Resilient as Bamboo, Innovative as Technology: Your Bank for 46 Years and Counting

ENTERPRISE Bank
A Rural Bank

Who we are

Our Vision

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

Our Mission

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

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

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

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

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

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

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. 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 development of the economy. Moreover, EBI is taking advantage of technology to enhance its operations, optimize human and capital resources, enhance customer experience and comply with government 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.

About the Cover

Our bank's story has always been that of resiliency.

Reckoned from its establishment in 1976, EBI, magnificently hurdled a myriad of economic challenges.
When the ravaging pandemic hit in 2020 posing a crisis like no other, our team demonstrated its astonishing resolve and resilience emulating a bamboo which sways but does not break notwithstanding the vicious gusts of wind.

With grit and tenacity, we swiftly adapted to the “new normal” and bolstered our systems to ensure uninterrupted quality service to our clients.

As a testament to our innovation in keeping up with technological advancements the bank exerted zealous efforts to improve its systems. That throughout every development, our commitment to personalized customer service is shown by our desire to keep the bank’s core values intact and unwavering.

Client relationship is strengthened offering both the efficiency of technology and the soothing warmth of human touch.

The Bank’s journey signifies the manifestation of resilience and innovation serving as a constant reminder that it can thrive in the face of adversity and emerge stronger paving the way for a brighter future

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Your success is also our success!

It is our vision to be a strong regional bank within greater Mindanao and Visayas that leads in the delivery of high quality financial products and services that promote, support and encourage entrepreneurship in the countryside.

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Years of Experience

200,000
Banking Accounts

72,000
Loan Clients

From the President

Dear Stakeholders,

Expressing my gratitude for your unwavering support and trust in our institution. Your continued investment has been instrumental to our success. This Annual Report focuses on the present and future challenges and how we as an institution plan to meet them.

Enterprise Bank has achieved remarkable financial results this past year despite facing numerous encounters that tested our resilience and determination. Apparently, the global financial landscape experienced unprecedented volatility compelling the Bank to adapt swiftly to successfully navigate through this challenging times.

In 2022, we solidified our position as a trusted financial partner to individuals, businesses and communities. We fostered innovation by leveraging cutting-edge technology to enhance our digital banking services to provide seamless experience to our valued customers.

"By investing in our digital infrastructure and embracing the digital transformation, we were able to meet the evolving needs of our clients while maintaining the highest standards of security and privacy."

This collective achievement of noteworthy financial results was grasped through diligent efforts and prudent risk management practices resulting in greater profitability reaching an unprecedented all-time high in the Bank's net income. Our asset quality is made stronger reflecting the effectiveness of adopting proper risk mitigation strategies.

Further to our financial performance, we made significant strides on corporate social responsibility by actively contributing to the well-being of the communities we serve focusing on making a constructive impact on education that serves as a foundation of knowledge for the future. We remain committed to continuing our efforts to nurture, guide and instill in us the true meaning of servicing the community

Amidst the dynamic financial landscape, we remained steadfast in prudently managing if not averting risk thus maintaining stability of our operations.

"Our robust risk management framework has allowed us to navigate uncertainties and safeguard our stakeholders' investments."

We consistently continue to abide by the highest standards of governance, transparency, and ethical conduct, ensuring that our stakeholders' interest is protected at all times.

We recognize that as we move forward, the banking industry will constantly evolve. Technological advancements, regulatory changes, and shifting customer expectations will present challenges and opportunities. However, Enterprise Bank is equipped to navigate through these dynamic waters. We fortified a clear strategic roadmap in place, underpinned by a commitment to innovation, customer-centricity, and operational excellence.

Credit will always be due to our dedicated employees, whose unwavering commitment and hard work have been instrumental in our success. Their passion, expertise, and customer-focused mindset have been the driving force behind our achievements.

I reiterate my gratitude and gratefulness to our stakeholders for your invaluable partnership. Together, we will continue to achieve new milestones and unlock new possibilities.

ROBERTO F. SALAZAR
President/CEO

Financial Highlights

Minimum Required Data	2022	2021
Profitability		
Total Net Interest Income	219,729,149	184,060,336
Total Non-Interest Income	148,873,013	96,636,550
Total Expenses	268,080,743	228,112,394
Pre-Provision Profit	100,521,419	52,584,492
Allowance for credit losses	5,590,499	8,260,000
Net Income	94,930,920	44,324,492
Select Balance Sheet Data		
Liquid Assets	546,629,429	582,059,577
Gross Loans	1,913,316,544	1,496,295,817
Total Assets	2,875,502,401	2,476,463,827
Deposits	2,393,835,499	2,193,434,954
Total Equity	235,514,289	136,441,710
Selected Ratios		
Return on equity	39.83%	58.59%
Return on assets	2.77%	2.03%
Capital Adequacy Ratio	10.12%	3.48%
Net Income per share:		
Basic	20.06	15.74
Diluted	20.06	15.74
Others		
Headcount	270	273
Officers	11	15
Staff	259	258

Risk Management Framework

Enterprise Bank, Inc. steadfastly believes that *risk management* is an essential element of good governance. The Bank implements an integrated Enterprise Risk Management (ERM) Framework that looks into the adequacy of controls and addresses all the risks that the Bank may encounter.

Risk Management emanates from the Board of Directors (BOD). The BOD creates Board Committees to oversee the Bank's risk management activities implemented from the Senior Management down to the branches.

The Board approved the Risk Management (RM) Framework of the Bank, as well as policies, procedures and other control mechanisms to manage and mitigate the risks in the deposit-taking, lending and other activities of the Bank.

Risk Management is undertaken by incorporating the Bank's vision, mission and strategies, with consideration of the existing structure, products and services, communication processes, and infrastructure support.

With a feasible Risk Management approach, EBI expects to increase its operational efficiency, enhance its resilience by way of a strong capital base, and sustain growth through the achievement of a comfortable profitability level.

Likewise, the Risk Management implementation is expected to increase the Bank's client base and enable the generation of revenues allowing the Bank to continue its contribution to social development.

Anti-Money Laundering and Terrorist Financing Risk Management

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

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

Capital Structure and Capital Adequacy

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

Capital account figures of Enterprise Bank for the year:

	Amount (in millions)
Tier 1 Capital	132.53
Tier 2 Capital	118.75
Total Qualifying Capital	**251.27**
Capital Requirement for Credit Risk	209.223
Capital Requirement for Market Risk	0.00
Capital Requirement for Operational Risk	36.883
Total CAR (%)	**10.21%**
Tier 1 CAR	**5.39%**

Breakdown of Qualifying Capital (in millions)	Tier 1	Tier 2	Total
Core Capital	**219.00**	**118.74**	**337.75**
- Paid up Common Stock	383.93	0.00	383.93
- Retained Earnings	(262.10)	0.00	(262.10)
- Undivided Profits	97.18	0.00	97.18
- 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	99.80	99.80
- General loan loss provision	0.00	18.94	18.94
- Unsecured Subordinated Debt	0.00	0.00	0.00
Deductions	**86.48**	**0.00**	**86.48**
- Deferred Tax Asset	86.48	0.00	86.48
- Un-booked Valuation Reserves	0.00	0.00	0.00
- Unsecured Loans to DOSRI	0.00	0.00	0.00
- Total Operational Risk-weighted Assets	0.00	0.00	0.00
Total Qualifying Capital	**132.53**	**118.74**	**251.27**

Corporate Governance

Enterprise Bank, Inc. is governed by its Board of Directors that perform its duties through the following Board-level committees: the Audit, Risk, and Compliance Committee, the Executive Committee, the Credit Committee, the Related Party Transactions Committee, and the Asset/Liability Committee.

EBI's policies, procedures and systems that are approved by the Board are anchored on the Bank's mission and vision and commitment to provide the highest quality service to the financial consuming public.

Selection Process for the Board of Directors

A Director can either be a Filipino or Non-Filipino, at least 25 years of age at the time of the election or appointment, and physically and mentally fit to discharge the duties and responsibilities of being a member of the Board.

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.

Pursuant to the Bank's by-laws, the holders of common stock entitled to vote shall elect the members of the Board of Directors from among themselves.

Selection Process for the Senior Management

The standard for selecting a member of the Senior Management is analogous to that of the Members of the Board of Directors, which considers the integrity, probity, educational attainment, knowledge and years of experience relevant to the function, and the skills and diligence of a candidate officer.

The Board's Overall 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 soundness, effectiveness, and adequacy of the Bank's control environment;	Observe confidentiality of non-public information which he/she shall have acquired because of his being a Director;	Continuously exercise objective independent judgment on corporate affairs requiring his/her decision or approval;	Continuously devote time and attention as necessary for the discharge of his/her duties and responsibilities; and,	Conduct fair business transactions with the Bank to make sure that personal interest does not distort his/her Board decision.

Description of the Role and Contribution of the Chairman of the Board

The Chairman of the Board of Directors of EBI is responsible for the effective functioning of the entire Board. He/She ensures that matters of discussion in the Board focuses on governance concerns and key strategies of the Bank. He/She ensures observance of decorum so that critical discussions will result in relevant decisions by the entire Board.

The Composition of the Board of Directors

Name of Director	Type of Directorship	Number of Years Served as Director	Number of Direct and Indirect Shares Held	Percentage of Shares to Total Outstanding Shares of the Bank
Richard M. Rodriguez	Non-Executive Director	6	247,252	6.44%
Roberto F. Salazar	Executive Director	2.5	1	0.00%
Maximino A. Salang, Jr.	Non-Executive Director	16	623,028	16.23%
Atty. Ronald E. Alvizo	Non-Executive Director	5	13,266	0.35%
Alberto P. Capati	Non-Executive Director	5	192,890	5.02%
Lung Fai Chan	Non-Executive Director	6	313,217	8.16%
Emerson DC. Sta. Ana*	Indepedent Director	< 1	1	0.00%
Bienvenido F. Manzares, Jr.**	Indepedent Director	1.5	1	0.00%

* *elected in May 2022 stockholders' meeting.*
** *until April 2022 only.*

The Board of Directors

1. **Richard M. Rodriguez**
Chairman of the Board

2. **Roberto F. Salazar**
Director

3. **Maximino A. Salang, Jr.**
Director

4. **Atty. Ronald E. Alvizo**
Director

5. **Alberto P. Capati**
Director

6. **Lung Fai Chan**
Director

7. **Emerson DC Sta. Ana**
Independent Director

The Directors' Profiles

1. RICHARD M. RODRIGUEZ
48 years old, Filipino
Chairman of the Board

Education
Bachelor of Science in Accountancy from Southwestern University, Cebu City
Master of Management degree from the University of San Jose-Recoletos, Cebu City
Bachelor of Laws from Southwestern University, Cebu City

Concurrent Positions
Administrator of Chinese Royal Colleges of Science and Management;
Director of Fastway Finance and Credit Corporation;
Part-time professor at Salazar Colleges

Past Positions
Branch Head, Merchants Bank, 1998-2000;
Consumer Lending Head, Insular Savings Bank, 2000-2003

Committees
Chairman, Asset and Liability Committee
Member, Executive Committee
Member, Credit Committee

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2. ROBERTO F. SALAZAR
54 years old, Filipino
Executive Director

Education
Bachelor of Science in Commerce major in Accounting from Notre Dame of Marbel College

