,708
Additions to bank premises, furn., fixt. and equipment – net *(Note 8)*	**(30,601,177)**	(15,720,843)
Payment of lease liabilities and interest *(Note 9)*	**(15,416,841)**	(11,190,428)
Net Cash (Used for) Provided from Investing Activities	**(188,672,464)**	931,311
CASH FLOWS FOR FINANCING ACTIVITIES		
Issuance of additional ordinary shares *(Note 15)*	**16,074,500**	25,000,100
Settlement of bills payable *(Note 13)*	**(130,016)**	(953,529)
Net Cash Provided from Financing Activities	**15,944,484**	24,046,571
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**237,987,860**	(35,430,148)
OPENING CASH AND CASH EQUIVALENTS	**546,629,429**	582,059,577
CLOSING CASH AND CASH EQUIVALENTS *(Note 5)*	**₱784,617,289**	₱546,629,429

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Enterprise Bank, Inc. (A Rural Bank)
As of and for the Years Ended December 31, 2023 and 2022

Note 1
<u>Organization</u>

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
<u>Statement of Compliance with Philippine Financial Reporting Standards (PFRSs)</u>

<u>Statement of Compliance</u>
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).

<u>Compliance with Prudential Reporting Requirements of the BSP and PFRSs</u>
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.

- *<u>Consolidation of Financial Statements</u>*
  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 in booking provisions for credit losses. For prudential reporting purposes, however, BSFIs are 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 when 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. 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, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to PAS/IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies
The Bank has adopted the amendments to PAS/IAS 1 for the first time in the current year. The FSRSC adopted these amendments on April 14, 2021 and made it effective starting January 1, 2023. The amendments change the requirements in PAS/IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'material accounting policy information' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in the Bank's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS/IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Amendments to PAS/IAS 12 Income Taxes—Deferred Tax
related to Assets and Liabilities arising from a Single Transaction
The Bank has adopted the amendments to PAS/IAS 12 for the first time in the current year. The FSRSC adopted these amendments on June 9, 2021 and made it effective starting January 1, 2023. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to PAS/IAS 12, the Bank is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS/IAS 12. The Bank did not have single transaction involving deferred tax asset and deferred tax liability during the year.

Amendments to PAS/IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules
The Bank has adopted the amendments to PAS/IAS 12 for the first time in the current year. The FSRSC adopted these amendments on June 19, 2023 and made it retroactive to January 1, 2023. The IASB amends the scope of PAS/IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in PAS/IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Presently, the Pillar Two model rules have not yet been adopted by Philippine tax authorities.

Amendments to PAS/ IAS 8 Accounting Policies, Changes in
Accounting Estimates and Errors—Definition of Accounting Estimates
The Bank has adopted the amendments to PAS/IAS 8 for the first time in the current year. The FSRSC adopted these amendments on April 14, 2021 and made it effective beginning January 1, 2023. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The definition of a change in accounting estimates was deleted.

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 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 PFRS 10 and PAS/IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to PAS/IAS 1 *Non-current Liabilities with Covenants*
- *Amendments to PAS/IAS 7* and PFRS 7 *Supplier Finance Arrangements*
- Amendments to PFRS 16 *Lease Liability in a Sale and Leaseback*

The management of the Bank does not expect that the adoption of the foregoing Standards will have a material impact on the financial statements of the Bank in future periods.

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 IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

The FSRSC has deferred the review of the foregoing amendments. The Board of Directors of the Bank however anticipates that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise.

Amendments to PAS/IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants
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 noncurrent). 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 amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. The FSRSC adopted the amendments on November 18, 2022 and becomes effective starting January 1, 2024. The Board of Directors of the Bank anticipates that the application of these amendments may not have an impact on the Bank's financial statements in future periods.

Amendments to PAS/IAS 7 Statement of Cash Flows and PFRS 7
Financial Instruments: Disclosures—Supplier Finance Arrangements
The amendments add a disclosure objective to PAS/IAS 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 was 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 term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, were adopted by the FSRSC on June 19, 2023, and are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback
The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 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 IFRS 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. A seller-lessee applies the amendments retrospectively in accordance with 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 IFRS 16.

The amendments were adopted by the FSRSC on October 14, 2022 and are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The Board of Directors of the Bank anticipate that the application of these amendments may not have an impact on the Bank's financial statements.

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.

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.

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 in other comprehensive income if certain criteria are met [see (iii) below]; and (b) the Bank may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch [see (iv) below].

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

- *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).

- *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.

(ii) *Debt Instruments Classified as at FVTOCI*
Debt instruments that are classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of the debt instruments as a result of 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.

(iii) *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.

A financial asset is held for trading if: (1) it has been acquired principally for the purpose of selling it in the near term; or (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).

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.

(iv) *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 on investments in debt instruments that are measured at amortized cost or at FVPL, loans and receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Bank always recognizes lifetime ECL (expected credit losses) for loans and receivables. The expected credit losses on these financial assets 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.

For all other financial instruments, the Bank recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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.

(i) *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 its 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 are 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.

(ii) *Definition of Default*

The Bank considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: (1) when there is a breach of financial covenants by the debtor; or (2) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Bank, in full (without taking into account any collateral held by the Bank).

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.

(iii) *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 (see (ii) above); (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.

(iv) *Write-Off Policy*

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.

(v) *Measurement and Recognition of Expected Credit Losses (ECL)*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guaranty contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Bank's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, 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.

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 (if any), 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.

Derecognition of Financial Assets
The Bank derecognizes a financial asset only when the contractual rights to the cash flow 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.

