

OUR BRANCHES

CORPORATE/HEAD OFFICE

Priser Building Cor. Flora Ave., Sto. Rosario St.,
Angeles City, Pampanga
(045) 322-9900 to 79

PORAC BRANCH

General Luna St., Cangatba, Porac, Pampanga
(045) 322-9900 local 215 to 218

ANGELES BRANCH

Rizal Ext. Angeles City, Pampanga
(045) 322-9900 local 201 to 202

ANGELES-BALIBAGO BRANCH

Lot 2, Bayanihan Park, M.A. Roxas St., Malabonias,
Angeles City, Pampanga
(045) 322-9900 local 203 to 204

MAGALANG BRANCH

San Pedro I, Magalang, Pampanga
(045) 322-9900 local 208 to 209

MABALACAT BRANCH

Lot 1 Blk 2, Casmor Mabiga, Mabalact, Pampanga
(045) 322-9900 local 205

TARLAC-TARLAC BRANCH

RHC Bldg. Hilario Corner M.H. Del Pilar Street, Ligtasan,
Tarlac City
(045) 322-9900 local 205

FLORIDA BLANCA BRANCH

Sta. Maria, Cor. Rizal St., Poblacion, Florida Blanca,
Pampanga
(045) 322-9900 local 210 to 211

ARAYAT BRANCH

Plaza Luma, Arayat, Pampanga
(045) 322-9900 local 212 to 214

DOLORES BRANCH

Emerald Business Center, McArthur Hi-way, Dolores,
City of San Fernando, Pampanga
(045) 322-9900 local 207

MEXICO BRANCH

San Antonio, Mexico, Pampanga
(045) 322-9900 local 206

ANGELES-PLARIDEL BRANCH

Plaridel St., Sto. Rosario, Angeles City, Pampanga
(045) 322-9900 local 200

CONCEPCION-TARLAC BRANCH

Benj-Arl Bldg. N. Dela Patric, L. Cortez St.,
Concepcion, Tarlac
(045) 322-9900 local 219

2021 DRIVEN WITH MALASAKIT ANNUAL REPORT

Porac Bank is regulated by the Bangko Sentral ng Pilipinas <https://www.bsp.gov.ph>

www.poracbank.com

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CORPORATE PROFILE

Porac Bank is a closed family bank founded by Primo and Servillana David, Marciano Dizon, Mamerto De Mesa, Irmelo David, Vicente David, and Juan Cuyugan in 1968 to help the communities around Porac reach their financial goals. Five decades later, Porac Bank witnessed a continued growth under the leadership of the four founders and their families. The sincere commitment of the four founders to serve the financial needs of their people has become the single most important legacy the founders have handed over to the succeeding generations.

The importance of heritage has cultivated seasoned experts and leaders from the four families to wit: David, Dizon, De Mesa, and Cuyugan. This, coupled with a customer-centric culture and a roster of dynamic professionals/individuals certainly set Porac Bank apart from the competition pushing it further to become one of the leading rural banks in Central Luzon.

Today, Porac Bank has expanded its branch network throughout the busiest and most progressive towns and cities of Pampanga and Tarlac including Angeles City, Mabalacat City, City of San Fernando, and the towns of Magalang, Porac, Arayat, Mexico, Floridablanca, Concepcion, Tarlac and Tarlac City, Tarlac. The bank offers traditional banking products viz. regular passbook savings, checking account, time deposit, and loans for commercial, consumption, housing, and Agri/Agra purposes. With a total of thirteen branches, Porac Bank hopes to widen its reach and move its doors closer to the unbanked and underserved people in Central Luzon.

VISION

To be the preferred community bank in Central Luzon driven by generational relationships and shared growth.

MISSION

We are Porac Bank. We are in the business of fulfilling the aspirations of our stakeholders and building communities in Central Luzon. We provide prompt financial services to individuals of varied interests, thriving MSMEs through our customer-oriented professionals who are responsive, caring, and open to the needs of our clients. We are driven to be competitive to sustain growth and stability, prudent in the management of our resources, steadfast in developing diversified businesses. We uphold to protect the interest of our clients, employees, and shareholders with integrity, fairness, and honesty in all our dealings. We partner with our employees in building a progressive and profitable banking institution by fostering a working environment that recognizes individual worth and rewards outstanding performance.

CORE VALUES

We believe in **Malasakit** – a long-held Filipino virtue that is deeply embedded in our culture and what sets us apart from the competition. It is what drives us to do business on a personal level in that we consider our employees and clients as if they are part of our own family. It is the proclivity to always go the extra mile and do more than what is expected of us, of true altruism extended to secure the best interest of the bank and its stakeholder. We are Porac Bank and we are driven with Malasakit.

Malasakit cultivates positive relationships. Malasakit resonates with our people. It is what has allowed us to build and maintain generational relationships; one that goes beyond mere business and employee-employer connection.

Malasakit drives Excellence. Malasakit best describes the common and inherent desire among our people to provide banking solutions that will foster shared growth for the bank, the employees, the clients and the community it operates in. It is the consciousness that prods us to continuously seek better ways to help our stakeholders make the best possible financial decisions.

Malasakit drives Integrity. Malasakit is naturally exuded by our people towards the bank and its stakeholders. It fuels our commitment to upholding strong business ethics.



BENJAMIN C. DIZON, M.D.
CHAIRPERSON

MESSAGE FROM THE CHAIRPERSON

Punctuated with many challenges and adversities for the past five decades, Porac Bank remains solid and invincible to this day. As we continued to grapple with the impact of Covid-19 pandemic which hampered our gains and progress in the last two years, just like many businesses across the globe, we stayed the course and positioned ourselves on a healthier financial spot in Year 2021.

With our flagship “Malasakit” virtue as our beacon and anchor, we delivered in mighty and substantial ways for all our stakeholders. During the year, we transformed and recalibrated our strategies as well as repurposed and harnessed our capabilities to overcome and traverse the hurdles before us. Our resilience and aggressive stance helped us thrive amidst the crisis and attained an impressive leap in our financial position early on in Year 2021. We have even exceeded our target ratios for Year 2021 while our Total Assets already breached the PhP2billion mark in Year 2021.

It is said that “Readiness is the hallmark of great institutions”. At Porac Bank, we are always ready to respond to the imperatives of change and we are geared to embrace the rapidly evolving business landscape brought by the pandemic. As we steadily tread forward to our 5-year operational roadmap, we aim to leverage on technology towards digital transformation in order to promote better customer experience and further expand our client base. We are dedicated to continuously evolve, successfully navigate and transcend the new frontiers of digital banking. Together with our highly engaged workforce at the forefront, prudently guided by our senior management and with our insightful and astute board at the helm, we aspire to reinvent our clients’ banking experience thru digital infrastructures that would further benefit them.