Past Positions
Branch Head, Citibank Savings, Inc., 2001-2006;
Head, Personal Loans Dept., Citibank Savings, Inc., 2006-2008;
Group Head, Enterprise and Consumer Banking, Enterprise Bank, Inc., 2008-2010;
Group Head, Consumer Lending, Wealth Development Bank, 2010-2020

Committees
Chairman, Credit Committee
Chairman, Executive Committee
Chairman, Information System and Technology Steering Committee
Member, Asset and Liability Committee

3. MAXIMINO A. SALANG, JR.
63 years old, Filipino
Director

Education
Bachelor of Science in Business Administration major in Marketing

Concurrent Positions
President, Maxan Trucking Services, Inc.
Director, TACDECOR/CHEMWOOD

Past Positions
Sales Specialist, Assistco, Cebu City, 1975-1976
Sales Specialist, BORMAHECO, Butuan City, 1976-1977
Hauling Manager, FUTS/GSTS Trucking, Bislig City, 1977-1979

Committee
Member, Audit, Risk and Compliance Committee

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4. ATTY. RONALD E ALVIZO
55 years old, Filipino
Director

Education
Bachelor of Science in Economics from the University of Mindanao
Bachelor of Laws from Ateneo de Davao University
Master in Entrepreneurship from the Asian Institute of Management

Concurrent Positions
Partner, Alvizo Alvizo & Ranoco Law Offices

Past Position
President/CEO, Enterprise Bank, Inc. (A Thrift Bank)

Committees
Member, Asset and Liability Committee
Member, Executive Committee
Member, Related Party Transaction Committee
Member, Information System and Technology Steering Committee
Member, Credit Committee

The Directors' Profiles

5. ALBERTO P. CAPATI
71 years old, Filipino
Director

Education
Bachelor of Arts major in Management Engineering and General Studies, Ateneo de Manila University;
Master in Business Administration at De La Salle University;
Diploma in Regional Industrial Development from the Research Institute for Management Science

Past Positions
President/CEO, Enterprise Bank, Inc. (A Thrift Bank)
Director, Enterprise Bank, Inc. (A Thrift Bank)
Director for Operations, UP Institute for Small Scale Industries

Committees
Member, Credit Committee
Member, Asset and Liability Committee
Member, Executive Committee

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6. LUNG FAI CHAN
62 years old, Filipino
Director

Education
Bachelor of Science in Architecture, University of Santo Tomas

Concurrent Position
Director, Fongson Consumer Products, Inc.

Committees
Member, Audit, Risk, and Compliance Committee
Member, Related Party Transaction Committee

7. EMERSON DC STA. ANA
47 years old, Filipino
Independent Director

Education
Bachelor of Arts in Public Administration, UP Diliman;
Certificate in Business Economics, University of Asia and the Pacific

Past Positions
Division Head, Commercial Lending, Wealth Development Bank
Vice President, Asiatrust Development Bank
Senior Assistant Manager, Planters Development Bank

Committees
Chairman, Audit, Risk, and Compliance Committee
Chairman, Related Party Transaction Committee

Name of Director	Number of Meetings Attended	% of Attendance
Richard M. Rodriguez	7	100%
Roberto F. Salazar	7	100%
Maximino A. Salang, Jr.	7	100%
Atty. Ronald E. Alvizo	7	100%
Alberto P. Capati	7	100%
Lung Fai Chan	6	86%
Emerson DC. Sta. Ana*	5	100%
Bienvenido F. Manzares, Jr.**	1	100%
Total Number of Meetings	7	

** assumed post in May 2022.*
*** until April 2022 only.*

The Management Team

Roberto F. Salazar
54 years old, Filipino
President and CEO

Certified Public Accountant
Bachelor of Science in Accountancy/Notre Dame of Marbel University

Accomplished and decisive Chief Executive Officer with an impeccable track record, strong business acumen and vision, an entrepreneurial mindset, and a stellar reputation built on having extensive experience in the industry being profoundly involved in both deposit and lending operations in 30 years of banking knowledge.

Joy G. Politico
46 years old, Filipino
Treasurer and Chief Finance Officer

Certified Public Accountant
Bachelor of Science in Accountancy/Ateneo de Davao University

Detailed-oriented, results driven, resolute CFO well-known within the Bank for her proficiency in all areas of finance having exceptional financial analytical skills to understand the Bank's need and demands that drive growth and efficiency.

Gilbert D. Yu
53 years old, Filipino
Corporate Secretary
and Chief Operations Officer

Bachelor of Science in Computer Engineering - University of San Carlos.

Customer oriented and innovative COO with 30 years of widespread experience in the financial sector providing an array of expertise in strategic implementation, performance analysis, marketing, and customer service with the innate ability to implement operational plans.

Former President/Manager of Rural Bank of Ronda, Inc.

Gladys Mae Honquilada
30 years old, Filipino
Head, Human Resources Management Department

Bachelor of Arts in Psychology - University of Immaculate Conception.

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.

She is pursuing graduate studies in the field of Human Resources and completed all coursework leading to Masters of Psychology major in Industrial Psychology.

Crisanto P. Tenio
43 years old, Filipino
Head, Credit Department

Bachelor in Administration Major in Banking and Finance - St. Joseph College.

Prior joining the Bank, he was with Eastwest Rural Bank (formerly Greenbank) holding a managerial position in the loans department and with Wealth Bank, where he was the head of product under the Sales/Loans Department.

Mark Louie T. Salinas
43 years old, Filipino
Head, Information System and Technology Department

Bachelor of Science Computer Engineering - University of San Jose Recoletos, Cebu City.

Having rose from the ranks of Enterprise Bank, Inc. handling various positions, Mr. Salinas has an extensive experience in the many aspects of banking operations.

Atty. Joseph P. Reyes, J.D.
30 years old, Filipino
Legal Counsel

Lawyer

Bachelor of Arts Major in Mass Communication - Ateneo de Davao University.

Bachelor of Laws (LLB) - Jose Maria College of Law:
Academic Excellence Awardee
Academic Honors Awardee

Reymon R. Erezo
42 years old, Filipino
Corporate Affairs and Planning Officer

Bachelor of Science in Statistics- University of Southeastern Philippines

Graduate Diploma in Econometrics- University of Southeastern Philippines

He completed all the required coursework leading to a degree in Master of Science in Econometrics.

Before joining EBI again in 2015, he was a college instructor at the University of Mindanao-Panabo College teaching courses in Economics and Statistics.

Leohmar G. Angelia
39 years old, Filipino
Head, Collection Department

Bachelor of Science of Education - St. Theresa College, Tandag City, Surigao del Sur.

He has been in the banking industry for 15 years and has various exposures in product development and sales. He was with EBI from 2004 until 2013, and with Wealth Development Bank from 2013 to 2019.

Julieta L. MIranda
46 years old, Filipino
Area Head, Surigao and
Northern Mindanao

Bachelor of Science - St. Theresa College, Tandag City, Surigao del Sur.

Immediately after college, she joined the bank as bookkeeper and eventually became the branch operation officer for several branches in Surigao del Sur.

Ms. Miranda supervises the banking operation in Surigao Provinces and branches in Davao and Misamis Oriental.

Saturnino DJ Laping
46 years old, Filipino
Area Head, Visayas and
Cagayan de Oro

Bachelor of Science in Electrical Education - MSU-IIT, Iligan City.

His career is entirely in the banking industry for more than 20 years, mostly in the loans and operations.

He currently heads the branches located in the Visayas and the Cagayan de Oro branch.

Noel E. Cabrera
42 years old, Filipino
Area Head, South Central

Bachelor of Arts in English - Holy Cross of Davao College.

He joined the bank in 2002 as an Account Officer. He rose from rank and headed several branches of the bank in Agusan del Sur. Currently, he oversees the operations in of the branches located in Agusan and Davao Provinces.

Deogracias A. Ramos, Jr.
59 years old, Filipino
Head, Enterprise
and Consumer Lending Group

Bachelor of Science in Commerce Major in Accounting - University of San Carlos, Cebu City.

Mr. Ramos has 35 years of banking experience gained from BPI Family Bank, Philippine Savings Bank, Allied Banking Corporation, and Wealth Development Bank.

Ian Y, Caangay
43 years old, Filipino
Head, Internal Audit Department

Bachelor of Science in Accountancy - Ateneo de Davao University.
Graduate units in Master in Information Technology - University of Southeastern Philippines.

Mr. Caangay has been in the banking industry since 2003. Extensive banking experience in areas of audit and information technology management.

Arthur-John O. Lugtu
63 years old, Filipino
Chief Compliance Officer and Risk Management Head

Certified Public Accountant

Bachelor of Science in Accountancy - Xavier University, Cagayan de Oro City.
Bachelor of Laws - Xavier University, Cagayan de Oro City.

Mr. Lugtu has 28 years of banking experience. He was 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.

The Management Team

Board Committees, their Membership and Functions

Audit, Risk and Compliance Committe (ARCCo)

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.

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Emerson DC. Sta. Ana *	Chairman, Independent Director	4	100%
Bienvenido F. Manzares, Jr. **	Chairman, Independent Director	1	100%
Maximino A. Salang, Jr.	Member, Non-executive Director	5	100%
Lung Fai Chan	Member, Non-executive Director	5	100%
Total Number of Meetings		**5**	

* *held the chairmanship starting May 2022.*
** *held the chairmanship prior May 2022.*

Executive Committee (EXECOM)

The Executive Committee assists the Bank's Board of Directors in fulfilling its oversight responsibilities, specifically in:

- 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.

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Roberto F. Salazar	Chairman, Executive Director	13	100%
Richard M. Rodriguez	Member, Non-executive Director	13	100%
Atty. Ronald E. Alvizo *	Member, Non-executive Director	13	100%
Alberto P. Capati	Member, Non-executive Director	13	100%
Maximino A. Salang, Jr.	Guest, Non-executive Director	13	100%
Lung Fai Chan	Guest, Non-executive Director	12	92%
Emerson DC Sta. Ana **	Guest, Independent Director	9	100%
Total Number of Meetings		**13**	

*   *only became member in May 2022; prior meetings, he only served as guest.*
** *became a regular guest starting May 2022.*

Credit Committee (CreCom)

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 Compliance 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.

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Roberto F. Salazar	Chairman, Executive Director	12	100%
Richard M. Rodriguez	Member, Non-executive Director	12	100%
Atty. Ronald E. Alvizo	Member, Non-executive Director	12	100%
Alberto P. Capati	Member, Non-executive Director	12	100%
Maximino A. Salang, Jr.	Guest, Non-executive Director	12	100%
Lung Fai Chan	Guest, Non-executive Director	11	92%
Emerson DC Sta. Ana *	Guest, Independent Director	8	100%
Total Number of Meetings		**12**	

*** became a regular guest starting May 2022.*

Related Party Transactions Committee (RPTCo)

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 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.

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Emerson DC. Sta. Ana *	Chairman, Inpedendent Director	4	100%
Bienvenido F. Manzares, Jr. **	Chairman, Independent Director	1	100%
Atty. Ronald E. Alvizo	Member, Non-executive Director	5	100%
Lung Fai Chan	Member, Non-executive Director	5	100%
Total Number of Meetings		**5**	

* *held the chairmanship in May 2022.*
** *held the chairmanship prior May 2022 only.*

Asset and Liability Committee (ALCo)

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. 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.