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 when 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 'other services 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 earned over the term of the credit lines granted to each borrower. 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 payable 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 and so 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,	**2023**	2022
Due from Bangko Sentral ng Pilipinas	**₱113,508,483**	₱339,140,849
Due from other banks	**599,049,568**	171,097,525
Cash and other cash items	**72,059,238**	36,391,055
	₱784,617,289	₱546,629,429

Due from other banks earn annual interest ranging from 0.125% to 0.75% in 2023 and 2022. Short-term deposits are made for varying periods up to three months depending on the immediate cash requirements of the Bank and earn interest ranging from 5.00% to 6.25% in 2023 and 2022. Interest income from bank deposits amounted to ₱2,779,763 and ₱2,494,887 in 2023 and 2022, respectively.

Due from other banks in 2022 also includes restricted time deposit with Philippine National Bank amounting to ₱165,484 held as security for the Bank's bills payable which was fully settled in 2023.

Note 6
Loans and Other Receivables

The loans and other receivables consist of the following:

December 31,	**2023**	2022
Loans receivable	**₱2,213,671,140**	₱2,275,391,487
Other receivables	**54,722,622**	60,398,412
Total	**2,268,393,762**	2,335,789,899
Allowance for expected credit losses	**(253,277,722)**	(386,512,079)
Unearned interest and discounts	**(44,412,726)**	(52,118,592)
Net	**₱1,970,703,314**	₱1,897,159,228

Breakdown of Loans Receivable

December 31,	**2023**	**%**	2022	%
Agricultural	**₱173,330,074**	**8**	₱329,826,889	15
Commercial	**2,040,285,554**	**92**	1,940,071,511	85
Others	**55,512**	**0**	5,493,087	0
Total	**2,213,671,140**	**100**	2,275,391,487	100
Allowance for expected credit losses	**(229,589,759)**	**(12)**	(346,325,104)	(18)
Unearned interest and discounts	**(44,412,726)**	**(2)**	(52,118,592)	(3)
Net	**₱1,939,668,655**	**86**	₱1,876,947,791	79

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 ₱330,481,043 in 2023 and ₱292,742,166 in 2022.

Maturity Profile of Loans Receivable

December 31,	**2023**	**%**	2022	%
Due more than 12 months	**₱1,827,312,065**	**83**	₱1,635,884,115	72
Due within 12 months	**386,359,075**	**17**	639,507,372	28
	₱2,213,671,140	**100**	₱2,275,391,487	100

Breakdown by Type of Security

Unsecured	**₱1,803,039,245**	**81**	₱1,926,409,050	85
Secured	**410,631,895**	**19**	348,982,437	15
	₱2,213,671,140	**100**	₱2,275,391,487	100

About ₱– and ₱143,017 as of December 31, 2023 and 2022, respectively, have been pledged as security to the bills payable of the Bank. (See Note 13.)

Breakdown by Concentration of Credit

December 31,	**2023**	**%**	2022	%
Agricultural	**₱173,330,074**	**8**	₱329,826,889	14
Wholesale and retail trade	**2,040,285,554**	**92**	292,980,746	13
Others	**55,512**	**0**	1,652,583,852	73
	₱2,213,671,140	**100**	₱2,275,391,487	100

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

Breakdown by Age of Accounts

December 31, 2023	*Current*	*Past Due*	***Total***
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**
	₱1,932,163,349	₱281,507,791	**₱2,213,671,140**
	87%	13%	**100%**
December 31, 2022			
Agricultural	₱239,254,042	₱90,572,847	₱329,826,889
Commercial	1,655,157,808	284,913,703	1,940,071,511
Others	–	5,493,087	5,493,087
	₱1,894,411,850	₱380,979,637	₱2,275,391,487
	83%	17%	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 ₱264,419,953 in 2023 and ₱367,043,289 in 2022. 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 ₱110 million in 2023 and ₱166 million in 2022. The related allowance for credit loss of such loans amounted to ₱95 million in 2023 and ₱131 million in 2022.

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

December 31, 2023	*Performing*	%	*Non-Performing*	%	***Total***	%
Agricultural	₱141,886,140	7	₱31,443,934	12	**₱173,330,074**	**8**
Commercial (SME)	1,807,365,047	93	232,920,507	88	**2,040,285,554**	**92**
Others–personal consumption	–	–	55,512	–	**55,512**	**–**
	₱1,949,251,187	100	₱264,419,953	100	**₱2,213,671,140**	**100**
December 31, 2022						
Agricultural	₱242,094,525	13%	₱87,732,364	24%	₱329,826,889	14%
Commercial (SME)	268,657,440	14%	24,323,306	7%	292,980,746	13%
Others–personal consumption	1,397,596,233	73%	254,987,619	69%	1,652,583,852	73%
	₱1,908,348,198	100%	₱367,043,289	100%	₱2,275,391,487	100%

Past Due Ratio on Total Loans is 12% in 2023 and 16% in 2022.

Allowance for Expected Credit Losses (ECL)
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 recorded ECL for Individually Assessed Loans and Other Credit Accommodations have been determined from the gap analysis performed by the Bank on its accounts which are in accordance with the MORB. While the recorded ECL for Collectively Assessed Loans and Other Credit Accommodations have been determined from the gap analysis performed by the Bank on its accounts which are in accordance with their Loan Loss Methodology (LLM) and Loan Loss Provisioning (LLP) policy manual for consumer loan (CL) as per approved Board Resolution No. 20190717-008.