Armed with our fundamental tenet “Let’s Make It Happen”, we are ready to seize opportunities, thrive and succeed in the new tomorrow. Now, more than ever, we are strongly positioned for change and carry on the legacy of dedicated rural banking. For the past 53 years, we gained our reputation of trust and reliability which paved the way in building partnerships with our clientele. For Year 2022 and beyond, we seek to revolutionize the customer experience and reinforce our commitment as their trusted financial partner for the long haul.



LOURDES CONNIE C. TAYAG
PRESIDENT/CEO

MESSAGE FROM THE PRESIDENT

The past two years have been fraught with challenges for Porac Bank as we were beset with the continued threat of the COVID-19 pandemic. Year 2020 has halted our progress and relegated us backwards from our steady expansion path. We welcomed the first quarter of 2021 mired in a pandemic-induced recession with the Philippine GDP still in a 4.2% decline. This resulted to a five consecutive quarter of contraction in Philippine economy which marked the longest recession we had in recent history.

And just when we thought that the increased arrival and inoculation of vaccines in 2021 would steadily reopen the economy, came the highly transmissible Delta Variant which brought yet again an economic upset to the Philippines and relatively to the entire world.

Nevertheless, despite the negative outlook on the economy, Porac Bank persisted to move the needle forward in 2021. We remained firmly grounded on our central precept “Let’s Make it Happen”, making broad, rapid and decisive actions to cope with the pandemic’s impact on our operations. With our insightful and astute board at the helm, we moved in synergy to focus on our core banking business and pivoted to make significant improvements in our operational strategies that resulted to giant strides and remarkable accomplishments for Year 2021.

As the world moves toward steady recovery from the unprecedented impact of the Covid-19 pandemic, we at Porac Bank continue to shift our gears onward for sustained growth and advancement. During these defining times, transformation is not only necessary but inevitable. The pandemic has pushed companies over the technology tipping point to which Porac Bank is ready and prepared to take advantage of technological possibilities.

Having been ushered in the era of digital banking, we are strongly positioned for change and equipped to flourish in the “New Normal” as we beef up on our digital infrastructure in our bid to revolutionize the customer experience and reach quantum leap in our income and growth levels. We have set our direction in advancing forward to our 5-year operational roadmap and align our goals to achieve tangible, sustainable and long-term progress for our beloved Porac Bank.

Driven with our Malasakit virtue, let us keep our aspirations burning in Year 2022 and beyond and reaffirm our commitment to work in synergy and concerted actions to foster our strengths and capabilities in order to firm up our leadership position in the region’s rural banking industry.

FINANCIAL HIGHLIGHTS

Profitability	2021	2020
Total Net Interest Income	153,156,934.00	106,336,503.00
Total Non-Interest Income	33,611,169.00	33,494,289.00
Total Non-Interest Expenses	151,410,650.00	115,771,848.00
Pre-provisioning Profit	52,208,610.00	24,058,944.00
Allowance for Credit Losses	68,653,733.00	60,976,262.00
Net Income	35,357,453.00	24,058,944.00

Selected Balance Sheet Data

Liquid Assets	680,107,845.00	561,152,767.00
Gross Loans	1,269,282,118.00	1,319,299,042.00
Total Assets	2,159,860,565.00	1,992,492,219.00
Deposits	1,699,820,619.00	1,615,971,841.00
Total Equity	363,753,381.00	332,387,122.00

Selected Ratios

Return on Equity	9.16%	5.57%
Return on Assets	1.53%	0.87%
Capital Adequacy Ratio	21.13%	18.59%

Per Common Share

Basic Net Income per share	12.65	6.96
Diluted Net Income per share	12.65	6.96
Book Value per share	144.39	131.94

Others:

Cash Dividends Declared	5,038,610.00	7,908,156.00
Headcount	160	155
Officers	46	39
Staff	114	116

Capital Structure and Capital Adequacy

	2021	2020
Computation of Qualifying Capital		
A. Tier 1 Capital		
Core Tier 1 Capital		
Paid-Up Capital - Ordinary	251,930,500.00	251,930,500.00
Retained Earnings	111,240,522.00	80,456,622.00
Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	(4,410,085.00)	(2,024,161.00)
Total Tier 1 Capital	358,760,937.00	330,362,961.00
A.2 Tier 2 Capital		
General Loan Loss Provisions	16,265,258.00	14,670,829.00
Total Tier 2 Capital	16,265,258.00	14,670,829.00
deduction from tier 2		
TOTAL QUALIFYING CAPITAL	375,026,195.00	345,033,790.00
Capital Requirements for Credit Risks	1,626,525,774.00	1,689,445,526.00
Capital Requirements for Market Risk	-	-
Capital Requirements for Operational Risks	167,553,495.00	166,959,984.00
Total and Tier 1 Capital Adequacy Ratio on both Solo and Consolidated Basis	21.13%	18.59%

TOTAL RESOURCES PhP2.1 Billion



GROSS INCOME
195.6M



INTEREST INCOME
32.94% ↑



NET INTEREST MARGIN
8.09%



RETURN ON AVERAGE ASSET
1.53%



RETURN ON EQUITY
9.16%



CAPITAL ADEQUACY RATIO
21.13%

For Year 2021, we instantaneously pivoted and postured back to our growth trajectory. Unlike in previous year, we successfully sailed through the new waves of pandemic in Year 2021 and even made extraordinary strides and amazing accomplishments.

With a zealous determination to surpass preceding year's performance, Porac Bank marked 2021 with a gross income of P195.565Million, a significant improvement from previous year's figure of P155.315Million. This is a result of stepping up our commitment of providing excellent financial services, pursuing other avenues for collection and continuous approach of managing our earning assets. Total interest income registered a healthy growth of 32.94% at P161.954Million. Contributing to this increase is the bank's optimum diversification of funds strategy where an additional 141.867Million investments have been channeled to high-yield corporate bonds and the purchase of government issued debt securities that translated to a robust net interest margin of 8.09%. More so, fee based income in 2021 generated an increase from P625,404 in 2020 to P5.860Million in 2021 which can be partly attributed from the additional service offering via i2i, ECPay, Mobile ATM platforms and service charges related to loans and deposits. Leveraging on multiple marketing strategies provided an opportunity to locked-in a Gain on Sale of P27.582Million. Amidst the challenging global economic scenario, the bank has posted a strong performance in achieving beyond target parameters for the year 2021 on interest and other income at 113.11% and 124.57%, respectively spurring a 9.44% growth in capital accounts from P332.387Million in 2020 to P363.753Million in 2021. Increase in total equity also stemmed from the recognition of the Cumulative Remeasurement Gains on Plan Assets which stood at P11.550Million for year 2021.