Name of Directors	**Role**	**No. of Meetings Attended**	**% of Attendance**
Richard M. Rodriguez	Chairman, Non-executive Director	12	100%
Atty. Ronald E. Alvizo	Member, Non-executive Director	12	100%
Alberto P. Capati	Member, Non-executive Director	12	100%
Roberto F. Salazar	Member, Executive Director	12	100%
Maximino A. Salang, Jr.	Guest, Non-executive Director	12	100%
Lung Fai Chan	Guest, Non-executive Director	8	67%
Total Number of Meetings		**12**	

Information System and Technology Streeting Committee (ITSC)

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;

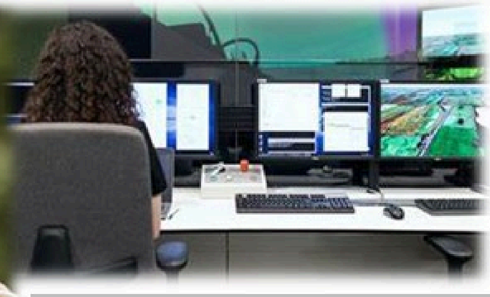
b) Provides oversight of IT governance and input regarding alignment of IT strategic plan with Bank's business strategic objectives;

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.

Name of Directors	Role	No. of Meetings Attended	% of Attendance
Roberto F. Salazar	Chairman, Executive Director	6	100%
Atty. Ronald E. Alvizo	Member, Non-executive Director	6	100%
Glenn C. Genoguin	Member, IST Head, Management Team	6	100%
Joy G. Politico	Member, Chief Finance Officer, Management Team	6	100%
Gilbert D. Yu	Member, Retail Banking Group Head, Management Team	6	100%
Total Number of Meetings		**6**	



Customer Service: The Heart of Our Bank's IT Transformation

Customer service is the heart of EBI's digital transformation.

We are gearing towards modernizing our IT infrastructure so that our customers are provided with the best experience - the same personalized and quality service only made more efficient with the aid of technology. We embody the thought that convenience is not just a *"nice-to-have"* but a fundamental aspect in effective customer service strategy.

Of equal importance, security is another vital component in strengthening our customer service strategy for the IT infrastructure is our resolute shield in this regard. We invested in robust security measures to ensure that our customers' financial information is safe and secure, giving them the tranquil peace of mind.

Moreover, our updated IT infrastructure has streamlined our internal processes. This has translated to faster transaction processing, quicker issue resolution, and more efficient record-keeping.

In sum, our customers are the inspiration behind our updated information technology infrastructure which empowers us to provide convenient, personalized, and secure services to our customers while optimizing our internal operations. In a world where customer expectations are constantly evolving, our commitment to enhancing our IT infrastructure ensures that we can continue delivering exceptional customer service, forging lasting relationships, and thriving in the digital age.

Nurturing Our Human Capital

"Employees are a company's greatest asset - they're your competitive advantage"
-Anne M. Mulcahy

EBI's employees are not just our most significant resource, they represent the heartbeat and lifeblood of the Bank. The infallible driving force behind our success. Being the most critical aspect of our Bank's identity, their hard work, commitment, and dedication makes our banking services personalized with a touch of empathy.

The employees also represent the face of our Bank. They greet customers and clients with a warm smile, attend to their concerns and assist them in navigating the complexities of the financial world. They build trust, develop rapport and provide excellent customer service one interaction at a time, and such trust becomes a foundation of any successful banking relationship.

In this constantly evolving industry, their dedication to customer service, ideas, innovation and expertise are invaluable. Their collective efforts helped shape our Bank's culture while setting the positive tone for our organization.

As a Bank, we're not just a collection of assets and liabilities; we're a team of individuals who are committed to making a difference in the lives of our customers and in the communities we serve.

Our employees are the true champions of our mission.

Performance Assessment Program

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

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.

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.

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.

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 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.

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.

A Director of the Bank is required to serve at least one year from the date of his/her election. Unless a director resigns, is removed from office, or unable to act because of death, disqualification, or otherwise, he/she shall hold office during the term for which he/she was elected until his qualified successor is elected in the next annual meeting of the stockholders.

A Director can be nominated and elected in office given he is in good health and mentally apt. No term limit in office is defined for a Director, except for the limitations described in the preceding paragraph, provided, he/she was duly elected according to existing corporate By-laws.

Remuneration Program

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

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

For the year 2022, among the highest-paid officers are personnel handling the positions of President and CEO, Retail Banking Group Head, 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.

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.

Policies and Procedures on 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.

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.

Self-Assessment Function

Internal Audit Department

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 Department

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 Office

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.

Our Corporate Social Responsibility

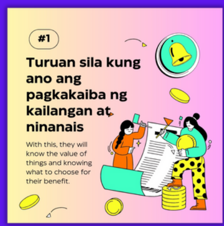
EBI recognizes that it doesn't exist in isolation but thrives within the fabric of the communities we serve. To honor this symbiotic relationship, we actively engage in a variety of initiatives aimed at uplifting our neighbors and fostering a sense of social responsibility.

In 2022 CSR activity, the Bank initiated a medical mission/outreach program for our brothers and sisters in the Ata-Manubo Tribe at Sitio Malasiban, Talaingod, Davao del Norte--a distant indigenous community in Davao region.

In a joint collective effort with professionals in the medical field, the military, and the PNP, the Bank provided medical consultation, circumcision, and distribution of relief goods.

One of our primary areas of focus is financial education. We believe that empowering our community with financial literacy is a crucial step toward financial stability.

Both personal and digital interaction with our clients we take every opportunity to share the value of savings.



Consumer Protecton

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.

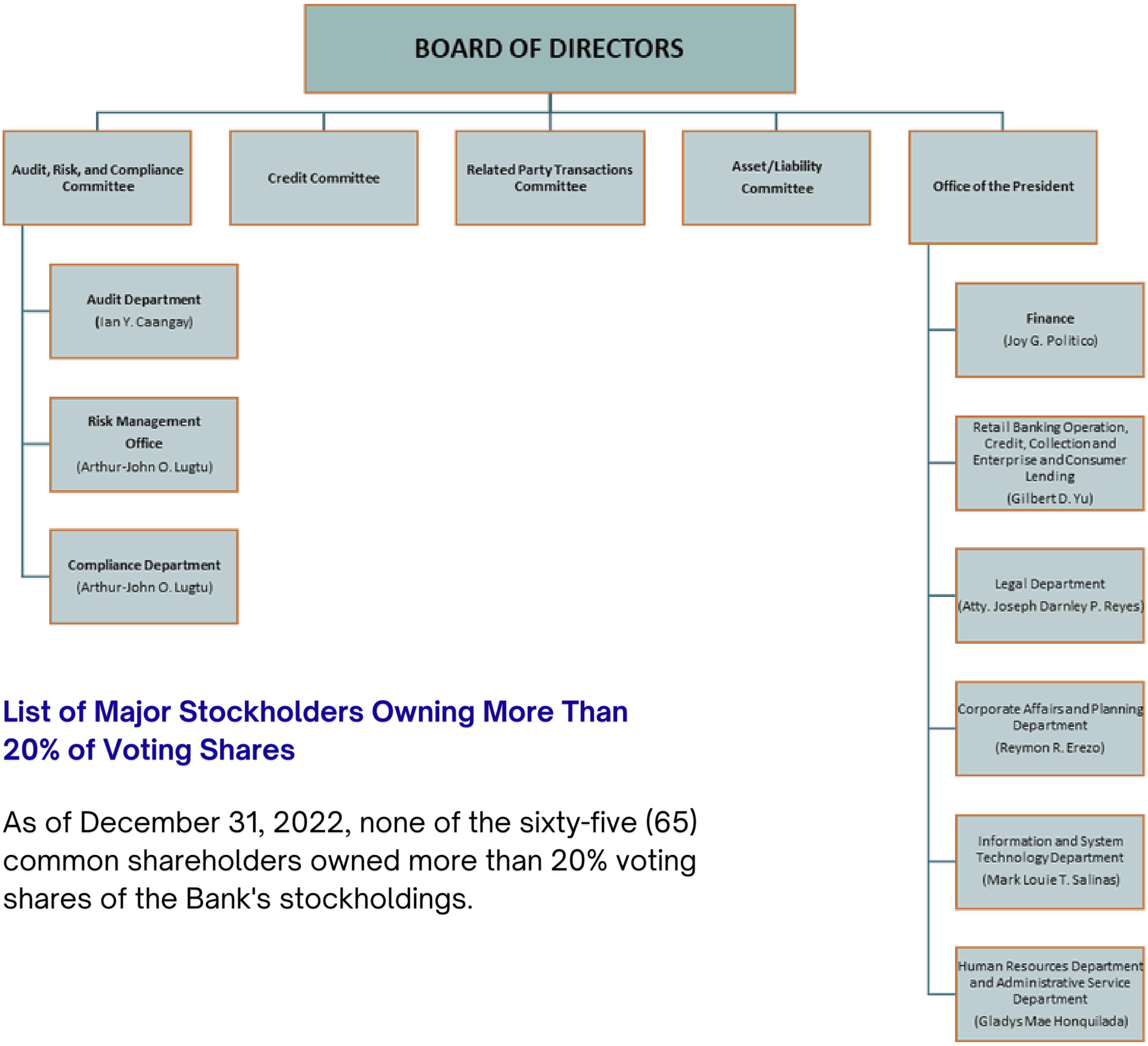
- Financial consumers have alternative options of raising financial transaction-related issues **via electronic mail at customercentral@enterprisebank.com.ph** where an attending Consumer Assistance Officer is ready to answer complaints and inquiries with proper documentation.

- 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

Organizational Structure



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

As of December 31, 2022, none of the sixty-five (65) common shareholders owned more than 20% voting shares of the Bank's stockholdings.

“Banking that includes you.”

is not just a philosophy but a promise that we do our best to deliver personalized service according to your banking needs.

It is not just a slogan but a guiding principle that shapes every aspect of our

Products and Services

in the next pages.

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.

Automatic Transfer of Deposit Account

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

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.

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.

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 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.

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.

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.

CUSTOMER FEEDBACK

What our clients say...

Very accomodating. They even extend their time to keep up with my business

Archie O. Padilla
Owner, Dong Chie Gasoline Station

Enterprise Bank has been very instrumental to the expansion of our business

Aida L. Hatague
Owner, Victory Commercial Enterprises

Enterprise Bank Bldg.,
Km. 5, Buhangin,
Davao City
(082) 225-1111

Where To Find Us

In the Visayas

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

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

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

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

In Mindanao

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

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

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

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

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

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

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

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

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

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

Nabunturan Banch
Purok 1, Nabunturan,
Compostela Valley,
Davao de Oro
(084) 817-1059/ 0947-270-7768

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

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

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

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

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

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

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

Financial Statements

December 31, 2022 and 2021

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) 88-8564401, 8822-727515
quilabgarsuta.com

Accreditations, Expiry
BIR 16-007506-000-2022, 2022-2024
NEA 2020-12-00070, 2020-2023
7787-SEC Group B, 2020-2024
7787-BSP Group B, 2020-2024
7787-IC Group A, 2020-2024
PRC/BOA 7787, 2020-2023
CDA 119 AF, 2021-2023
MISEREOR

REPORT OF INDEPENDENT AUDITORS

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

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, 2022 and 2021, 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 significant accounting policies and other explanatory notes (collectively referred to a 'financial statements').