A 12-month ECL was provided at 1% of on all current accounts (general loan-loss provisions) and ECL at graduated rates for accounts classified as past due as follows:

I. Individually Assessed Loans and Other Credit Accommodations

A. For Unsecured Loans and Other Credit Accommodations

No. of Days Unpaid/with Missed Payments	*Classification*	*ECL Rate*
31-90 days	Substandard	10%
91-120 days	Substandard	25%
121-180 days	Doubtful	50%
181 days and over	Loss	100%

B. For Secured Loans and Other Credit Accommodations

31-180 days	Substandard	10%
181-365 days	Substandard	25%
Over 1 year to 5 years	Doubtful	50%
Over 5 years	Loss	100%

C. For Loans and Other Credit Exposures (Classified Accounts)

Especially Mentioned	5%
Substandard – Secured	10%
Substandard – Unsecured	25%
Doubtful	50%
Loss	100%

II. Collectively Assessed Loans and Other Credit Exposures

D. For Non-Matured Loans According to Loan Type

No. of Days Unpaid/with Missed Payments	*Classification*	*Amortized*	
		APDS	*Non-APDS*
0-30 days	Especially Mentioned	0%	1%
31-60 days	Especially Mentioned	1%	3%
61-90 days	Substandard	2%	6%
91-180 days	Substandard	4%	9%
181-360 days	Substandard	9%	21%
361-720 days	Doubtful	26%	47%
Over 720 days	Doubtful	65%	70%

E. For Matured Loans per Days Past Maturity Group and Loan Type

No. of Days Since Maturity	*Classification*	*Amortized*	*Lumpsum*	
			Bonus	*Non-Bonus*
0-30 days	Doubtful	74%	14%	23%
31-60 days	Doubtful	80%	25%	31%
61-90 days	Doubtful	83%	36%	38%
91-180 days	Doubtful	88%	51%	49%
181-360 days	Doubtful	94%	77%	68%
Over 360 days	Loss	100%	100%	100%

Roll-Forward Analyses of the Allowance for ECL

December 31,	**2023**	2022
Opening balances, as originally stated	**₱346,325,104**	₱261,487,173
Add additional allowance *(Note 24)*	**15,919,316**	167,154,200
Opening balances, as restated	**362,244,420**	428,641,373
Additional provisions for the year	**–**	5,590,499
Write-off of loans	**(131,255,196)**	(71,987,452)
Reclassification	**(1,399,465)**	–
Closing balances, as restated	**₱229,589,759**	₱362,244,420

Details of Other Receivables

December 31,	**2023**	2022
Accrued interest income on loans receivable	**₱10,972,821**	₱13,863,725
Accounts receivable *(See table below.)*	**34,308,799**	36,236,218
Sales contract receivable	**9,441,002**	10,298,469
Total	**54,722,622**	60,398,412
Allowance for expected credit losses *(See table below.)*	**(23,687,963)**	(24,267,659)
Net	**₱31,034,659**	₱36,130,753

Composition of Accounts Receivable

December 31,	**2023**	2022
Receivable from DEP-ED	**₱14,308,543**	₱17,096,921
Receivable from resigned employees	**10,472,583**	10,790,188
Borrowers under litigation	**6,686,667**	6,521,576
Advances to contractors	**1,113,766**	1,113,766
Matured investment debt security with Land Bank of the Philippines	**875,200**	–
Advances to SSS maternity/sickness	**479,208**	473,827
Advances to officers and employees	**302,573**	237,470
Other receivables	**70,259**	2,470
	₱34,308,799	₱36,236,218

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,	**2023**	2022
Opening balances, as originally stated	**₱24,029,659**	₱18,764,682
Add additional allowance *(Note 24)*	**238,000**	7,465,211
Opening balances, as restated	**24,267,659**	26,229,893
Write-off for the year	**(1,979,161)**	(1,962,234)
Reclassification	**1,399,465**	–
Closing balances, as restated	**₱23,687,963**	₱24,267,659

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

Note 7
Investments in Debt Securities – At Amortized Cost

This account consists of the following:

December 31,	**2023**	2022
Retail treasury bonds, at face value	**₱23,000,000**	₱14,000,000
Retail treasury bonds, at discounts on its face value	**157,410,691**	30,843,953
	₱180,410,691	₱44,843,953

Investment income earned amounted to ₱15,582,529 in 2023 and ₱927,061 in 2022. Management has determined that these investments have not been impaired during the year.

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 will mature on various dates.

Retail Treasury Bonds, at Discounts on its 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,	**2023**	2022
Face value	**₱157,037,374**	₱29,964,216
Net discount	**373,317**	879,737
Carrying Amount	**₱157,410,691**	₱30,843,953

Note 8
Bank Premises, Furniture, Fixtures and Equipment

This account consists of the following:

December 31,	**2023**	2022
Land	**₱6,479,890**	₱6,479,890
Building	**12,299,500**	17,062,518
Furniture, fixtures and equipment	**103,011,967**	97,520,365
Transportation equipment	**39,445,406**	20,742,619
Leasehold improvements	**15,445,573**	10,883,135
Total	**176,682,336**	152,688,527
Accumulated depreciation	**(108,647,200)**	(101,031,615)
Net Book Value	**₱68,035,136**	₱51,656,912

The Bank disposed certain property and recognized gain on sale thereof amounting to ₱270,690 in 2023 and ₱27,471,561 in 2022, treated as part of other income. (See Note 16.)

As of December 31, 2023 and 2022, the land and building have estimated market values of ₱15 million and ₱17 million, respectively.