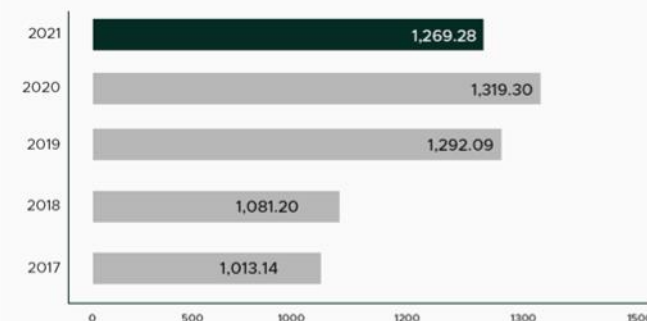
On the financial front, our deposit generation strategies vis-à-vis our credit granting stance propelled the continuing rise in the Bank's deposit liabilities from P1.616Billion in 2020 to P1.700Billion in 2021. Whilst, the bank's loan portfolio posted a 3.79% decrease at P1.269Billion due to the erratic pandemic restriction. The bank recorded an increase in Retirement Benefit Asset by 75.23% at P22.753Million from last year's figure of P12.984Million as a net effect of actuarially determined valuation. Consequently, the impact of adopting the provisions of PFRS 16 resulted in the application of cumulative adjustments to the Right of Use Asset from P26.608Million to P64.240Million and its related lease liability account from P28.753Million to P71.516Million. The subsequent recognition has significantly increased Other Liabilities from P31.542Million to P83.251Million. Accounts Payable disclosed under Other Liabilities were higher at P10.591Million from P1.960Million mainly due to movements in acquired assets.

Deferred tax asset reached P4.410Million registering an increase of 117.87% brought by the recognition of additional deferred tax assets on provision for credit losses amounting to P16.851Million and the transition adjustment in ROUA and Lease Liability.

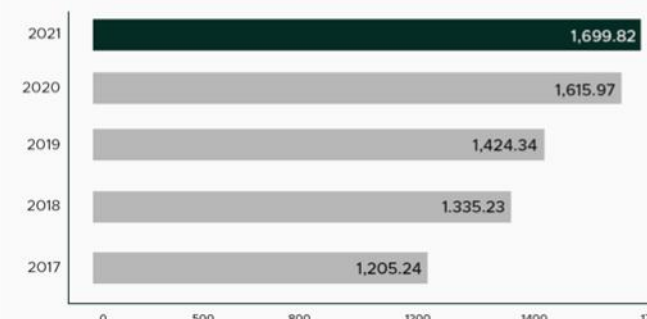
Total Operating Expenses (OPEX) stood at P163.696Million in 2021 against prior year's figure of P137.774Million, thus increasing the rate by 18.82%. Following the bank's major endeavor of improving efficiency and achieving rapid business growth and sustainability it has successfully acquired a robust system relative to the management of installment sales of acquired assets and strengthened its IT infrastructure and security framework to ensure seamless service to our clientele. With the bank's effort in managing its operating expenses, it has also invested in the installation of energy efficient solar panels offering a reduction in electricity consumption in the long run. Additional cost for defrayment of employee benefits were allocated for the purpose of building and nurturing a strong culture of appreciation and confirming our strong commitment in recognizing the importance of empowering our employees. Mirroring past year's trend, a decrease in interest expense was recorded from P15.484Million in 2020 to P8.797Million as we maintained the bank's low-cost funding approach.

In view of the bank's attempt in taking novel steps towards the achievement of its strategic initiatives it has generated a Return on Asset (ROA) of 1.53%, Return on Equity (ROE) of 9.16% and a healthy Capital Adequacy Ratio (CAR) of 21.13% for the year 2021 which were modestly higher than 2020's record of 0.87%, 5.57%, and 18.59% respectively.

5- YEAR COMPARATIVE STATISTICS LOAN PORTFOLIO (IN MN PHP)



5- YEAR COMPARATIVE STATISTICS DEPOSIT LIABILITIES (IN MN PHP)



STATEMENT OF FINANCIAL POSITION

	As at December 31	
	2021	2020
ASSETS		
Cash and Other Cash Items (Note 6.1)	₱24,671,873	₱ 20,610,836
Due from BSP and Other Banks (Note 6.2)	348,662,610	313,257,951
Debt Securities Measured at Amortized Cost (Note 7)	370,316,469	228,449,709
Loans & Receivable, Net (Note 8)	1,227,327,505	1,297,723,931
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)	46,431,306	45,679,908
Investment Property, Net (Note 10)	43,957,856	40,069,810
Right of Use Assets (Note 11)	64,239,507	26,607,607
Deferred Tax Asset (Note 24)	4,410,085	2,024,161
Other Assets, Net (Note 12)	7,090,492	5,083,734
Retirement Benefit Asset (Note 19)	22,752,862	12,984,572
TOTAL ASSETS	2,159,860,565	1,992,492,219
LIABILITIES & SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposit Liabilities (Note 13)	1,699,820,619	1,615,971,841
Accrued Interest, Interest, Taxes and Other Expenses (Note 14)	10,760,317	8,942,706
Other Liabilities (Note 15)	83,251,173	31,541,900
Income Tax Payable (Note 24)	2,275,075	3,648,650
TOTAL LIABILITIES	1,796,107,184	1,660,105,097
SHAREHOLDERS' EQUITY		
Ordinary Share Capital (Note 16)	251,930,500	251,930,500
Retained Earnings - Free (Note 16)	104,218,328	82,985,834
Retained Earnings - Reserve for healthcare fund (Note 16)	7,022,194	7,022,194
Cumulative Gains (Losses) on Defined Benefit Plan (Note 19)	582,359	(9,551,406)
TOTAL SHAREHOLDERS' EQUITY	363,753,381	332,387,122
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	₱2,159,860,565	₱1,992,492,219
BOOK VALUE PER SHARE	₱144.39	₱ 131.94

See accompanying Notes to Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2021	2020
INTEREST INCOME		
Loans & Receivables	₱128,214,603	₱ 113,754,317
Due from Other Banks	277,953	733,377
Debt Securities Measured at Amortized Cost	33,461,091	7,332,671
TOTAL INTEREST INCOME	161,953,647	121,820,365
INTEREST EXPENSE		
Deposit Liabilities	8,796,713	9,439,695
Bills Payable	-	6,044,167
TOTAL INTEREST EXPENSE	8,796,713	15,483,862
NET INTEREST INCOME	153,156,934	106,336,503
PROVISION FOR CREDIT LOSSES	16,851,157	-
NET INTEREST INCOME AFTER PROVISION	136,305,777	106,336,503
OTHER INCOME (Note 17)	33,611,169	33,494,289
TOTAL INCOME BEFORE OPERATING EXPENSES	169,916,946	139,830,792
OTHER OPERATING EXPENSE		
Compensation & Fringe Benefits (Note 18)	53,514,798	44,937,331
Other Operating Expenses (Note 20)	55,580,976	48,949,283
Depreciation & Amortization (Note 21)	19,372,321	16,061,666
Taxes & Licenses (Note 26)	6,091,398	5,823,568
TOTAL OTHER OPERATING EXPENSE	134,559,493	115,771,848
NET INCOME BEFORE INCOME TAX	35,357,453	24,058,944
INCOME TAX EXPENSE (BENEFIT) (Note 24)	3,488,702	6,517,818
NET INCOME AFTER INCOME TAX	₱31,868,751	₱17,541,126
EARNINGS PER SHARE	₱12.65	₱ 6.96

See accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN EQUITY

RURAL BANK OF PORAC (PAMPANGA), INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020

	Share Capital (Note 16)	Retained Earnings - Free (Note 16)	Retained Earnings - Reserve (Note 16)	Cumulative Gains (Losses) on Define Benefit Cost	Total
Balance at January 1, 2021	₱251,930,500	₱82,985,834	₱7,022,194	₱(9,551,406)	₱332,387,122
Issuance of shares	-	-	-	-	-
Total comprehensive income for the year	-	31,868,751	-	10,133,765	42,002,516
Provisions and Adjustments	-	(5,597,647)	-	-	(5,597,647)
Cash dividend declared	-	(5,038,610)	-	-	(5,038,610)
Balance at December 31, 2021	₱251,930,500	₱104,218,328	₱7,022,194	₱582,359	₱363,753,381
Balance at January 1, 2020	₱ 225,947,300	₱ 70,405,991	₱ 7,022,194	₱ (5,634,441)	₱ 297,741,044
Issuance of shares	25,983,200	-	-	-	25,983,200
Total comprehensive income for the year	-	17,541,126	-	(3,916,965)	13,624,161
Provisions and Adjustments	-	2,946,873	-	-	2,946,873
Cash dividend declared	-	(7,908,156)	-	-	(7,908,156)
Balance at December 31, 2020	₱ 251,930,500	₱ 82,985,834	₱ 7,022,194	₱ (9,551,406)	₱ 332,387,122

See accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOW

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Income Tax	₱35,357,453	₱24,058,944
Adjustments for:		
Depreciation & amortization (Note 9 and 21)	19,372,321	16,061,666
Provision for credit losses	16,851,157	-
Non-cash item on FFE	(866,581)	-
Gain on sale of investment properties	(27,582,032)	(29,027,365)
Impairment loss	-	33,001
Interest income	(161,953,647)	(121,820,598)
Interest expense	8,796,713	15,483,862
Changes in working capital:		
Loans and other receivables (Note 8)	53,545,269	(35,477,891)
Other assets (Note 12)	(2,006,758)	8,072,356
Deposits liabilities (Note 13)	83,848,778	191,633,751
Other liabilities (Note 15)	8,945,727	(29,820,079)
Accrued interest and other liabilities (Note 14)	1,817,611	(8,164,998)
Interest received	161,953,647	121,820,598
Interest paid	(8,796,713)	(15,483,862)
Income tax paid (Note 24)	(7,248,203)	(5,923,817)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	182,034,742	131,445,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment properties (Note 10)	(5,187,545)	(3,628,581)
Additions to bank premises, FFE (Note 9)	(7,557,499)	(7,730,287)
Acquisition of debt securities measured at amortized cost (Note 7)	(141,866,760)	162,284,965
Proceeds from sale of bank premises, FFE (Note 9)	-	540
Proceeds from sale of investment properties	27,582,032	29,027,365
Retirement benefit asset (Note 19)	365,475	2,709,130
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(126,664,297)	182,663,132
CASH FLOWS FROM FINANCING ACTIVITIES		
Net charges to surplus/Prior period adjustments	(5,597,649)	(970,092)
Payment of cash dividends to stockholders (Note 16)	(5,038,610)	(7,908,156)
Payments of bills payable	-	(270,000,000)
Payments of lease liabilities	(5,268,490)	(3,082,085)
Proceeds from issuance of shares (Note 16)	-	25,983,200
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(15,904,749)	(255,977,133)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,465,696	58,131,567
CASH AND CASH EQUIVALENTS, BEGINNING	333,868,787	275,737,220
CASH AND CASH EQUIVALENTS, ENDING	₱373,334,483	₱333,868,787

(See accompanying Notes to Financial Statements)

OPERATIONAL HIGHLIGHTS

MILESTONES IN PRODUCT DEVELOPMENT

At the heart of our undaunted pursuit is Porac Bank's Malasakit virtue. In that, we remained abreast and resolute in our commitment to deliver utmost convenience and top-notch service to our clientele. With this in mind, we have leveraged on our partnership and participation with various institutions and agencies to accelerate our objective of convenient and sustainable banking through a digital and an inclusive financial system.

1 In 2021, we added more channels for our clients to pay their loan with ease and convenience. Aside from our enrollment with Asia United Bank's Collection Payment Facility and LandBank's LinkBiz Portal in recent years, we have partnered with Union Bank of the Philippines for the enrollment of Porac Bank as merchant in its Bills Payment Facility. Through this, our loan clients can now settle their loan payments via the following channels:

- Over the Counter at any Union Bank branch nationwide
- Union Bank Online Banking
- Union Bank Mobile Banking App

2 Complementing said product is the bank signed agreement with Union Bank to offer the UBX Mobile ATM - a mobile-based solution that enables the bank to bring ATM services such as cash withdrawal and balance inquiry closer to the communities we serve. As a result, we have supplemented financial inclusion in different municipalities as six mobile ATMS were installed in Head Office and in branches Magalang, Mexico, Mabalacat, Dolores, and Concepcion Tarlac to cater the cash needs of the Pamilyang 4Ps and Bancnet Cardholders in the countryside.

3 Another timely response to the pandemic is the offering of the bank's new deposit product, the Kaya Mo! Savings Account – a basic deposit account with no maintaining balance and no dormancy charge intended to promote financial inclusion.

4 As we gear-up and brace ourselves in the reshaping of the financial landscape from cash-heavy to cash-lite, Porac Bank took charge and secured all in the same year its membership and participation with the:

- **Philippine Payment Management Inc. (PPMI)** - a direct clearing participant that undertakes clearing directly in at least one ACH and settles directly or indirectly through BSP's Real Time Gross Settlement (RTGS).
- **The Philippine Payments and Settlement System (PhilPass)** - a payment facility used by banks in settling their interbank payment transactions.
- **Participation with PesoNet** - an electronic funds transfer service that enables customers of participating banks, e-money issuers or mobile money operators to transfer funds in Philippine Peso currency to another customer of other participating banks, e-money issuers or mobile money operators in the Philippines.

EMBRACING SUSTAINABLE BANKING

Another important milestone was our sustainability footprints in 2021. In our commitment and support to sustainable finance, we firmed up our clean energy plan by investing in solar power. In 2021, we have equipped our Corporate Center, Head Office and eight of our Branches with solar panels. This step has made us a pioneer, if not the first solar-powered rural bank in the country.