In our opinion, except for the effects of the matters described in the *Bases for Qualified Opinion* Section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Enterprise Bank, Inc. (A Rural Bank) as of December 31, 2022 and 2021, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion
The following form the bases of our qualified opinion:

(a) As explained in Note 5 to the financial statements, the 2021 financial statements were restated for the additional allowance for expected credit losses (ECL) representing a change in the accounting estimate of the adequacy of the 2021 and prior years' loan and other receivables loss provisions, determined as at December 31, 2022, amounting to ₱158,462,095. The booking of additional ECL increased the deferred tax assets account by ₱39,615,524 and reduced the opening balance of the 2021 surplus and undivided profits by ₱118,846,571. 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 should have been booked only in 2022.

(b) As also explained in Note 15 to the financial statements, the Bank did not book the provision for retirement benefits for 2022 amounting to ₱3,202,344, resulting in the deficiency of the actuarially-computed retirement benefit obligation of the same amount at the end of 2022.

Had the Bank charged to current operation the additional restated ECL as of December 31, 2022, and booked the retirement benefit expense for 2022, as explained in the preceding two paragraphs, the Bank's reported profit for the year ended December 31, 2022, of ₱74,072,479, will reverse to a net loss of ₱47,175,850 (net of deferred taxes on the two provisions amounting to ₱40,416,110). Its retirement benefit obligation (under other liabilities) will be increased by the additional provisions of ₱3,202,344 and its deferred tax assets will be increased by the anticipated tax benefits of the additional retirement benefit obligation amounting to ₱800,586.

In our report dated April 12, 2022, our opinion on the 2021 and prior year's financial statements was qualified as being subject to the effects, among others, on the 2021 and prior year's financial statements of such adjustments, if any, as might have been determined to be necessary, had the Bank booked additional ECL at the end of 2021 amounting to ₱98,366,498. During 2022, the Bank computed and booked the required ECL on loans and other receivable thereby complying with the requirements of PFRS 9 *Financial Instruments* as far as the adequacy of the ECL is concerned. Accordingly, the loans and other receivable of the Bank as at the end of 2022 have been fairly presented in accordance with the requirements of PFRSs, and our present opinion on the 2021 and prior years' financial statements, insofar as it pertains to the fair presentation of the loans and other receivable, 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.

Quilab & Garsuta, CPAs

PTR No. 5474075 A
January 3, 2023
Cagayan de Oro City

April 13, 2023
Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Enterprise Bank, Inc. (A Rural Bank)

December 31	**2022**	2021	2020
		(As Restated) (Note 5)	*(As Restated) (Notes 5)*
ASSETS			
Cash and Cash Equivalents *(Note 4)*	**₱546,629,429**	₱582,059,577	₱420,391,686
Loans and Other Receivables – Net *(Note 5)*	**1,913,316,544**	1,496,295,817	1,255,086,540
Investments in Debt Securities – At Amortized Cost *(Note 6)*	**44,843,953**	46,515,088	39,548,428
Bank Premises, Furniture, Fixtures and Equipment – Net *(Note 7)*	**51,656,912**	74,068,080	63,174,980
Right-of-Use Asset – Net *(Note 7)*	**77,223,004**	16,628,788	12,670,939
Investment Properties *(Note 8)*	**109,813,918**	115,068,066	123,495,101
Other Assets *(Note 9)*	**132,018,641**	145,828,411	160,784,016
	₱2,875,502,401	₱2,476,463,827	₱2,075,151,690
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposit liabilities *(Note 10)*	**₱2,393,835,499**	₱2,193,434,954	₱1,868,906,030
Bills payable *(Note 11)*	**130,016**	1,083,545	46,922,058
Other liabilities *(Note 12)*	**164,275,613**	127,081,325	124,537,406
Lease liabilities *(Note 7)*	**81,746,984**	18,422,293	13,654,396
Total Liabilities	**2,639,988,112**	2,340,022,117	2,054,019,890
Shareholders' Equity			
Share capital *(Note 13)*	**383,925,500**	358,925,400	₱289,775,300
Reserves	**34,499,969**	34,499,969	34,499,969
Deficit *(Notes 5, 8 and 9)*	**(182,911,180)**	(256,983,659)	(303,143,469)
Total Shareholders' Equity	**235,514,289**	136,441,710	21,131,800
	₱2,875,502,401	₱2,476,463,827	₱2,075,151,690

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Enterprise Bank, Inc. (A Rural Bank)

Years Ended December 31,	**2022**	2021
INTEREST INCOME		
Loans *(Note 5)*	**₱292,742,166**	₱242,125,000
Bank deposits and investments in debt securities *(Notes 4 and 6)*	**3,421,948**	3,162,838
Total	**296,164,114**	245,287,838
LESS INTEREST EXPENSE		
Deposit liabilities *(Note 8)*	**76,414,896**	59,985,974
Bills payable *(Note 11)*	**20,069**	1,241,528
Total	**76,434,965**	61,227,502
NET INTEREST INCOME	**219,729,149**	184,060,336
PROVISION FOR IMPAIRMENT LOSSES	**5,590,499**	8,260,000
PROFIT BEFORE APPLICATION FEES AND OTHER INCOME	**214,138,650**	175,800,336
APPLICATION FEES AND OTHER INCOME *(Note 14)*	**148,873,013**	96,636,550
PROFIT BEFORE OTHER EXPENSES	**363,011,663**	272,436,886
OTHER EXPENSES		
Compensation and employees' benefits *(Note 15)*	**90,976,651**	90,918,602
Other operating expenses *(Note 16)*	**150,144,028**	115,222,434
Depreciation *(Notes 7 and 8)*	**26,960,064**	21,971,358
Total Other Expenses	**268,080,743**	228,112,394
PROFIT BEFORE INCOME TAX EXPENSE	**94,930,920**	44,324,492
INCOME TAX EXPENSE *(Note 17)*	**20,858,441**	(1,835,318)
PROFIT FOR THE YEAR *(Note 18)*	**₱74,072,479**	₱46,159,810

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Enterprise Bank, Inc. (A Rural Bank)

December 31	**2022**	2021 *(As Restated) (Note 5)*
SHARE CAPITAL *(Note 13)*		
Preference Shares – ₱100 par value	**₱–**	₱–
Ordinary (Common) Shares – ₱100 par value		
Opening balances	**358,925,400**	289,775,300
Additional shares issued during the year	**25,000,100**	69,150,100
Closing balances	**383,925,500**	358,925,400
Total Share Capital	**383,925,500**	358,925,400
RESERVES		
Surplus Reserves	**28,430,427**	28,430,427
Accumulated Actuarial Gains	**6,069,542**	6,069,542
Total Reserves	**34,499,969**	34,499,969
DEFICIT		
Opening balances, as originally stated	**(138,137,088)**	(96,974,757)
Adjustments to restate beginning balances *(Notes 5, 8, and 9)*	**(118,846,571)**	(206,168,712)
Opening balances, as restated	**(256,983,659)**	(303,143,469)
Profit for the year	**74,072,479**	46,159,810
Closing balances	**(182,911,180)**	(256,983,659)
	₱235,514,289	₱136,441,710

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Enterprise Bank, Inc. (A Rural Bank)

Years Ended December 31,	**2021**	2020
		(As Restated) (Note 5)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	**₱94,930,920**	₱44,324,492
Add (deduct) adjustments for:		
Depreciation on bank premises and investment properties *(Notes 7 and 8)*	**17,214,712**	15,323,304
Depreciation on right-of-use assets *(Note 7)*	**9,745,352**	6,648,054
Provision for retirement benefits *(Note 15)*	**2,133,876**	3,600,000
Provision for impairment loan losses	**5,590,499**	8,260,000
Interest expense on lease liabilities *(Note 7)*	**4,175,552**	1,324,952
Operating income before changes in working capital	**133,790,911**	79,480,802
Add (deduct) changes in working capital, excluding cash and cash equivalents:		
Increase in loans and other receivables *(Note 5)*	**(422,611,226)**	(249,469,277)
Decrease (increase) in other assets *(Note 9)*	**(3,172,581)**	18,733,074
Increase in deposit liabilities *(Note 10)*	**200,400,545**	324,528,924
Increase (decrease) in other liabilities *(Note 12)*	**35,060,411**	(1,056,081)
Net cash (Used in) provided by operations	**(56,531,940)**	172,217,442
Income taxes paid *(Note 17)*	**(3,876,090)**	(1,942,151)
Net Cash (Used in) Provided from Operating Activities	**(60,408,030)**	170,275,291
CASH FLOWS FOR FINANCING ACTIVITIES		
Issuance of additional ordinary shares *(Note 13)*	**25,000,000**	69,150,100
Settlement of bills payable *(Note 11)*	**(953,529)**	(45,838,513)
Net Cash Provided from Financing Activities	**24,046,571**	23,311,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in investment properties *(Note 8)*	**998,739**	4,245,266
Decrease (increase) in investments in debt securities *(Note 6)*	**1,671,135**	(6,966,660)
Sale (reclassification) of bank premises, furn., fixt. and equipment *(Note 7)*	**25,172,708**	(2,580,689)
Additions to bank premises, furn., fixt. and equipment – net *(Note 7)*	**(15,720,843)**	(19,453,946)
Payment of lease liabilities and interest *(Note 7)*	**(11,190,428)**	(7,162,958)
Net Cash Provided (Used in) for Investing Activities	**931,311**	(31,918,987)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(35,430,148)**	161,667,891
OPENING CASH AND CASH EQUIVALENTS	**582,059,577**	420,391,686
CLOSING CASH AND CASH EQUIVALENTS *(Note 4)*	**₱546,629,429**	₱582,059,577

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Enterprise Bank, Inc. (A Rural Bank)
As of and for the Years Ended December 31, 2022 and 2021

Note 1
Organization

The Enterprise Bank, Inc. (A Rural Bank) (to be referred henceforth as 'Bank') was originally organized on May 10, 1976, to engage and carry on the business of a Rural Bank.

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

Note 2
Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

Statements of Compliance
The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations-IFRIC. PFRSs include statements named PFRSs and Philippine Accounting Standards (PAS), 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) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA) and adopted by the Securities and Exchange Commission (SEC).

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

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

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

- *Consolidation of Financial Statements*
  Under PAS 27, all bank/quasi-bank subsidiaries, regardless of type, are consolidated on a line-by-line

basis. For prudential reporting purposes, however, financial allied subsidiaries, except insurance companies, are consolidated with the financial statements of the parent bank on a line-by-line basis. Non-financial allied subsidiaries and insurance subsidiaries, on the other hand, are accounted for using the equity method.

This requirement has no impact on the Bank as it has no subsidiaries.

- *Provisioning Requirement*
  In preparing general purpose audited financial statements, BSFIs adopt the provisions of PFRSs 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 PFRS Standards that are Effective for Current Year
The Bank has not adopted early any standard, interpretation or amendment that has been issued but is not yet effective. The following Standards were developed and issued by the International Accounting Standards Board (IASB), an independent, private-sector body that develops and approves International Financial Reporting Standards (IFRSs). The IASB was formed in 2001 to replace the International Accounting Standards Committee (IASC).