Reconciliation of Carrying Amounts

December 31, 2023	*Opening Balances*	*Additions*	*Disposals/Adjustments*	**Closing Balances**
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**

December 31, 2022				
Cost				
Land	₱13,818,890	₱–	₱7,339,000	₱6,479,890
Building	43,261,286	521,549	26,720,317	17,062,518
Furniture, fixtures and equipment	92,139,561	5,500,473	119,669	97,520,365
Transportation equipment	20,390,025	9,473,712	9,121,118	20,742,619
Leasehold improvements	29,229,710	225,109	18,571,684	10,883,135
Total	198,839,472	15,720,843	61,871,788	152,688,527
Accumulated Depreciation				
Building	20,476,093	825,079	8,913,837	12,387,335
Furniture, fixtures and equipment	69,477,938	7,747,944	129,453	77,096,429
Transportation equipment	13,084,368	3,513,935	9,120,826	7,477,477
Leasehold improvements	21,732,993	872,345	18,534,964	4,070,374
Total	124,771,392	12,959,303	36,699,080	101,031,615
Net Book Value	₱74,068,080	₱2,761,540	₱25,172,708	₱51,656,912

Note 9
Right-of-Use Asset

This account consists of the following:

December 31,	**2023**	2022
Right-of-use assets	**₱103,306,586**	₱101,924,757
Accumulated depreciation	**(26,880,347)**	(24,701,753)
Net Book Value	**₱76,426,239**	₱77,223,004

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 4.25% per annum, the incremental borrowing rate (IBR) based on the average borrowing rate of the Bank's existing loans payable to a Private creditor bank. (See Note 12.). 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 2022, the Bank remeasured its right-of-use assets at ₱101,924,757, and recognized lease liability of ₱81,746,984, interest expense of ₱4,175,552 and depreciation expense of ₱9,745,352. Total lease payments (including interest) amounted ₱15,416,841 in 2023 and ₱11,190,428 in 2022.

During 2023, the Bank re-measured its right-of-use assets at ₱103,306,586 and its lease liabilities at ₱83,192,992.

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

December 31,	**2023**	2022
Current	**₱13,955,872**	₱14,562,054
Non-current	**69,237,120**	67,184,930
	₱83,192,992	₱81,746,984

Interest incurred on lease liabilities amounted ₱4,036,953 in 2023 and ₱4,175,552 in 2022.

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, 2023	*Opening Balances*	*Additions*	*Disposals/Adjustments*	***Closing Balances***
Right-of-use asset	₱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**
December 31, 2022				
Right-of-use assets	₱31,585,189	₱70,339,568	₱–	₱101,924,757
Less accumulated depreciation	(14,956,401)	(9,745,352)	–	(24,701,753)
Net Book Value	₱16,628,788	₱60,594,216	₱–	₱77,223,004

Note 10
Investment Properties

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 ₱291.6 million at the end of 2023 and ₱235.7 million at the end of 2022.

Income from assets acquired recognized in the statements of profits or loss amounted to ₱8,733,585 in 2023 and ₱7,408,500 in 2022. Total depreciation charged to operations amounted to ₱4,590,464 and ₱4,255,409 for the years ended December 31, 2023 and December 31, 2022, respectively. The Bank management believes the investment properties were not further impaired as of December 31, 2023.

Details of Investment Properties

December 31,	**2023**	2022
Cost		
Opening balances	**₱126,021,589**	₱127,060,856
Additions	**29,508,497**	11,460,370
Disposals/reclassification	**(25,998,360)**	(12,499,637)
Closing balances	**129,531,726**	126,021,589
Accumulated Depreciation		
Opening balances	**(14,225,994)**	(10,011,113)
Additions	**(4,590,464)**	(4,255,409)
Disposals/adjustments	**4,422,162**	40,528
Closing balances	**(14,394,296)**	(14,225,994)
Allowance for Impairment Losses		
Opening balances, as originally stated	**(1,981,677)**	(1,981,677)
Add additional allowance *(Note 24)*	**(142,000)**	(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	**₱113,013,753**	₱109,671,918

Note 11
Other Assets

The composition of this account is shown below:

December 31,	**2023**	2022
Deferred tax assets *(Note 19)*	**₱77,960,235**	₱110,503,390
Prepaid expenses	**18,699,901**	12,653,766
Security and rental deposits	**6,518,768**	6,143,289
Computerized program and product development costs	**4,189,130**	2,948,315
Goodwill *(Notes 1 and 2)*	**2,949,039**	2,949,039
Stationery and office supplies	**1,271,313**	1,696,257
	₱111,588,386	₱136,894,056

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 Notes 19 and 24.)

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.

The computerized program and product development costs represent the cumulative costs of developing the banking software that is used in operations and are amortized over ten (10) years. The amortization incurred amounted ₱1,150,000 in 2023 and ₱826,394 in 2022 lodged under 'Information and Technology Expenses'.

Note 12
Deposit Liabilities

This account is composed of the following:

December 31,	**2023**	2022
Savings and demand deposits	**₱1,081,897,801**	₱1,062,991,291
Time deposits	**1,641,473,057**	1,330,844,208
	₱2,723,370,858	₱2,393,835,499

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 ₱92,925,292 in 2023 and ₱76,414,896 in 2022.

Maturity Profile of Time Deposits

December 31,	**2023**	2022
Six months to one year	**₱1,322,183,016**	₱904,011,963
More than one year	**319,290,041**	426,832,245
	₱1,641,473,057	₱1,330,844,208

Note 13
Bills Payable

The 2022 balance of bills payable represents payable to Small Business Corporation (SBC) arising from rediscounting of loans with interest rates ranging from 4.0% to 4.5% annually and fully paid in March 2023, secured by loans receivable amounting to ₱143,017 as of December 31, 2022. (See Note 6.) Total interest incurred on bills payable amounted ₱182 in 2023 and ₱20,069 in 2022.