CREDIT FACILITY

- Secured renewal of guarantee line with Phil Guarantee - AGFP and has expanded the coverage of unsecured agricultural loan to include eggplant, bittergourd and fishpond.
- Policy improvements and revisions on the following manuals: Credit Risk Manual, BRR Manual and Loan Product Manual
- Amended the Restructuring Policy in terms of loan pricing and loan packaging that provide relief to borrowers
- Amended the Cashflow Analysis Policy to further enhance the process of assessing the borrowers capacity
- Developed a Borrower Risk Rating System for unsecured loans such as agri loans and easy cash
- Conducted a Review of Loan Portfolio and Successfully Secure Approval as to Reclassification of Accounts
- Developed a Loan Monitoring Tool that easily track the status of the loan
- Implemented the Repricing Policy
- Automation of the following processes and/or forms:
 - Online loan application
 - Waiver of Confidentiality
 - Agricultural Loan Questionnaire
 - Aquaculture Loan Questionnaire
 - CI for Agricultural Loan
 - Appraisal Request including Appraisal Report Database
 - Request for Deferment of Appraisal Fee
 - Post Monitoring of Client
 - Call Report

INFORMATION TECHNOLOGY

- Purchase of Sophos Endpoint Security for all workstations and servers. Installation and configuration for workstations is at 48% and servers at 100%.
- Purchase of new laptops, desktop PCs, servers, UPS, scanners, WiFi access points, and printers to fine-tune the bank's work arrangement set up as a response to the evolving pandemic landscape.
- Successful User Acceptance Test (UAT) Sign-Off for the following:
 - **PhilPassPlus** - a revamped version of the country's real-time gross settlement system for interbank transactions and government collections; and
 - **PesoNet Multiple Batch Settlement (MBS)** which increases PESONet's daily batch settlement to two cycles in a banking day.
- Settings configuration of PoracBank's VPN to access BSP's PhilpassPlus Network and PesoNetMBS Platform
- Automation of processing of request for bank certificates pursuant to BSP Circular 1112 with Subject: Amendments to Operational Risk Management and Internal Control Measures
- Contracted the services of PCCL Tambuli Labs, a cybersecurity consulting company to improve our cybersecurity posture, improve and update our Incident and Disaster Management System, perform Vulnerability Assessment and Penetration Testing (VAPT), review and update current Cybersecurity Policies, Services and compliance against BSP circulars, IT and Information Security Polices, BCP/DRP, provide IT Risk Assessment, Privacy Impact Assessment, Internal IT Audit, Data Privacy Gap Assessment, Security Awareness and Training.
- Configured the stand-alone SCR System which was purchased to streamline processes and procedures from manual to automated system, increase productivity and fortify internal controls of Sales Contract Receivable (SCR) accounts.

HR PROGRAMS

Behind the Bank's winning milestones for Year 2021 is its great human capital. At Porac Bank, we do not only consider the employees as our greatest assets; we proudly regard our talent pipeline as our competitive advantage. Amidst the continued threat of the global pandemic, the HR Department, under the auspices of the Executive Committee, scored yet another milestone as it facilitated and coordinated with government agencies for the inoculation of the employees towards the attainment of herd immunity and restoration of workplace normalcy for Porac Bank community.

Covid-19 Workplace Vaccination

Porac Bank has always been committed to foster a workplace culture that embraces the health and safety of its employees. Under the auspices of the Office of the Governor thru the endorsement of the Pampanga Federation of Rural Banks headed by our very own President Lourdes Connie Tayag, around 90 courageous bank warriors lined up at Bren Z. Guiao Convention Center on 03 July 2021 and took their first jab towards the attainment of herd immunity for our beloved Porac Bank and a great stride to our hope for normalcy. Whereas, 60 brave souls took their jab of the single-dose Janssen vaccine last 24 July 2021. Indeed, this is a major milestone for Porac Bank as 96% of employees have already been fully vaccinated as of third quarter of Year 2021. With the majority of our employees already inoculated, we are much hopeful to leave behind a global pandemic that has taken an economic, physical and emotional toll on everyone.

Flu Vaccination

Porac Bank management endeavors to promote health and wellness programs for employees and has prudently allocated a budget for their health and well-being. On 09 September 2021, no less than the Bank's board chairman/company physician Dr. Benjamin Dizon administered the shots for the employees' annual flu vaccination program as a booster and added layer of protection to reduce the risk of Covid-19 infection.

Registration of Pag-ibig Loyalty Card

Upon Coordination with Pagibig Nepo Branch Office, the HR Department was able to organize & schedule the first batch of employees who secured their Loyalty Card in a swift & seamless queue last 07 August 2021.

National ID Registration

In 2021, 170 PB employees, directors, shareholders and family members as they braved the rains and headed to PSA-Balibago Branch last 24 July 2021 and responded to their national duty of securing their National ID. This became possible with the efforts of the HR Department upon endorsement of the Metro Angeles Bankers Association (MABA) thru SVP for Operations Wilfred Joseph David.

Job Satisfaction Survey

We, at Porac Bank, believe that customer satisfaction depends on employee's satisfaction. Thus, for the second quarter, the Bank carried its Job Satisfaction Survey to learn and assess employees' needs and motivations to guide management in evaluating and developing strategies to build greater sense of engagement and commitment among the employees.



SUSTAINABILITY REPORT

Tree Planting Initiatives, Race for Hope Project, Financial Literacy Seminars, and other CSR activities, these are some of the sustainability footprints that enabled Porac Bank to set the pace and take the necessary actions towards sustainable growth.

As we now envision sustainable banking on all fronts, we seek to embed environmental and social sustainability principles in how we do banking. In this regard, the board-approved transition plan on sustainable finance serves as a guiding framework as it transitions in the greening of the financial system.

In 2021, Porac Bank firmed up its clean energy plan by investing in solar power. We have equipped our Corporate Center, Head Office and eight of our branches with solar panels. This step has made us a pioneer, if not the first solar-powered rural bank in the country. As a result, we have reduced our carbon footprint and started to save more on electricity consumption. *

We promoted a paperless system by moving bank forms to digital documents allowing the bank to speed up the process and reduce paper usage. We believe that this undertaking along with our IT roadmap shift to digital transformation shall contribute to mobilizing sustainable finance.

As we seek long-term viability in the business we operate, we will continue to enhance our credit and operational management system by advancing and aligning our policies with BSP Circular 1085 and 1128. Until 2023, the bank will pursue the following objectives to fully comply and implement the Bank's Environmental and Social Risk Management System (ESRMS).

- Institutionalize the Roles and Responsibilities of the Board and Senior Management.
- Data Collection
- Risk Identification
- Continuous training program both internal and external on Sustainable Finance
- Design and Development of ESRMS
- Embedding Sustainability Impact to the operation of the Bank.
- ESRMS focus vis-a-vis Sustainable Development Growth (SDGs)
- Framework consideration in Compliance and Internal Audit Review Program

Lastly, we remain committed to social sustainability by becoming channels of growth to our stakeholders, delivering value propositions to the community and contributing to nation-building and sustainable development.

#WeArePoracBank #WeAreDrivenWithMalasakit #WeAreBankingOnSustainability.