These standards were reviewed by the FSRSC which was established under the Implementing Rules and Regulations of the Philippine Accountancy Act of 2004 to assist the Board of Accountancy (BOA) in carrying out its power and function to promulgate accounting standards in the Philippines. The FSRSC's main function is to establish generally accepted accounting principles in the Philippines through its review and adoption of the Standards issued by the IASB. The FSRSC formed the PIC in August 2006 to assist the FSRSC in establishing and improving financial reporting standards in the Philippines. The role of the PIC is principally to issue implementation guidance on PFRSs which are then forwarded to the FSRSC and BOA/PRC for approval before issuance to the public as final guidance.

The Securities and Exchange Commission (SEC) has the authority to prescribe the financial reporting framework to be used by corporations in the Philippines. These general financial reporting requirements are set out in Rule 68 of the Securities Regulation Code (SRC).

In the current year, the Bank has applied a number of amendments to IFRS 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, 2022. The following new and amended IFRS Standards have been reviewed and/or adopted in the Philippines by the FSRSC for the BOA/PRC. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to PFRS 3 Reference to the Conceptual Framework
The Bank has adopted the amendments to PFRS 3 *Business Combinations* for the first time in the current year. The amendments updated PFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS/IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies PAS/IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The foregoing amendments were adopted by the FSRSC on August 19, 2020 and becomes effective beginning January 1, 2022.

Amendments to PAS/IAS 16 Property, Plant and Equipment— Proceeds before Intended Use
The Bank has adopted the amendments to PAS/IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS/IAS 2 *Inventories.*

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS/IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The foregoing amendments were adopted by FSRSC on August 19, 2020 and becomes effective beginning January 1, 2022.

Amendments to PAS/IAS 37 Onerous Contracts—Cost of Fulfilling a Contract
The Bank has adopted the amendments to PAS/IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The foregoing amendments were adopted by FSRSC on August 19, 2020 and becomes effective beginning January 1, 2022.

Annual Improvements to PFRS Accounting Standards 2018-2020 Cycle
The Bank has adopted the amendments included in the *Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle* for the first time in the current year. The Annual Improvements include amendments to four standards.

- *PFRS 1 First-time Adoption of International Financial Reporting Standards*
  The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

- *PFRS 9 Financial Instruments*
  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- *PFRS 16 Leases*
  The amendment removes the illustration of the reimbursement of leasehold improvements.

- *PAS/IAS 41 Agriculture*
  The amendment removes the requirement in PAS/IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS/IAS 41 with the requirements of PFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

These following amendments were adopted by FSRSC on August 19, 2020 and becomes effective beginning January 1, 2022.

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 IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- *Amendments to IAS 1* and IFRS Practice Statement 2 *Disclosure of Accounting Policies Amendments to IAS 8 Definition of Accounting Estimates*

- Amendments to PAS/IAS 8 *Definition of Accounting Estimates*

- Amendments to PAS/IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

IFRS 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 on December 15, 2021 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.

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 directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's consolidated financial statements in future periods should such transactions arise. The FSRSC has not yet adopted the foregoing amendments.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or

The amendments to PAS/IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments. The FSRSC adopted the amendments on August 19, 2020 and becomes effective beginning January 1, 2023.

Amendments to IAS 1 Presentation of Financial Statements and
IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies
The amendments change the requirements in PAS/IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity'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.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to PAS/IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. The FSRSC adopted the amendments on April 14, 2021 and becomes effective beginning January 1, 2023.

Amendments to IAS 8 Accounting Policies, Changes
in Accounting Estimates and Errors—Definition of Accounting Estimates
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. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error,

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing PAS/IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The FSRSC adopted the amendments on April 14, 2021 and becomes effective beginning January 1, 2023.

Amendments to IAS 12 Income Taxes—Deferred Tax
related to Assets and Liabilities arising from a Single Transaction
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 nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying PFRS 16 at the commencement date of a lease.

Following the amendments to PAS/IAS 12, an entity 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 IASB also adds an illustrative example to PAS/IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with: (a) Right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The FSRSC adopted the amendments on April 14, 2021 and becomes effective beginning January 1, 2023.

The directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's consolidated financial statements in future periods should such transactions arise.

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 3.

Significant Accounting Policies

The principal accounting policies adopted are set out below.

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.

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 21. 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. 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.

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 significant accounting policies.

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.

For a financial guarantee contract, as the Bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

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 14) 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. 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. 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.

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 Bank did not make any such adjustments during the period presented.

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

Leases, for which the Bank is a lessor, are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Bank is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. The Bank is not a lessor of properties.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases. When a contract includes both lease and non-lease components, the Bank applies PFRS 15 to allocate the consideration under the contract to each component.

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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date. 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 liabilities are recognized for all taxable temporary differences, except: (a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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 3
Significant Accounting Judgment and Estimates

In applying the Bank's accounting policies, which are described in Note 2, *Summary of Significant Accounting Policies*, 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.

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 4
Cash and Cash Equivalents

This account consists of the following:

December 31	**2022**	2021
Due from Bangko Sentral ng Pilipinas	**₱339,140,849**	₱346,310,236
Due from other banks	**171,097,525**	185,744,760
Cash and other cash items	**36,391,055**	50,004,581
	₱546,629,429	₱582,059,577

Due from other banks earn annual interest ranging from 0.125% to 0.75% in 2022 and 2021.

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 4.25% to 5.375% in 2022 and 2021.

Interest income from bank deposits amounted to ₱2,494,887 and ₱1,589,787 in 2022 and 2021, respectively.

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

December 31,	**2022**	2021
Philippine National Bank (PNB)	**₱165,484**	₱165,484
Land Bank of the Philippines (LBP)	**–**	5,357,328
	₱165,484	₱5,522,812

Note 5
Loans and Other Receivables

The loans and other receivables consist of the following:

December 31,	2022	2021
Loans receivable	**₱2,275,391,487**	₱1,903,059,251
Other receivables	**60,398,412**	49,027,470
Total	**2,335,789,899**	1,952,086,721
Allowance for expected credit losses	**(370,354,763)**	(438,713,950)
Unearned interest and discounts	**(52,118,592)**	(17,076,954)
Net	**₱1,913,316,544**	₱1,496,295,817

Breakdown of Loans Receivable

December 31,	2022	%	2021	%
Agricultural	**₱329,826,889**	15	₱283,920,041	15
Commercial	**1,940,071,511**	85	1,583,263,463	83
Others	**5,493,087**	0	35,875,747	2
Total	**2,275,391,487**	100	1,903,059,251	100
Allowance for expected credit losses	**(346,325,104)**	(18)	(412,722,057)	(28)
Unearned interest and discounts	**(52,118,592)**	(3)	(17,076,954)	(1)
Net	**₱1,876,947,791**	79	₱1,473,260,240	71

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 ₱292,742,166 in 2022 and ₱242,125,000 in 2021.

Maturity Profile of Loans Receivable

December 31,	2022	%	2022	%
Due more than 12 months	**₱1,635,884,115**	**72**	₱1,288,158,453	68
Due within 12 months	**639,507,372**	**28**	614,900,798	32
	₱2,275,391,487	**100**	₱1,903,059,251	100

Breakdown by Type of Security

Unsecured	**₱1,926,409,050**	**85**	1,578,186,534	73
Secured	**348,982,437**	**15**	324,872,717	27
	₱2,275,391,487	**100**	1,903,059,251	100

About ₱143,017 and ₱1.1 million as of December 31, 2022 and 2021, respectively, have been pledged as security to the bills payable of the Bank. (See Note 11.)

Breakdown by Concentration of Credit

December 31,	2022	%	2021	%
Agricultural	**₱329,826,889**	**14**	₱283,920,041	15
Wholesale and retail trade	**292,980,746**	**13**	288,830,291	15
Others	**1,652,583,852**	**73**	1,330,308,919	70
	₱2,275,391,487	**100**	₱1,903,059,251	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, 2022	*Current*	*Past Due*	*Total*
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%**
December 31, 2021			
Agricultural	₱177,259,799	₱106,660,242	₱283,920,041
Commercial	1,277,613,676	305,649,787	1,583,263,463
Others	–	35,875,747	35,875,747
	₱1,454,873,475	₱448,185,776	₱1,903,059,251
	76%	24%	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 ₱353,553587 in 2022 and ₱429,042,089 in 2021. 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 ₱166 million in 2022 and ₱187 million in 2021. The related allowance for credit loss of such loans amounted to ₱131 million in 2022 and ₱109 million in 2021.

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

December 31, 2022	*Performing*	%	*Non-Performing*	%	*Total*	%
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%**
December 31, 2021						
Agricultural	₱177,841,946	12%	₱106,078,095	25%	₱283,920,041	15%
Commercial (SME)	263,094,099	18%	25,736,192	10%	288,830,291	15%
Others–personal consumption	1,033,081,117	70%	297,227,802	65%	1,330,308,919	70%
	₱1,474,017,162	100%	₱429,042,089	100%	₱1,903,059,251	100%

Past Due Ratio on Total Loans is 16% in 2022 and 23% in 2021.

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	Amortized 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	Lumpsum 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	**2022**	2021
Opening balances, as originally stated	**₱261,487,173**	₱147,388,773
Add additional allowance (See restatement paragraph below.)	**151,234,884**	257,073,284
Opening balances, as restated	**412,722,057**	404,462,057
Additional provisions for the year	**5,590,499**	8,260,000
Write-off of loans	**(71,987,452)**	–
Closing balances as restated	**₱346,325,104**	₱412,722,057

Details of Other Receivables

December 31,	**2022**	2021
Accrued interest income on loans receivable	**₱13,863,725**	₱20,918,391
Accounts receivable (See details in a table below.)	**36,236,218**	19,827,436
Sales contract receivable	**10,298,469**	8,281,643
Total	**60,398,412**	49,027,470
Allowance for expected credit losses *(See table below.)*	**(24,029,659)**	(18,764,682)
Net	**₱36,368,753**	₱30,262,788

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	**2022**	2021
Opening balances, as originally stated	**₱18,764,682**	₱8,658,560
Add additional allowance (See restatement paragraph below.)	**7,227,211**	17,333,333
Opening balances, as restated	**25,991,893**	25,991,893
Write-off of for the year	**(1,962,234)**	–
Closing balances as restated	**₱24,029,659**	₱25,991,893

Composition of Accounts Receivable

December 31,	**2022**	2021
Receivable from DEP-ED	**₱17,096,921**	₱202,643
Receivable from resigned employees	**10,790,188**	10,444,512
Borrowers under litigation	**6,521,576**	6,800,939
Advances to contractors	**1,113,766**	1,707,099
Advances to SSS maternity/sickness	**473,827**	315,250
Advances to officers and employees	**237,470**	275,097
Other receivables	**2,470**	81,896
	₱36,236,218	₱19,827,436

Restatement of 2021 and Prior Years' Allowance for Impairment Losses

During the year, the Bank restated the 2021 and prior years' allowance for ECL on loans to record provision for loan losses amounting to ₱151,234,884, 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 2021 were adjusted by ₱113,426,163 and ₱37,808,721 (₱151,234,884 x 25%), respectively. The adjustment in prior years is on top of the 2021 adjustments to 2020 and prior years ECL of ₱105,838,400. The additional provision for expected credit losses in prior years totaling ₱257,073,284 was recorded against surplus since said provisions were determined and represented expected credit losses of prior years.