Movements of the Accounts

December 31,	**2023**	2022
Opening balances	**₱130,016**	₱1,083,545
Payments	**(130,016)**	(953,529)
Closing balances	**₱–**	₱130,016

Note 14
Other Liabilities

These liabilities consist of the following:

December 31,	**2023**	2022
Redeemable preference shares *(Note 15)*	**₱114,799,100**	₱99,799,100
Deposit for future subscription	**37,348,800**	–
Accounts payable (See table following page.)	**23,502,255**	21,733,482
Accrued expenses	**22,580,727**	10,882,164
Retirement benefit obligation *(Note 17)*	**22,370,841**	19,309,105
Accrued interest payable *(Note 12)*	**14,016,951**	12,469,056
Income tax payable *(Note 19)*	**–**	–
Other payables	**–**	3,285,050
	₱234,618,674	₱167,477,957

Breakdown of Accounts Payable

December 31,	2023	2022
Payable to Bancnet	**₱12,053,357**	₱11,411,122
Payable to clients	**5,831,415**	4,820,484
Documentary stamps	**1,298,356**	1,165,987
Payable to separated employees	**737,824**	354,150
Deposits from borrowers for payment for mortgages	**493,741**	–
Payable to collecting agency	**393,240**	237,903
Payable to ROPA account	**372,949**	110,000
Accounts payable – suppliers	**296,546**	377,696
Payable to insurance	**273,275**	305,983
SSS pension and remittances	**206,609**	206,609
Items in litigation	**114,901**	78,534
Payable to appraisers	**107,673**	84,000
Payable to Merchant Partners	**22,581**	180,956
Payable to employees	**17,434**	16,183
Others	**1,282,354**	2,383,875
	₱23,502,255	₱21,733,482

Accounts and other payables are non-interest bearing are on a 30 to 60-day term.

Note 15
Share Capital

Details of Share Capital

December 31,	2023	2022
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 14)*		
Private – redeemable non-voting and convertible		
Authorized – 1,150,000 shares		
Issued and outstanding – 1,147,991 in 2023 and 997,991 in 2022	**–**	–
Ordinary (Common) Shares – ₱100 par value		
Authorized – 4,000,000 shares		
Issued and outstanding – 4,000,000 in 2023 and 3,839,255 in 2022	**400,000,000**	383,925,500
	₱400,000,000	₱383,925,500

Nature of the Shares
The preference shares have the following rights, preferences, conditions and limitations:

(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 2023 and ₱99,799,100 in 2022, and are presented as part of 'Other Liabilities'. (See Note 14.)

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 Section 121 *Minimum Required Capital* of the MORB, the Bank's minimum capital is pegged at ₱40 million, being located in 1st class city and having twenty-eight (28) branches and two (2) branch lite unit. As of 2023, 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 2023 and 2022 are presented as additional disclosures in the notes to the audited financial statements, as follows:

December 31,	**2023**	2022
Return on Average Equity	**10.97%**	40.11%
Return on Average Assets	**0.86%**	2.68%
Net Interest Margin	**9.63%**	9.71%
Capital-to-Risk Assets Ratio	**12.29%**	10.86%
Risk-Based Capital Adequacy	**10.19%**	9.20%
Tier 1 Capital	**₱185,652,049**	₱110,384,654
Tier 2 Capital	**₱133,887,173**	₱118,743,219
Total Qualifying Capital	**₱319,539,222**	₱229,127,873
Total Risk-Weighted Assets	**₱3,135,402,796**	₱2,489,728,473
Tier 1 Ratio	**5.92%**	4.43%
Leverage Ratio	**5.75%**	3.23%
Minimum Liquidity Ratio	**25.80%**	20.68%

Restatement of 2022 Ratios
The 2022 ratios were restated from ratios originally presented after effecting the adjustments in 2022 and prior years as discussed in Note 24 to the financial statements.

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,	**2023**	2022
Borrowings (total liabilities)	**₱3,041,182,524**	₱2,643,190,456
Less cash and cash equivalents	**784,617,289**	546,629,429
Net Debt	**2,256,565,235**	2,096,561,027
Total equity	**263,612,284**	220,888,044
Equity and Net Debt	**₱2,520,177,519**	₱2,317,449,071
Gearing Ratio (Net Debt/Equity and Net Debt)	**0.90**	0.90

Debt to Equity Ratio
Capital for the reporting periods under review is summarized as follows: (Please see table next page.)

December 31,	**2023**	2022
Total Liabilities	**₱3,041,182,524**	₱2,643,190,456
Total Equity	**263,612,284**	220,888,044
Overall financing	**₱3,304,794,808**	₱2,864,078,500
Debt-to-Equity Ratio	**11.54**	11.97

Disclosures Required Under Revised SRC Rule 68 (2019 Version)
As at December 31, 2023, the Bank has a total of 64 shareholders with 61 shareholders owning 100 or more shares each of the Bank's share capital.

Note 16
Details of Application Fees and Other Income

Years Ended December 31,	**2023**	2022
Application fees	**₱66,980,435**	₱88,171,299
Income from assets acquired *(Note 10)*	**8,733,585**	7,408,500
Overnight charges	**7,943,115**	9,343,254
Income from ATM operation	**6,420,524**	5,090,508
Recovery on charged-off assets	**6,382,780**	16,421
Bank charges	**2,283,408**	2,276,336
Inter-branch transaction fees	**1,926,888**	2,058,391
Check book fee	**1,021,838**	1,174,075
Income from remittance and other services	**977,785**	1,235,063
Gain on sale from bank premises fixtures, furniture/equipment *(Note 8)*	**270,690**	27,471,561
Inspection/appraisal fees	**238,290**	287,669
Income on POS	**12,540**	104,784
Insurance (service fees)	**348**	2,055
Miscellaneous	**4,349,687**	4,233,097
	₱107,541,913	₱148,873,013

Note 17
Details of Compensation

Years Ended December 31,	**2023**	2022
Short-term employees' benefits	**₱101,731,436**	₱98,913,053
Post-employment benefits	**3,164,493**	5,336,220
	₱104,895,929	₱104,249,273

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, 2023 and 2022 presented under Other Liabilities in Note 14, recognized in the statement of financial position is determined as shown below.