				* 2021 Monthly Electricity Consumption in kWh											
Branch	KW installed		Date of Solar Panels Installation	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Corporate/ Sto. Rosario	KW	35	13-Jul-21	5520	6000	6240	6960	7680	8400	7080	4800	4560	4680	5280	4200
Angeles-Nepo	KW	5	13-Jul-21	691	782	799	932	1056	1156	953	785	637	824	869	1126
Porac	KW	7.5	03-Sep-21	1215	1665	2021	2162	2300	2164	2118	2160	1988	1657	1660	1452
Floridablanca	KW	7.5	07-Sep-21	1065	1181	1133	1440	1384	1383	1373	1203	1087	879	965	914
Mabalacat	KW	7.5	03-Sep-21	1068	982	982	1482	1711	1711	1148	1645	1005	822	810	759
Magalang	KW	5	03-Sep-21	717	868	927	1019	1293	1986	1116	1135	717	725	757	630
Arayat	KW	7.5	03-Sep-21	1215	1407	1461	1391	1621	1552	1553	1677	909	1014	966	1024
Mexico	KW	5	07-Sep-21	874	913	1165	1148	1308	1417	1104	1374	948	954	759	699
Plaridel	KW	5	10-Dec-21	531	685	701	859	897	1099	939	810	885	838	860	811

FINANCIAL LITERACY



“Financial literacy is a necessary step towards helping our farmers reach their full potential.”

At Porac Bank, we believe that financial literacy is a necessary step towards helping our farmers reach their full potential. Once our farmers learn how to handle their finances responsibly, there is no doubt that they can be solid contributors on the growing economic activity of the country, especially in the far-flung community.

To bridge this, Porac Bank facilitated a Financial Literacy Seminar last October 27, 2021 for our hardworking farmers situated in Tarlac and Florida. Some of the farmers are even existing borrowers of the bank who availed of our agricultural loan. It was a successful and insightful event as the bank advocated for financial inclusion- imparting the value of financial awareness to the backbones of our economy.

26 local farmers in Tarlac City

11 local farmers in Floridablanca, Pampanga

RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

The bank's risk management framework encompasses the following theoretical underpinnings:

- Risk should be managed on an ongoing basis which connotes a continuous process of identifying, measuring, controlling, and monitoring risks throughout the life of a transaction. This then provides the bank with adequate information and historical basis to establish effective risk mitigants.
- People remain the bank's greatest and most critical resource to attain success. As such, adherence to the highest ethical standards and best human resource practices along with the provision of continuous training to hone the skills of the employees are imperative for the success of the bank.

RISK APPETITE AND STRATEGY

In line with our belief that success and great rewards are only possible with calculative risk-taking, Porac Bank adopts a conservative approach in accepting and managing risk exposures. The bank has well-defined policies, procedures, and limits in place to dictate its risk-taking activities. These limits are presented, monitored to and periodically evaluated by the board and/or the appropriate Management Committee.

The bank, pursuant to its risk appetite, established an internal single borrower's limit that is lower than the 25% of bank's capital requirement of the BSP. A limit on large exposure for individual borrower, connected counterparties and its aggregate limit are also in place to effectively manage and monitor risk relative to such.

In addition, the bank set up an aggregate limit per loan classification and geographic location to minimize the risk of concentration for loans. Moreover, the materiality threshold and the aggregate limit for credit grants to and sale/ disposal to or purchase of real estate assets from related parties were set in the same level as DOSRI limits. While the aggregate ceiling for secured loans to DOSRI is 15% of the total loan portfolio, the aggregate limit for loans to related parties is pegged at a more conservative level which only accounts for about 10% thereof.

Also, a maximum aggregate exposure limit for DOSRI and RP is in place subject to periodic monitoring and review. Considering the nature of the transactions classified as "Other RPTs" which are mostly expenditures, the bank has set a conservative materiality threshold reckoned at an aggregate basis per related party per year. Regulatory prudential limits such as the minimum liquidity ratio of 20% and 10% CAR are likewise being observed and monitored periodically.

RISK AREAS

Porac Bank faces risks inherent in the banking firm primarily in the form of credit, market liquidity, operational, and legal risk. The Bank's risk management framework is oriented towards the efficient management of these risks.

CREDIT RISK

Credit risk is the risk of failure that may result from the borrower's non-observance or neglect to comply with the terms and conditions of the loan agreed upon. Porac Bank manages this risk through:

- Use of internal credit risk rating system for corporate and consumer lending;
- Establishment of limits and strict adherence thereto for the effective management of large exposures, concentration risk as well as exposure to a start-up business, out of the territory, RPT and DOSRI;
- Use of credit manual approved by the Board anchored from BSP Circulars and pronouncement for guidance in the credit workflow process for corporate and individual borrowers;
- Continuous development of credit policies and underwriting process to ensure compliance with the highest standards of due diligence in lending;
- Regular and practical evaluation of the ability of current borrowers to fulfill their financial obligation with the bank throughout the life of such transactions.

FUNDING LIQUIDITY RISK

Funding liquidity risk pertains to the possibility that the Bank may fail to generate the necessary funds to meet its obligations when they become due as well as failure to fulfill large and sudden demands for cash from its depositors without excessive costs. Maturity mismatch between the bank's assets and liabilities exposes the bank to such risk.

To monitor the bank's exposure to liquidity risk, a volume gap analysis is undertaken every month following the Maximum Cumulative Outflow model. To further assess the bank's liquidity position, stress testing is conducted regularly. The bank adheres to a board-approved Contingency Funding Plan to ensure that the bank is ready should a liquidity problem arise.

MARKET RISK

Market risk refers to the risk of loss that the Bank may suffer as a consequence of significant events in the financial market such as changes in monetary policies. The bank's current business activities expose it largely to interest rate risk which covers the volatility of the bank's investments particularly in government bonds. The bank monitors such risk through a price gap analysis which is further augmented by periodic stress testing.

OPERATIONAL RISK

Poor Board and Management oversight, weak internal control, failed and/or inadequate systems, processes, and people give rise to operational risk. Operational risk encompasses fraud, operational glitches, and strategic risk.

The bank adopts an ongoing approach in managing operational risk as follows:

- Regular monitoring and evaluation of processes, people and systems;
- Implementation of stringent internal control policies;
- Continuous streamlining of business processes;
- Implementation of an effective incident reporting mechanism;
- Periodic risk assessment of the activities and engagements of the bank particularly those considered critical in the day to day operations of the bank;
- Adhering to a board-approved business continuity plan to ensure non-disruption of operations in the face of adversity; and
- Continuous training and development of employees to be further augmented by periodic performance evaluation.

OPERATIONAL RISK REPORTING

It is the thrust of Porac Bank to promote the adoption of an effective risk management system that will enable the sustenance of safe and sound banking operations for the bank.

The Operational Risk Manual embodies a comprehensive guideline in identifying, evaluating, measuring, monitoring, and reporting operational risks associated with the activities conducted by each unit of the bank. These guidelines aim to align the bank's risk management practices with international standards and best practices in the industry. The bank implemented a process of regularly monitoring operational risk profiles and material risk exposures to losses continually. The process takes into account both qualitative and quantitative assessments of exposure to all types of operational risk.