During the year also , the Bank restated the 2021 and prior years' allowance for ECL of other receivables to record additional provision amounting to ₱7,227,211. As a result, the beginning balances of surplus and undivided profits and the deferred tax assets for the year 2021 were adjusted by ₱5,420,408 and ₱1,806,803 (₱7,227,211 x 25%), respectively. The adjustment in prior years is on top of the 2021 adjustments to 2020 and prior years provision for ECL of ₱10,106,122. The Bank recorded the adjustment to the beginning deficit in 2021.

As required by PFRSs, the Bank presented a third column of its statements of financial position.

Note 6
Details of Investments in Debt Securities – At Amortized Cost

December 31,	**2022**	2021
Retail treasury bonds, at face value	**₱14,000,000**	₱14,875,200
Retail treasury bonds, at discounts on its face value	**30,843,953**	31,639,888
	₱44,843,953	₱46,515,088

Investment income earned amounted to ₱927,061 in 2022 and ₱1,573,051 in 2021. 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 ₱14,000,000, have coupon rates ranging from 3.500% to 4.625% and will mature on the following dates: September 14, 2026, February 10, 2023, and April 3, 2027.

Retail Treasury Bonds, at Discounts on its Face Value
The treasury bonds represent 4 to 6-year retail treasury bonds which are issued at discount and premium on its face value with interest rates ranging from 3.250% to 5.750% per annum payable quarterly. The bond will mature on the following dates: August 15, 2023, July 9, 2024, and March 7, 2028.

Analysis of the Retail Treasury Bonds

December 31,	**2022**	2021
Face value	**₱29,964,216**	₱32,241,000
Net discount	**879,737**	(601,112)
Carrying Amount	**₱30,843,953**	₱31,639,888

Note 7
Bank Premises, Furniture, Fixtures and Equipment and Right-of-Use Asset

Bank Premises, Furniture, Fixtures and Equipment – At Cost
This account consists of the following:

December 31,	**2022**	2021
Land	**₱6,479,890**	₱13,818,890
Building	**17,062,518**	43,261,286
Furniture, fixtures and equipment	**97,520,365**	92,139,561
Transportation equipment	**20,742,619**	20,390,025
Leasehold improvements	**10,883,135**	29,229,710
Total	**152,688,527**	198,839,472
Accumulated depreciation	**(101,031,615)**	(124,771,392)
Net Book Value	**₱51,656,912**	₱74,068,080

During the year, the Bank disposed certain property and recognized gain on sale thereof amounting to ₱27,471,561, treated as part of other income (see Note 14).

Reconciliation of Carrying Amounts

December 31, 2022	*Opening Balances*	*Additions*	*Disposals/Adjustments*	***Closing Balances***
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**

December 31, 2021				
Cost				
Land	₱13,818,890	₱–	₱–	₱13,818,890
Building	42,666,008	595,278	–	43,261,286
Furniture, fixtures and equipment	88,742,072	8,228,101	(4,830,612)	92,139,561
Transportation equipment	21,597,861	3,741,750	(4,949,586)	20,390,025
Leasehold improvements	22,340,893	6,888,817		29,229,710
Total	189,165,724	19,453,946	(9,780,198)	198,839,472
Accumulated Depreciation				
Building	(18,782,145)	(1,693,948)	–	(20,476,093)
Furniture, fixtures and equipment	(70,509,063)	(7,194,127)	8,225,252	(69,477,938)
Transportation equipment	(15,495,470)	(1,724,533)	4,135,635	(13,084,368)
Leasehold improvements	(21,204,066)	(528,927)	–	(21,732,993)
Total	(125,990,744)	(11,141,535)	12,360,887	(124,771,392)
Net Book Value	₱63,174,980	₱8,312,411	₱2,580,689	₱74,068,080

As of December 31, 2022 and 2021, the land and building have estimated market values of ₱17 million and ₱74.6 million, respectively.

Right-of-Use Asset

This account consists of the following:

December 31,	**2022**	2021
Right-of-use assets	**₱101,924,757**	₱31,585,189
Accumulated depreciation	**(24,701,753)**	(14,956,401)
Net Book Value	**₱77,223,004**	₱16,628,788

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 11.). 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 2021, the Bank recognized its right-of-use assets at ₱31,585,189, and recognized lease liability of ₱18,422,293, interest expense of ₱1,324,952 and depreciation expense of ₱6,648,054. Total lease payments (including interest) amounted ₱11,190,428 in 2022 and ₱7,162,958 in 2021.

During 2022, the Bank re-measured its right-of-use assets at ₱101,924,757 and its lease liabilities at ₱81,746,984

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

December 31,	**2022**	2021
Current	**₱14,562,054**	₱4,860,462
Non-current	**67,184,930**	13,561,831
	₱81,746,984	₱18,422,293

Interest incurred on lease liabilities amounted ₱4,175,552 in 2022 and ₱1,324,952 in 2021.

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, 2022	*Opening Balances*	*Additions*	*Disposals/Adjustments*	***Closing Balances***
Right-of-use asset	₱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**
December 31, 2021				
Right-of-use assets	₱20,979,286	₱10,605,903	₱–	₱31,585,189
Less accumulated depreciation	(8,308,347)	(6,648,054)	–	(14,956,401)
Net Book Value	₱12,670,939	₱3,957,849	₱–	₱16,628,788

Note 8
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 ₱235.7 million at the end of 2022 and ₱242.7 million at the end of 2021.

Income from assets acquired recognized in the statements of profits or loss amounted to ₱7,408,500 in 2022 and ₱5,644,136 in 2021. Total depreciation charged to operations amounted to ₱4,255,409 and ₱4,103,904 for the years ended December 31, 2022 and December 31, 2021, respectively. The Bank management believes the investment properties were not further impaired as of December 31, 2022.

Details of Investment Properties

December 31,	**2022**	2021
Cost		
Opening balances	**₱127,060,856**	₱131,653,129
Additions	**11,460,370**	4,780,148
Disposals/reclassification	**(12,499,637)**	(9,372,421)
Closing balances	**126,021,589**	127,060,856
Accumulated Depreciation		
Opening balances	**(10,011,113)**	(6,176,351)
Additions	**(4,255,409)**	(4,181,769)
Disposals/adjustments	**40,528**	347,007
Closing balances	**(14,225,994)**	(10,011,113)
Allowance for Impairment Losses		
Opening balances, as originally stated	**(1,981,677)**	(1,496,677)
Add additional allowance	**–**	(485,000)
Opening balances, as restated	**(1,981,677)**	(1,981,677)
Provision for impairment losses	**–**	–
Closing balances	**(1,981,677)**	(1,981,677)
Net Book Value	**₱109,813,918**	₱115,068,066

Note 9
Other Assets

The composition of this account is shown below:

December 31,	**2022**	2021
Deferred tax assets *(Note 17)*	**₱105,627,975**	₱126,091,878
Prepaid expenses	**12,653,766**	5,938,844
Stationery and office supplies	**1,696,257**	3,145,866
Goodwill *(Notes 1 and 2)*	**2,949,039**	2,949,039
Computerized program and product development costs	**2,948,315**	751,987
Miscellaneous assets	**6,143,289**	6,950,797
	₱132,018,641	₱145,828,411

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 ₱826,394 in 2022 and ₱1,291,084 in 2021 lodged under 'Information and Technology Expenses'.

Note 10
Deposit Liabilities

This account is composed of the following:

December 31,	**2022**	2021
Savings and demand deposits	**₱1,062,991,291**	₱1,013,656,665
Time deposits	**1,330,844,208**	1,179,778,289
	₱2,393,835,499	₱2,193,434,954

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 ₱76,414,896 in 2022 and ₱59,985,974 in 2021.

Maturity Profile of Time Deposits

December 31,	**2022**	2021
Six months to one year	**₱904,011,963**	₱794,127,881
More than one year	**426,832,245**	385,650,408
	₱1,330,844,208	₱1,179,778,289

Note 11
Bills Payable

This consists of the following bills payable to:

December 31,	**2022**	2021
Small Business Corporation (SBC)	**₱130,016**	₱1,083,545
Due in more than one year	**–**	400,016
Due within one year and below	**₱130,016**	₱683,529

Details of Bills Payable
The account represents the balance of bills payable to Small Business Corporation (SBC) arising from rediscounting of loans with interest rates ranging from 4.0% to 4.5% annually and is payable until March 2023. Total interest incurred on bills payable amounted ₱20,069 in 2022 and ₱1,241,528 in 2021.

The bills payable were secured by loans receivable amounting to ₱143,017 and ₱1.1 million as of December 31, 2022 and 2021, respectively. (See Note 5.)

Movements of the Accounts

December 31,	**2022**	2021
Opening balances	**₱1,083,545**	₱46,922,058
Payments	**(953,529)**	(45,838,513)
Closing balances	**₱130,016**	₱1,083,545

Note 12
Other Liabilities

These liabilities consist of the following:
(Please see table next page.)

December 31	2022	2021
Redeemable preference shares *(Note 13)*	**₱99,799,100**	₱51,799,100
Accounts payable *(See table following.)*	**21,733,482**	19,009,296
Retirement benefit obligation *(Note 15)*	**16,106,761**	15,676,978
Accrued interest payable *(Note 10)*	**12,469,056**	23,319,439
Accrued expenses	**10,882,164**	13,003,251
Income tax payable *(Note 17)*	**–**	590,507
Other payables	**3,285,050**	3,682,754
	₱164,275,613	₱127,081,325

Breakdown of Accounts Payable

December 31	2022	2021
Payable to Bancnet	**₱11,411,122**	₱8,548,733
Payable to clients	**4,820,484**	6,009,837
Documentary stamps	**1,165,987**	1,075,877
Accounts payable – suppliers	**377,696**	320,075
Payable to separated employees	**354,150**	237,382
Payable to insurance	**305,983**	748,458
Payable to collecting agency	**237,903**	29,800
SSS pension and remittances	**206,609**	206,609
Payable to Merchant Partners	**180,956**	411,400
Payable to ROPA account	**110,000**	110,000
Payable to appraisers	**84,000**	16,000
Items in litigation	**78,534**	43,900
Payable to employees	**16,183**	15,524
Deposits from borrowers for payment for mortgages	**–**	308,912
Others	**2,383,875**	926,789
	₱21,733,482	₱19,009,296

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

Note 13
Share Capital

Details of Share Capital

December 31,	2022	2021
Preference Shares A – ₱100 par value		
Government – non-voting and convertible, cumulative		
Authorized – 251,353 shares		
Issued and outstanding – 0 shares	**₱–**	₱–
Preference Shares B – ₱100 par value *(Note 12)*		
Private – redeemable non-voting and convertible		
Authorized – 1,150,000 shares		
Issued and outstanding – 997,991 in 2022 and 517,991 in 2021	**–**	–
Ordinary (Common) Shares – ₱100 par value		
Authorized – 4,000,000 shares		
Issued and outstanding – 3,839,255 in 2022 and 3,589,254 in 2021	**383,925,500**	**358,925,400**
	₱383,925,500	**₱358,925,400**

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 ₱99,799,100 and ₱51,799,100, respectively, and are presented as part of 'Other Liabilities'. (See Note 12.)