December 31,	**2023**	2022
Opening balances, originally stated	**₱16,106,761**	₱15,676,978
Add additional provision *(Note 24)*	**3,202,344**	–
Opening balances, as restated	**19,309,105**	15,676,978
Additional provision for the year	**3,164,493**	5,336,220
Actual retirement payments for the year	**–**	(1,704,093)
Actuarial gain	**(102,757)**	–
Retirement benefit obligation *(Note 14)*	**₱22,370,841**	₱19,309,105

The total retirement benefit provision made in 2023 included the portion allotted for 2022, amounting to ₱3,202,344 which was retroactively applied to 2022, as discussed in Note 24 to the financial statements.

Principal Actuarial Assumptions Used
The following principal actuarial assumptions used in determining plan obligations as of December 31, 2023 and 2022 are based on the actuarial valuation report obtained from an independent actuary December 31, 2023 and 2020. There were no plan amendments or curtailment, recognized as of December 31, 2023. The amounts of retirement benefits expense recognized per actuarial valuation report are as follows:

Years Ended December 31,	**2023**	2022
Current service cost	**₱1,807,905**	₱1,518,410
Interest cost on benefit obligation	**1,356,588**	615,466
	₱3,164,493	₱2,133,876

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 14.)

Components of Retirement Benefit Costs Recognized in OCI

December 31,	**2023**	2022
Opening balances	**₱6,069,542**	₱6,069,542
Actuarial (gain) loss on defined benefit obligation	**102,757**	–
Deferred income tax *(Note 19)*	**(25,689)**	–
Closing balances	**₱6,146,610**	₱6,069,542

Movements in Present Value of the Retirement Benefit Obligation from Actuarial Valuation Report

December 31,	**2023**	2022
Opening balances	**₱19,309,105**	₱18,879,322
Actuarial (gain) loss	**(102,757)**	–
Current service cost	**1,807,905**	1,518,410
Interest cost	**1,356,588**	615,466
Benefits paid by the plan	**–**	(1,704,093)
Closing balances	**₱22,370,841**	₱19,309,105

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

December 31	**2023**	2022
Discount rate	**6.99%**	3.26%
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 below 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

Note 18
Details of Other Operating Expenses

Years Ended December 31,	**2023**	2022
Fines, penalties and charges	**₱10,250,802**	₱–
Insurance	**8,861,159**	6,374,537
Power, light and water	**7,253,391**	7,391,530
Communications	**6,377,000**	6,051,942
Collection fee charges	**6,235,448**	4,422,209
Representation and entertainment	**5,689,102**	3,717,129
Repairs and maintenance	**5,039,830**	3,467,405
Stationery and supplies used	**4,954,193**	4,991,508
Interest on lease liabilities *(Note 9)*	**4,036,953**	4,175,552
Fuel, oil and lubricants	**3,658,152**	3,405,972
Information and technology expenses	**3,206,645**	2,608,743
Rent *(Note 8)*	**2,874,090**	2,192,562
Commission	**2,841,459**	3,380,266
Litigation of asset acquired	**1,418,995**	892,480
Management and other professional fees	**1,353,267**	1,612,264
Banking fees	**640,633**	306,496
Miscellaneous	**4,839,212**	5,525,370
	₱79,530,331	₱60,515,965

Note 19
Computation of Income Tax Expense

Components of Income Tax Expense
The income tax expenses for 2023 was based on the MCIT rate which proved to be higher than the regular rate and for 2022, the income tax expenses was based on the regular rate as shown in the following tables:

Details of Income Tax Expense

Years Ended December 31,	**2023**	2022
Current		
Corporate tax at 25%	**₱2,302,325**	₱3,158,384
Final tax at 20%	**3,709,305**	717,706
Total	**6,011,630**	3,876,090
Deferred		
Unused 25% deferred tax asset on written-off accounts *(Note 9)*	**33,308,589**	–
Deferred 25% tax on provision for impairment loan losses *(Note 24)*	**–**	17,089,797
Deferred 25% tax on provision for retirement benefits *(Note 24)*	**(791,123)**	(908,032)
Deferred excess of MCIT against RCIT	**(2,302,325)**	–
Total	**30,215,141**	16,181,765
	₱36,226,771	₱20,057,855

Current Tax Expense – Regular Corporate Income Tax (RCIT) Rate at 25%

Years Ended December 31,	**2023**	2022
Profit before income tax expense	**₱62,799,444**	₱91,728,576
Add (deduct) reconciling items from permanent differences:		
Interest income on bank deposits already subject to final tax	**(18,362,292)**	(3,421,948)
Non-allowable interest expense	**3,672,458**	684,390
Add (deduct) reconciling items from temporary differences:		
Interest on lease liabilities	**4,036,953**	4,175,552
Depreciation of right-of-use asset	**13,622,660**	9,745,352
Rent expense	**(15,416,839)**	(11,190,428)
Provision for impairment loan losses *(Note 6)*	**–**	5,590,499
Write-off of loans receivable *(Note 6)*	**(131,255,196)**	(71,987,452)
Write-off of other receivables *(Note 6)*	**(1,979,161)**	(1,962,234)
Actual retirement payment *(Note 17)*	**–**	(1,704,093)
Provision for retirement benefits *(Note 17)*	**3,164,493**	5,336,220
Taxable income	**(79,717,480)**	26,994,434
Net Profit Operating Loss Carry Over (NOLCO) in 2021	**–**	(14,360,899)
Net Profit Operating Loss Carry Over (NOLCO)	**(79,717,480)**	15,835,879
Multiply by tax rate	**25%**	25%
Tax Due at RCIT	**₱–**	₱3,158,384

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 1.50% in 2023 and 1.00% in 2022

Years Ended December 31,	**2023**	2022
Gross Revenue		
Interest on loans receivable	**₱330,481,043**	₱292,742,166
Non-deductible interest expense	**3,672,458**	684,390
Other income	**107,541,913**	148,873,013
Total Gross Revenue	**441,695,414**	442,299,569

(Carried Forward.)