The process likewise assesses the quality and appropriateness of corrective or mitigating actions and ensures that adequate controls and systems are in place to identify and address problems before they become a major concern.

In effect, branches are required to identify, measure and report risk exposures arising from process/ policy infringement, operational lapses, and the like every month. These risks are then, through the Executive Committee, regularly reported to the Board of Directors for evaluation or proper disposition.

In 2021, the Bank amended its policies on Operational Risk Management and Internal Control measures to align with BSP Circular 1112 particularly on human related risk and confirmation of accounts.

LEGAL RISK

Legal risk is often caused by poorly documented transactions resulting in an economic or reputational loss due to regulatory or legal problems. It may also lead to inadvertent or intentional non-compliance with laws, rules, regulations, and ethical norms.

Porac Bank manages legal risk through periodic compliance controls, process standardization, contracts, and documentation requirements. Also, outstanding court cases, contracts, and comparable records are kept centralized to allow for easier supervision and reporting of the same to the Board of Directors.

OVERALL GOVERNANCE

The Board of Directors sets the risk appetite of the Bank. Since the dissolution of the Risk Oversight Committee, the Board has assumed direct and bigger participation in evaluating, enhancing, and even formulating risk strategies together with the appropriate Management Committee, as applicable.

CONSUMER PROTECTION

REPORTING AND MANAGING RISK

Since the dissolution of the Risk Oversight Committee, the functions of the same were assumed by the Board of Directors which encompasses monitoring and managing of credit, operational, liquidity, interest, legal and reputational risks, among others.

Hence, the Board integrated the following responsibilities in their respective functions:

- Conduct the necessary analyses to allow the same bodies to monitor and manage the Bank's risk profile;
- Formulate strategies for managing and controlling risks;
- Develop policies consistent with the risk management practices of the Bank;
- Review the adequacy of the bank's risk management policies and ensure effective implementation thereof;
- Identify, monitor, and evaluate risk exposure and minimize the possible impact thereof on the Bank.

RISK MANAGEMENT STRUCTURE

The bank adopts a three-line defense model in managing risks as follows:

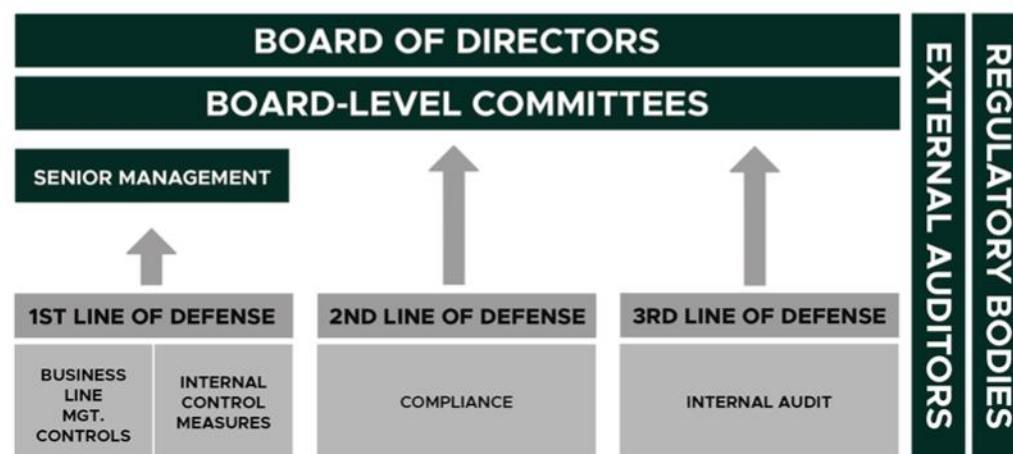
- 1** Process owners or their business units constitute the bank's first line of defense. The process of identifying, evaluation and monitoring risk is integrated into day to day operations of these units. In addition, business units are responsible for ensuring the effective implementation of policies and procedures. Business units report to the Senior Management any matters deemed significant in managing risk.
- 2** The second line of defense refers to the compliance unit. This function play a vital role in ensuring the effective implementation of policies and procedures through independent testing systems. The foregoing allows the Bank to capture/measure risks in an accurate manner and recommend as needed, enhancements to such policies and procedures necessary for efficiently mitigating risks.
- 3** The third line of defense refers to the internal audit unit which is established to examine, evaluate and improved effectiveness of internal control, risk management and governance systems and processes of the bank, which helps management and board of directors in protecting the bank and its reputation.

Role of the Board of Directors and/or Management Committees. The Board of Directors and/or Management Committees are responsible for establishing and regularly reviewing the risk management framework, structures, limit setting and overall oversight of current and potential risks. The Board of Directors approves the bank's risk strategy and aligns the bank's direction to it. The same body plans and dictates the action to be taken to effectively manage risk.

Role of External Auditors. The External Auditors provides for consistency and accuracy in the application of accounting standards, help identify weakness in internal controls, provide an early warning on issues of supervisory concerns and enhances market confidence and improve quality of information relied on by banking supervisor.

Role of Regulators. The Regulators provide guidance on supervisory expectations for sound corporate governance, performs comprehensive evaluation of the bank's overall corporate governance policies and practices and evaluate implementation.

RISK MANAGEMENT STRUCTURE



Porac Bank fully supports the policy of the State to protect the interest of the consumers, promote their welfare, and establish standards of conduct for the banking industry. It is one with the Bangko Sentral ng Pilipinas (BSP) in providing disclosure and transparency, protection of client information, fair treatment, effective recourse as well as financial education and awareness to its consumers.

The Board of Directors (BOD) has the ultimate responsibility for the level of customer risk assumed by Porac Bank. Accordingly, the Board approves the Bank's overall business strategies and significant policies, including those related to managing and taking customer risks. The Senior management on the other hand is responsible for implementing a program to manage the customer compliance risks associated with the Bank's business model, including ensuring compliance with laws and regulations on both a long-term and a day-to-day basis.

Porac Bank identifies its customer protection risks in each principle by analyzing its effects on the Bank and the customer. The following risk were specifically recognized or identified by the Bank under the different principles or protection standards of consumer protection:

PRINCIPLES OF CONSUMER PROTECTION



The Bank designed an operational channel in handling customer complaints. It has designated its Branch Managers to serve as the Customer Assistance Officers (CAOs), and also appointed a Head, Consumer Assistance Officer assigned in the Corporate Office. The Head, Consumer Assistance Officer shall then report to the SVP for Operations and/or the President which will provide action based on the recommendations of the Head of CAOs and/or the SVP Operations.

In 2021, all complaints have been handled and resolved within the standard resolution time in addressing complaints that the bank has set. This is stemmed from our commitment to ensure that the bank's consumer assistance mechanism is effectively in place as we strive to deliver a responsive customer experience.