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 2022, 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 2022 and 2021 are presented as additional disclosures in the notes to the audited financial statements, as follows:

December 31	**2022**	2021
Return on Average Equity	**39.83%**	58.59%
Return on Average Assets	**2.77%**	2.03%
Net Interest Margin	**9.67%**	9.91%
Capital-to-Risk Assets Ratio	**11.51%**	8.54%
Risk-Based Capital Adequacy	**10.12%**	3.48%
Tier 1 Capital	**₱129,886,314**	₱8,642,733
Tier 2 Capital	**₱118,743,219**	₱66,347,835
Total Qualifying Capital	**₱248,629,533**	₱74,990,568
Total Risk-Weighted Assets	**₱2,457,858,021**	₱2,156,445,120
Tier 1 Ratio	**5.28%**	0.40%
Leverage Ratio	**4.64%**	0.42%
Minimum Liquidity Ratio	**20.71%**	24.87%

Restatement of 2021 Ratios
The 2021 ratios were restated from ratios originally presented after effecting the adjustments in 2021 and prior years as discussed in Note 5 to the financial statements.

Leverage Ratio
The leverage ratios as reported above (both for 2022 and 2021) have not reached the minimum BSP ceiling of 5%.

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 an 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,	**2022**	2021
Borrowings (total liabilities)	**₱2,639,988,112**	₱2,340,022,117
Less cash and cash equivalents	**546,629,429**	582,059,577
Net Debt	**2,093,358,683**	1,757,962,540
Total equity	**235,514,289**	136,441,710
Equity and Net Debt	**₱2,328,872,972**	₱1,894,404,250
Gearing Ratio (Net Debt/Equity and Net Debt)	**0.90**	0.93

Debt to Equity Ratio

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

December 31,	**2022**	2021
Total Liabilities	**₱2,639,988,112**	₱2,340,022,117
Total Equity	**235,514,289**	136,441,710
Overall financing	**₱2,875,502,401**	2,476,463,827
Debt-to-Equity Ratio	**11.21**	17.15

Disclosures Required Under Revised SRC Rule 68 (2019 Version)

As at December 31, 2022, the Bank has a total of 65 shareholders with 61 shareholders owning 100 or more shares each of the Bank's share capital.

Note 14

Details of Application Fees and Other Income

Years Ended December 31,	**2022**	2021
Application fees	**₱88,171,299**	₱62,156,450
Gain on sale from bank premises fixtures, furniture/equipment *(Note 7)*	**27,471,561**	524,896
Overnight charges	**9,343,254**	9,091,813
Income from assets acquired *(Note 8)*	**7,408,500**	5,644,136
Income from ATM operation	**5,090,508**	9,464,517
Bank charges	**2,276,336**	2,132,597
Inter-branch transaction fees	**2,058,391**	2,053,111
Income from remittance and other services	**1,235,063**	680,728
Check book fee	**1,174,075**	1,081,359
Inspection/appraisal fees	**287,669**	289,877
Income on POS	**104,784**	818,007
Recovery on charged-off assets	**16,421**	122,728
Insurance (service fees)	**2,055**	478
Miscellaneous	**4,233,097**	2,575,853
	₱148,873,013	₱96,636,550

Note 15
Details of Compensation

Years Ended December 31,	**2022**	2021
Short-term employees' benefits	**₱88,842,775**	₱87,318,602
Post-employment benefits	**2,133,876**	3,600,000
	₱90,976,651	₱90,918,602

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, 2022 and 2021 presented under Other Liabilities in Note 12, recognized in the statement of financial position is determined as shown below.

December 31,	**2022**	2021
Present value of obligation per Actuarial Valuation Report	**₱19,309,105**	₱18,879,322
Understatement of Retirement Benefit Obligation	**(3,202,344)**	(3,202,344)
Retirement benefit obligation as recorded *(Note 12)*	**₱16,106,761**	₱15,676,978

Principal Actuarial Assumptions Used

The following principal actuarial assumptions used in determining plan obligations as of December 31, 2022 and 2021 are based on the actuarial valuation report obtained from an independent actuary in 2021 and 2020. There were no plan amendments or curtailment, recognized as of December 31, 2022.

The amounts of retirement benefits expense recognized per actuarial valuation report are as follows:

Years Ended December 31,	**2022**	2021
Current service cost	**₱1,518,410**	₱1,474,184
Interest cost on benefit obligation	**615,466**	612,271
	₱2,133,876	₱2,086,455

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 12.)

Components of Retirement Benefit Costs Recognized in OCI

December 31,	**2022**	2021
Opening balances	**₱6,069,542**	₱6,069,542
Actuarial (gain) loss on defined benefit obligation	**–**	–
Deferred income tax *(Note 17)*	**–**	–
Closing balances	**₱6,069,542**	₱6,069,542

Computation of the Actuarial Gain (Loss)

Years Ended December 31,	**2022**	2021
(Gain) loss on defined benefit obligation	**₱–**	₱–
Gain (loss) on plan assets	**–**	–
Total Actuarial Gain	**₱–**	₱–

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

December 31,	**2022**	2021
Opening balances	**₱18,879,322**	₱18,781,324
Actuarial (gain) loss	**–**	–
Current service cost	**1,518,410**	1,474,184
Interest cost	**615,466**	612,271
Benefits paid by the plan	**(1,704,093)**	(1,988,457)
Closing balances	**₱19,309,105**	₱18,879,322

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

December 31	**2022**	2021
Discounted rate	**3.26%**	3.26%
Salary increase rate)	**3.00%**	3.00%
Average expected working lives of employees	**27.21**	27.21

Assumptions regarding future mortality are based on the 1973-1978 Philippine Intercompany Mortality Table Basic.

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, 2020, assuming all other assumptions were held constant.

Discount Rate		*Future Salary Increase Rate*	
+1%	(₱918,216)	+1%	₱812,428
-1%	1,010,179	-1%	(754,030)

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*
2020	₱3,192,449	2023	2,698,232
2021	3,197,241	2024	2,558,109
2022	3,001,926	2025-2039	21,015,796

Note 16

Details of Other Operating Expenses

Years Ended December 31,	**2022**	2021
Taxes, licenses and licenses *(Note 17)*	**₱40,140,990**	₱33,118,891
Travelling expenses	**27,741,503**	9,265,986
Management and other professional fees	**11,682,542**	6,724,557
Security, messengerial and janitorial services	**11,675,292**	12,826,694
Power, light and water	**7,391,530**	5,936,418

(Carried Forward.)

(Brought Forward.)

Years Ended December 31,	**2022**	2021
Insurance	**6,374,537**	8,114,352
Communications	**6,051,942**	8,339,279
Stationery and supplies used	**4,991,508**	3,478,786
Collection fee charges	**4,422,209**	3,625,667
Interest on lease liabilities *(Note 7)*	**4,175,552**	1,324,952
Representation and entertainment	**3,717,129**	3,336,373
Repairs and maintenance	**3,467,405**	3,079,060
Fuel, oil and lubricants	**3,405,972**	2,966,279
Commission	**3,380,266**	2,495,785
Information and technology expenses	**2,608,743**	3,661,267
Rent *(Note 7)*	**2,192,562**	2,410,038
Litigation of asset acquired	**892,480**	817,471
Banking fees	**306,496**	643,923
Miscellaneous	**5,525,370**	3,056,656
	₱150,144,028	₱115,222,434

Note 17
Computation of Income Tax Expense

Components of Income Tax Expense
The income tax expenses for 2021 was based on the MCIT rate which proved to be higher than the regular rate as shown in the following tables.

The details of income tax expense consist of the following:

Years Ended December 31,	**2022**	2021
Current		
Corporate tax at 25%	**₱3,158,384**	₱1,309,583
Final tax at 20%	**717,706**	632,568
Total	**3,876,090**	1,942,151
Deferred		
Unused 30% deferred tax asset of written-off accounts *(Note 5)*	**–**	497,114
Deferred 25% tax on provision for impairment loan losses *(Note 5)*	**17,089,797**	(2,065,000)
Deferred 25% tax on provision for retirement benefits *(Note 15)*	**(107,446)**	(900,000)
Deferred excess of MCIT against RCIT	**–**	(1,309,583)
Total	**16,982,351**	(3,777,469)
	₱20,858,441	(₱1,835,318)

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

Years Ended December 31,	**2022**	2021
Profit before income tax expense	**₱94,930,920**	₱44,324,492
Add (deduct) reconciling items from permanent differences:		
Interest income on bank deposits already subject to final tax	**(3,421,948)**	(3,162,838)
Non-allowable interest expense	**684,390**	632,568
Add (deduct) reconciling items from temporary differences:		
Interest on lease liabilities	**4,175,552**	1,324,952

(Carried Forward.)

(Brought Forward.)

Years Ended December 31,	2022	2021
Depreciation of right-of-use asset	9,745,352	6,648,054
Rent expense	(11,190,428)	(7,162,958)
Provision for impairment loan losses *(Note 5)*	5,590,499	–
Write-off of loans receivable *(Note 5)*	(71,987,452)	–
Write-off of other receivables *(Note 5)*	(1,962,234)	–
Actual retirement payment *(Note 15)*	(1,704,093)	(1,988,457)
Provision for retirement benefits *(Note 15)*	2,133,876	3,600,000
Taxable income	26,994,434	52,475,813
Deduct : Net Profit Operating Loss Carry Over (NOLCO) in 2021	(14,360,899)	(66,836,712)
Net Profit Operating Loss Carry Over (NOLCO)	12,633,535	(14,360,899)
Multiply by tax rate	25%	25%
Tax Due at RCIT	₱3,158,384	₱–

MCIT Rate of 1%

Years Ended December 31,	2022	2021
Gross Revenue		
Interest on loans receivable	₱292,742,166	₱242,125,000
Non-deductible interest expense	684,390	632,568
Other income	148,873,013	96,636,550
Total Gross Revenue	442,299,569	339,394,118
Cost of Services		
Interest expense	76,434,965	61,227,502
Salaries	53,306,865	53,272,036
Depreciation expense	10,328,827	9,193,982
Other expenses	110,011,230	84,742,308
Total Cost of Services	250,081,887	208,435,828
Gross Profit	192,217,682	130,958,290
Tax rate	1%	1%
Tax Due at MCIT	₱1,922,177	₱1,309,583

Computation of Net Income Tax Payable

December 31,	2022	2021
Regular Corporate Income Tax or MCIT whichever is higher	₱3,158,384	₱1,309,583
Less : Tax Credits		
Excess payment in prior year	–	323,745
MCIT payments		
2019	1,642,312	–
2020	529,657	–
BIR Form No. 1606	3,000,000	–
Tax payments for the first three quarters	1,572,763	395,331
Income tax (excess) payable	(₱3,586,348)	₱590,507

The RCIT excess payment amounted ₱3,586,348 can be claimed as tax credit against regular and MCIT taxes due until 2025. The MCIT amounted ₱1,309,583 in 2021, can be claimed as tax credit against regular tax due until 2024.

Current Tax Expense – Final
This represents the final withholding taxes on interest income on bank deposits and investments.