(Brought Forward.)

Years Ended December 31,	**2023**	2022
Cost of Services		
Interest expense	**92,925,474**	76,434,965
Salaries	**61,658,432**	53,306,865
Depreciation expense	**10,781,296**	10,328,827
Other expenses	**122,841,916**	110,011,230
Total Cost of Services	**288,207,118**	250,081,887
Gross Profit	**153,488,296**	192,217,682
Tax rate	**1.50%**	1.00%
Tax Due at MCIT	**₱2,302,325**	₱1,922,177

Computation of Net Income Tax Payable

December 31,	**2023**	2022
Regular Corporate Income Tax or MCIT whichever is higher	**₱2,302,325**	₱3,158,384
Less : Tax Credits		
Excess payment in prior year	**3,586,348**	–
MCIT payments		
2019	**–**	1,642,312
2020	**–**	529,657
BIR Form No. 1606	**1,081,066**	3,000,000
Tax payments for the first three quarters	**–**	1,572,763
Excess payable	**₱2,365,089**	₱3,586,348

The RCIT excess payment amounted ₱2,365,089 in 2023 can be claimed as tax credit against regular and MCIT taxes due until 2025. The MCIT amounted ₱2,302,325 in 2023, can be claimed as tax credit against regular tax due until 2026.

Current Tax Expense – Final

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

Movements of Deferred Tax Assets

December 31,	**2023**	2022
Opening balances, originally stated	**₱105,627,975**	₱86,476,354
Add restatements:		
25% deferred asset on prov. for impairment losses *(Note 24)*	**4,074,829**	43,690,353
25% deferred asset on provision for retirement *(Note 24)*	**800,586**	–
Opening balances, as restated	**110,503,390**	130,166,707
Origination of temporary differences arising from:		
Minimum Corporate Income Tax (MCIT)	**2,302,325**	–
Provision for impairment loan losses *(Note 6)*	**–**	1,397,625
Provision for retirement benefits *(Notes 17 and 24)*	**791,123**	1,334,055
Actual retirement payment *(Note 17)*	**–**	(426,023)
Written-off loans receivables *(Note 6)*	**(32,813,799)**	(17,996,863)
Written-off of accounts receivable *(Note 6)*	**(494,790)**	(490,559)
Reclassification of 2021 MCIT to prepaid income tax	**–**	(1,309,583)
Application of excess payment in 2022	**(2,302,325)**	–
Re-measurement of actuarial gain *(Note 17)*	**(25,689)**	–
Application of 2020 and 2019 MCIT	**–**	(2,171,969)
Closing balances	**₱77,960,235**	₱110,503,390

As of December 31, 2023, the Bank did not recognize deferred tax assets on the temporary difference of the 2023 NOLCO, amounting to ₱79,717,480; 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.

Details of Taxes, Licenses and Fees

Years Ended December 31,	**2023**	2022
Business Taxes		
Gross Receipt Tax	**₱23,620,407**	₱23,462,096
Business and realty tax, vehicles registration & others	**19,069,366**	16,678,894
Sub-Total	**42,689,773**	40,140,990
Other Taxes Paid		
Compensation and Expanded withholding taxes	**4,697,301**	4,803,714
Documentary stamp taxes	**16,483,394**	16,682,447
Final taxes	**9,519,715**	9,519,715
Sub-Total	**30,700,410**	31,005,876
Total	**₱68,014,570**	₱71,146,866

Note 20
Earnings Per Share

Years Ended December 31,	**2023**	2022
Basic		
Profit for the year	**₱26,572,673**	₱71,670,721
Weighted average number of ordinary (common) shares	**3,983,172**	3,693,421
Basic Earnings per Share	**₱6.67**	₱19.40

Diluted

Years Ended December 31,	**2023**	2022 *(As Restated; Note 24)*
Profit for the year	**₱26,572,673**	₱71,670,721
Weighted average number of ordinary and potential ordinary shares	**3,983,172**	3,693,421
Diluted Earnings per Share	**₱6.67**	₱19.40

Note 21
Related Party Transactions

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

The significant related party transactions are summarized below:

(a) In the ordinary course of business, the Bank has loan transactions with DOSRI. 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, 2023, the Bank is in compliance with these regulations. The following are the information related to DOSRI:

December 31,	**2023**	2022
Total Outstanding DOSRI loans	**₱24,875,813**	₱15,077,323
Percent of DOSRI loans to total loans	**1.12%**	0.67%
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%

(b) The Bank also extends advances subject to liquidation to its officers and employees. Total advances to officers and employees amounted to ₱302,573 in 2023 and ₱237,470 in 2022. (See Note 6.)

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

Years Ended December 31,	**2023**	2022
Short-term employees' benefits	**₱9,507,003**	₱12,516,399
Post-employment benefits	**457,038**	555,624
	₱9,964,041	₱13,072,023

Note 22
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 2022 statement of financial position but for which fair value is disclosed.

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 14)*	234,618,674			**234,618,674**
Lease liabilities *(Note 9)*	83,192,992			**83,192,992**
	₱3,041,182,524	₱–	₱–	**₱3,041,182,524**
December 31, 2022				
Financial assets				
Cash and cash equivalents *(Note 5)*	₱546,629,429	₱–	₱–	₱546,629,429
Loans and other receivables *(Note 6)*			1,897,159,228	1,897,159,228
Investments in debt securities *(Note 7)*			44,843,953	44,843,953
	₱546,629,429	₱–	₱1,942,003,181	₱2,488,632,610

(Carried Forward.)