Movements of Deferred Tax Assets

December 31,	**2022**	2021
Opening balances, originally stated	**₱86,476,354**	₱53,591,505
25% deferred asset on provision for impairment losses *(Notes 5, 8, and 9)*	**39,615,524**	68,722,904
Opening balances, as restated	**126,091,878**	122,314,409
Origination of temporary differences arising from:		
Minimum Corporate Income Tax (MCIT)	**–**	1,309,583
Provision for impairment loan losses *(Note 5)*	**1,397,625**	2,065,000
Provision for retirement benefits *(Note 15)*	**533,469**	900,000
Actual retirement payment *(Note 15)*	**(426,023)**	(497,114)
Written-off of loans receivable *(Note 5)*	**(17,996,863)**	–
Written-off of accounts receivable *(Note 5)*	**(490,559)**	–
Reclassification of 2021 MCIT to prepaid income tax	**(1,309,583)**	–
Application of 2020 and 2019 MCIT	**(2,171,969)**	–
Closing balances	**₱105,627,975**	₱126,091,878

Management has determined that the 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,	**2022**	2021
Business Taxes		
Gross Receipt Tax	**₱23,462,096**	₱17,804,378
Business and realty tax, vehicles registration & others	**16,678,894**	15,314,513
Sub-Total	**40,140,990**	33,118,891
Other Taxes Paid		
Compensation and Expanded withholding taxes	**4,803,714**	4,794,186
Documentary stamp taxes	**16,682,447**	12,376,274
Final taxes	**9,519,715**	7,295,124
Sub-Total	**31,005,876**	24,465,584
Total	**₱71,146,866**	₱57,584,475

Note 18
Earnings Per Share

Years Ended December 31,	**2022**	2021
Basic		
Profit for the year	**₱74,072,479**	₱46,159,810
Weighted average number of ordinary (common) shares	**3,693,421**	2,932,754
Basic Earnings per Share	**₱20.06**	₱15.74

Diluted

Years Ended December 31,	**2022**	2021
Profit for the year	**₱74,072,479**	₱46,159,810
Weighted average number of ordinary and potential ordinary shares	**3,693,421**	2,932,754
Diluted Earnings per Share	**₱20.06**	₱15.74

Note 19
Related Party Transactions

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

The significant related party transactions are summarized below:

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

December 31,	**2022**	2021
Total Outstanding DOSRI loans	**₱15,077,323**	₱45,383,707
Percent of DOSRI loans to total loans	**0.67%**	2.38%
Percent of unsecured DOSRI loans to total DOSRI loans	**0.00%**	3.78%
Percent of past-due DOSRI loans to total DOSRI loans	**0.00%**	0.00%
Percent of non-performing DOSRI loans to total DOSRI loans	**0.00%**	0.00%

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

As of December 31, 2022, the Bank is in compliance with these regulations.

b) The Bank also extends advances subject to liquidation to its officers and employees. Total advances to officers and employees amounted to ₱237,470 in 2022 and ₱275,097 in 2021. (See Note 5.)

c) The key management compensation consists of the following:

Years Ended December 31,	**2022**	2021
Short-term employees' benefits	**₱12,516,399**	₱6,735,827,
Post-employment benefits	**555,624**	364,400
	₱13,072,023	₱7,100,227

Note 20
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. (Please see table next page.)

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents *(Note 4)*	₱546,629,429	₱–	₱–	**₱546,629,429**
Loans and other receivables *(Note 5)*			1,913,316,544	**1,913,316,544**
Investments in debt securities *(Note 6)*			44,843,953	**44,843,953**
	₱546,629,429	₱–	₱1,958,160,497	**₱2,504,789,926**
Financial liabilities				
Deposit liabilities *(Note 10)*	₱2,393,835,499	₱–	₱–	**₱2,393,835,499**
Bills payable *(Note 11)*	130,016	–	–	**130,016**
Other liabilities *(Note 12)*	164,275,613	–	–	**164,275,613**
Lease liabilities *(Note 7)*	81,746,984	–	–	**81,746,984**
	₱2,639,988,112	₱–	₱–	**₱2,639,988,112**
December 31, 2021				
Financial assets				
Cash and cash equivalents *(Note 4)*	₱582,059,577	₱–	₱–	₱582,059,577
Loans and other receivables *(Note 5)*	–	–	1,496,295,817	1,496,295,817
Investments in debt securities *(Note 6)*	–	–	46,515,088	46,515,088
	₱582,059,577	₱–	₱1,542,810,905	₱2,124,870,482
Financial liabilities				
Deposit liabilities *(Note 10)*	₱2,193,434,954	₱–	₱–	₱2,193,434,954
Bills payable *(Note 11)*	1,083,545	–	–	1,083,545
Other liabilities *(Note 12)*	127,081,325	–	–	127,081,325
Lease liabilities *(Note 7)*	18,422,293	–	–	18,422,293
	₱2,340,022,117	₱–	₱–	₱2,340,022,117

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, 2022, and 2021.

December 31, 2022	Level 1	Level 2	Level 3	Total
Bank prems, etc./ROUA *(Note 7)*	₱–	₱–	51,656,912	**₱51,656,912**
Investment properties *(Note 8)*	–	–	109,813,918	**109,813,918**
Other assets *(Note 9)*	132,018,641	–		**132,018,641**
	₱132,018,641	₱–	161,470,830	**₱293,489,471**
December 31, 2021				
Bank prems, etc./ROUA *(Note 7)*	₱–	₱–	74,068,080	₱74,068,080
Investment properties *(Note 8)*	–	–	115,068,066	115,068,066
Other assets *(Note 9)*	145,828,411	–		145,828,411
	₱145,828,411	₱–	189,136,146	₱334,964,557

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 21
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, 2022, the Bank's financial assets are composed of the following:

December 31, 2022	*Neither Past Due Nor Impaired*	*Past Due But Not Impaired*	***Total***
Cash and cash equivalents *(Note 4)*	₱546,629,429	₱–	**₱546,629,429**
Loans and other receivables *(Note 5)*	1,913,316,544	–	**1,913,316,544**
Investments in debt securities *(Note 6)*	44,843,953	–	**44,843,953**
	₱2,504,789,926	₱–	**₱2,504,789,926**

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*
2022	+0.05%	₱665,487
	-0.05%	(665,487)
2021	+0.05%	₱590,431
	-0.05%	(590,431)

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, 2022	*Within One Year*	*Beyond One Year*	***Total***
Financial Assets			
Cash and cash equivalents *(Note 4)*	₱546,629,429	₱–	**₱546,629,429**
Loans and other receivables *(Note 5)*	1,696,282,527	217,034,017	**1,913,316,544**
Investments in debt securities *(Note 6)*	–	44,843,953	**44,843,953**
Non-financial Assets			
Bank prems, etc./ROUA *(Note 7)*	–	128,879,916	**128,879,916**
Investment properties *(Note 8)*	–	109,813,918	**109,813,918**
Other assets *(Note 9)*	132,018,641	–	**132,018,641**
Total Assets	₱2,374,930,597	₱500,571,804	**₱2,875,502,401**
Financial Liabilities			
Deposit liabilities *(Note 10)*	₱1,967,003,254	₱426,832,245	**₱2,393,835,499**
Bills payable *(Notes 11)*	130,016	–	**130,016**
Other liabilities *(Note 12)*	148,168,852	–	**148,168,852**
Lease liabilities *(Note 7)*	81,746,984	–	**81,746,984**

(Carried Forward.)

(Brought Forward.) December 31, 2022	Within One Year	Beyond One Year	Total
Non-financial Liabilities			
Retirement benefit obligation *(Notes 12 and 15)*	–	16,106,761	16,106,761
Total Liabilities	₱2,197,049,106	₱442,939,006	**₱2,639,988,112**
December 31, 2021			
Financial Assets			
Cash and cash equivalents *(Note 4)*	₱582,059,577	₱–	**₱582,059,577**
Loans and other receivables *(Note 5)*	1,337,185,923	159,109,894	**1,496,295,817**
Investments in debt securities *(Note 6)*		46,515,088	**46,515,088**
Non-financial Assets			
Bank prems, etc./ROUA *(Note 7)*	–	90,696,868	**90,696,868**
Investment properties *(Note 8)*	–	115,068,066	**115,068,066**
Other assets *(Note 9)*	145,828,411	–	**145,828,411**
Total Assets	₱2,065,073,911	₱411,389,916	**₱2,476,463,827**
Financial Liabilities			
Deposit liabilities *(Note 10)*	₱1,807,784,546	₱385,650,408	**₱2,193,434,954**
Bills payable *(Notes 11)*	683,529	400,016	**1,083,545**
Other liabilities *(Note 12)*	111,404,347		**111,404,347**
Lease liabilities *(Note 7)*	18,422,293		**18,422,293**
Non-financial Liabilities			
Retirement benefit obligation *(Notes 13 and 16)*		15,676,978	**15,676,978**
Total Liabilities	₱1,938,294,715	₱401,727,402	**₱2,340,022,117**

Note 22
COVID – 19 Pandemic Situational Report, January 2023

COVID-19 cases throughout the country started declining in February 2022, and by May 2022, the health department noted that the country was at 'minimal-risk case classification' with an average of only 159 cases per day recorded from May 3 to 9. As of early June 2022, 69.4 million Filipinos have been fully vaccinated, while 14.3 million individuals received their booster shots. In August 2022, Filipino public schools reopened for in person learning for the first time in two years. *From Wikipedia*

'The trend of reported COVID-19 cases in the Philippines is decreasing. On 9–15 January 2023, 2,934 2.6 cases per 100,000 population were reported and this is 6.0% lower than cases reported on 2–8 January [3,125 cases (2.8 cases per 100,000 population)]. On 26 December 2022 - 1 January 2023, there were 3,458 cases; and on 19–25 December, there were 5,690 cases. Among the 17 regions, National Capital Region (947 cases), Region IV-A: CALABARZON (467 cases), and Region II: Cagayan Valley (240 cases) recorded the highest case counts on 9–15 January 2023.' *Philippines Coronavirus Disease 2019 (COVID-19) Situation Report #119, 16 Jan 2023, Department of Health on 15 January 2023.*

At the time of the release of this report, the COVID-19 Pandemic has begun to wane in the Philippines. The Philippine authorities projected, in December 2022, that the economy will surge to a 7.2% growth in 2022 before tapering off to an average of 5.7% percent growth in 2023 [Philippines Economic Update (PEU) by World Bank].

The Bank's management has determined that the COVID-19 Pandemic has affected its operations along the following aspects:

(1) The implementation of Bayanihan Acts 1 and 2 lowered the income of the bank. The supposed two (2) to four (4) months outright collection and recognition of income were given grace period and were amortized and spread up to the remaining term of the loan.
(2) The implementation of skeletal manpower, shortened banking and working hours, and temporary "No Saturday work schedule" to minimize interaction with clients and mitigate exposure of the Bank's personnel to health hazard hampered the marketing and promotion of the Bank's products and services.
(3) Lockdowns and restrictions in areas of operation due to covid-19 have also disrupted collections of accounts;
(4) Forced "temporary" stoppage of some business establishments and activities particularly in tourism industry and eateries slightly increased the Bank's non-performing loans as these are greatly affected accounts in the government's containment of the spread of the virus.
(5) The Bank also employed a conservative posture in the entertainment of new loan applications with the volatile business condition due to the pandemic as a defensive mode for possibilities of adverse business impact.

The Bank has determined that the impact of COVID-19 will continue to be felt in 2022 and that there have been no adjustments necessary on its 2021 financial statements.

Note 23
Authorization of Financial Statements

The Rural Bank's financial statements as of and for the year ended December 31, 2022, were authorized for issue by the Bank's President on April 13, 2023.

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