(Brought Forward.) December 31, 2023	Level 1	Level 2	Level 3	Total
Financial liabilities				
Deposit liabilities (Note 12)	₱2,393,835,499	₱–	₱–	₱2,393,835,499
Bills payable (Note 13)	130,016			130,016
Other liabilities (Note 14)	167,477,957			167,477,957
Lease liabilities (Note 9)	81,746,984			81,746,984
	₱2,643,190,456	₱–	₱ –	2,643,190,456

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, 2023 and 2022.

December 31, 2023	Level 1	Level 2	Level 3	Total
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**
December 31, 2022				
Bank prems, etc./ROUA (Note 8)	₱–	₱–	₱51,656,912	₱51,656,912
Investment properties (Note 10)	–	–	109,813,918	109,813,918
Other assets (Note 11)	136,894,056	–	–	136,894,056
	₱136,894,056	₱–	₱161,470,830	₱298,364,886

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

Note 23
Risk Management Objectives and Policies

The Bank is exposed to a variety of financial risks in performing its activities. The main types of risks it is facing are market risk, credit risk and liquidity risk. The Board of Directors has overall responsibilities for the Bank's financial risk management, which includes the establishment and approval of risk strategies, policies and limits. The main objective of the financial risk management of the Bank is to minimize the adverse impact of financial risks on the Bank's financial performance and financial 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, 2023, the Bank's financial assets are composed of the following:

December 31, 2023	*Neither Past Due Nor Impaired*	*Past Due But Not Impaired*	***Total***
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**
	₱2,935,731,294	₱–	**₱2,935,731,294**

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*
2023	+0.05%	₱1,361,685
	-0.05%	(1,361,685)
2022	+0.05%	₱1,196,983
	-0.05%	(1,196,983)

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, 2023	*Within One Year*	*Beyond One Year*	***Total***
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. *(Note 8)*	–	68,035,136	**68,035,136**
Right-of-use asset *(Note 9)*		76,426,239	**76,426,239**
Investment properties *(Note 10)*	–	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**
Bills payable *(Note 13)*	–	–	**–**
Other liabilities *(Note 14)*	212,247,833	–	**212,247,833**
Lease liabilities *(Note 8)*	83,192,992	–	**83,192,992**
Non-financial Liabilities			
Retirement benefit obligation *(Notes 13 and 17)*	–	22,370,841	**22,370,841**
Total Liabilities	₱2,699,521,642	₱341,660,882	**₱3,041,182,524**

December 31, 2022			
Financial Assets			
Cash and cash equivalents *(Note 5)*	₱546,629,429	₱–	₱546,629,429
Loans and other receivables *(Note 6)*	1,696,282,527	200,876,701	1,897,159,228
Investments in debt securities *(Note 7)*	–	44,843,953	44,843,953
Non-financial Assets			
Bank prems, etc./ROUA *(Note 8)*	–	51,656,912	51,656,912
Bank prems, etc. *(Note 8)*		77,223,004	77,223,004
Right-of-use asset *(Note 9)*	–	109,671,918	109,671,918
Other assets *(Note 11)*	136,894,056	–	136,894,056
Total Assets	₱2,379,806,012	₱484,272,488	₱2,864,078,500
Financial Liabilities			
Deposit liabilities *(Note 12)*	₱1,967,003,254	₱426,832,245	₱2,393,835,499
Bills payable *(Note 13)*	130,016	–	130,016
Other liabilities *(Note 14)*	148,168,852	–	148,168,852
Lease liabilities *(Note 8)*	81,746,984	–	81,746,984
Non-financial Liabilities			
Retirement benefit obligation *(Notes 14 and 17)*	–	19,309,105	19,309,105
Total Liabilities	₱2,197,049,106	₱446,141,350	₱2,643,190,456

Note 24
Surplus and Undivided Profits

During the year, the Bank restated the beginning balances of surplus and undivided profits to reflect the adjustments on the following accounts:

1) Allowance for the following 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 adjustment in prior years is on top of the 2022 adjustments to 2021 and prior years ECL of ₱151,234,884. The additional provision for expected credit losses in prior years totaling ₱167,154,200 was recorded against surplus since said provisions were determined and represented expected credit losses of prior years;

   - On 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 adjustment in prior years is on top of the 2022 adjustments to 2021 and prior years provision for ECL of ₱7,227,211. The Bank recorded the adjustment to the beginning deficit in 2022;

   - 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, and

2) 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 25
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 26
COVID – 19 Pandemic Situational Report, January 2024

COVID-19 cases throughout the country has been reported to be declining so much so that Health Secretary Teodoro Herbosa described Covid-19 as just one of the illnesses that cause respiratory tract infection with its most recent variants of interest as similar to common coughs and colds unlike previous ones that cause severe pneumonia. Secretary Herbosa even confirmed that DOH does not require everyone to wear masks, although some hospitals still implement strict masking protocols. He also confirmed that DOH no longer has a budget for the procurement of new vaccines. The vaccines donated by the COVAX Facility are only allotted for senior citizens and individuals with comorbidities as they are at high risk of hospitalization for severe Covid-19 infection.

The Board of Directors of the Bank has determined that the COVID-19 Pandemic generally no longer affected its operations in 2023. Management considers this disclosure as the final note on COVID-19 Pandemic.

Note 27
Authorization of Financial Statements

The Bank's financial statements as of and for the year ended December 31, 2023, were authorized for issue by the Bank's President on April 3, 2024.

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