CONSUMER ASSISTANCE MANAGEMENT SYSTEM



ANTI-MONEY LAUNDERING

It is the policy of the bank to protect the integrity and confidentiality of bank accounts and ensure that it shall not be used as a money-laundering site or a conduit for the proceeds of unlawful activity. Porac Bank prohibits and actively prevents money laundering and any activity that facilitates money laundering and/or funding of terrorist or criminal activities by promoting high ethical standards and complying with relevant laws, rules, and regulations.

BOARD AND SENIOR MANAGEMENT OVERSIGHT

1

The board of directors shall be responsible for ensuring that the provisions of the MTPP manual and the AMLA and its implementing rules and regulations, as amended, are fully observed.

2

Likewise, the Senior Management shall be responsible for maintaining company activities appropriately aligned with the Board's strategic objective, risk, and corporate values.

3

The senior management shall establish a control and balance management structure to cultivate a culture of accountability and transparency.

BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

The bank's AMF/CFT framework is founded on the following principle:

- Comply with the highest ethical standards to sustain a sound banking system;
- Protect the bank and its stakeholders against potentially malicious individuals and organizations by obtaining adequate information from each client;
- Adopt a sound AML / CFT system to identify, evaluate, monitor and control relevant risks ;
- Promote faithful compliance by institutionalizing shared responsibilities across every member of the organization with existing laws to combat money laundering and terrorist financing;
- Ensure full cooperation with AMLC for the effective implementation and enforcement of the AMLA and its IRR.

AML INITIATIVES FOR 2021

- The Annual AMLA webinar was attended by all Bank employees and Board members keeping them abreast of the latest AML and TF updates so to ensure that the Bank shall not be used as money laundering site or a conduit for the proceeds of unlawful activity amid the pandemic.
- In compliance with the DIGICUR requirement of the AMLC, report on the status of digitization of existing customer accounts prior to the effectivity of the DIGICUR is at 99.90% whilst, digitization of new accounts opened after the effectivity of the DIGICUR is at 95.77%. Continuous monitoring and reporting on the status of such is facilitated by the Compliance unit until full completion.
- The bank's watch list database and CTR/STR reporting have been updated pursuant to relative 2021 AML Resolutions.

PORAC BANK BOARD OF DIRECTORS



BENJAMIN C. DIZON, M.D., 44
Filipino | Chairperson

Board Chairperson Benjamin Dizon graduated with a degree in Bachelor of Science in Medical Technology at University of Santo Tomas in 1997 and later earned his degree in Doctor of Medicine in 2001 at University of Santo Tomas. He is currently a Resident Doctor in Ophthalmology at St. Luke's Medical Center. The owner of Dizon Eye and Skin Clinic, he is also a physician at St. Luke's MAB; Clinica Henson and appointed as Company Physician of Porac Bank. He has been a member of the board since March 1, 2019.



NAPOLEON TEDD D. LIMJOCO, 43
Filipino | Corporate Secretary

Mr. Napoleon Tedd D. Limjoco graduated from the University of Asia and the Pacific in 1999 with a degree of Bachelor of Arts in Humanities major in Business Administration. He earned his Master's Degree in Management. He currently holds the position of Senior Vice President for Operations and concurrently acts as Corporate Secretary. He is likewise the Director/ Vice President of Gold Fleuret Corporation, Director/President of Gold Fleuret Realty and Development Corporation and the Director/Vice President of Florida Agribusiness Corporation. He is also a Partner/Assistant Manager of Viewmont Homes Subdivision and a sole proprietor of B&H Fuel Bar.



MARITES C. LIMJOCO, 53
Filipino | Non-Executive Director

Ms. Marites C. Limjoco graduated from St. Scholastica's College with a degree in Business Management. In 2010, she graduated from Dr. Gloria D. Lacson Foundation Colleges with a degree in BS Nursing. Before her appointment as Director, she is also a Stockholder of the bank since 1995. She is currently a Director of Sta. Rita College and owner of the LimCor Trading and Constructions.



MARK PRIMO T. DAVID, 43
Filipino | Non-Executive Director

Director Mark Primo T. David graduated from Angeles University in 2000 with a degree in BS Computer Science. He has been a member of the board since 2010. He was the Admin Supervisor at the Office of City Administrator —Angeles City. He currently holds the position of Admin Supervisor at the Office of City Administrator, San Juan City and the owner of Mark Primo David Lessor.



WILFRED JOSEPH T. DAVID, 48
Filipino | Executive Director

Director Wilfred Joseph T. David graduated from the University of the Philippines in 1993 with a bachelor's degree in Business Management and later earned a degree in Bachelor of Law at Harvardian Colleges in 2004. He is currently one of the SVP for Operations and has been a Director of the bank since 2014.



MARY VALERIE JOY V. DAVID, 48
Filipino | Non-Executive Director

Director Mary Valerie Joy V. David graduated from St. Scholastica's College in 1994 with a degree in Bachelor of Science in Hotel and Restaurant Management. She is elected as a member of the board since February 9, 2019. Presently, she is the sole proprietor of IZ Fuel & Save Gas Station and Value Worth General.



ELOISA D. SARMIENTO, 82
Filipino | Non-Executive Director

Director Eloisa Sarmiento graduated from the University of Santo Tomas in 1960 with a bachelor's degree in Education major in Home Economics. She is a Director of Priser Trading Corporation and owner of Porac Petron Station. She has been a member of the board since 1995.



RALPH PRIMO A. DAVID, 45
Filipino | Non-Executive Director

Director Ralph Primo David holds a bachelor's degree in Business Management from Republic Central Colleges and has been a member of the board since 2007. At present, he is a Director/Treasurer of Porac Peaceful Garden Park Corporation and Roy L. David Arcade Corporation and the owner of Ralph Primo De Ausen David Lessor.



LOURDES CONNIE C. TAYAG, 49
Filipino | Executive Director
Director/ President Lourdes Connie Tayag is a graduate of St. Scholastica's College in 1993 with a degree in AB Mass Communication. In 2010, she graduated from Holy Angel University with a degree in BS Nursing and later earned her master's degree in Business Administration from Ateneo Graduate School of Business in 2015. Before she was appointed President, she was the Corporate Secretary of the bank from 2001-2009 and has been elected as a member of the board since 2010. She is presently a Director /Treasurer of Sta. Rita College.



RAUL B. DE MESA, 78
Filipino | Independent Director
Director Raul B. De Mesa graduated with a degree in Bachelor of Arts in Business at De La Salle University in 1963. He earned his degree in Strategic Business Economics at the University of Asia and Pacific in 1986. Mr. De Mesa is a distinguished banker with substantial years of experience in the financial industry. Before Porac Bank, he had occupied several positions in Banking institutions such as Banco National De Guinea, Security Bank, Manila Bank, Boston Bank of the Philippines, and Far East Bank and Trust Company. He was the President of Bank of Commerce from 1997 - 2010 and Director of Home Development Mutual Fund Trustee from 2010 - 2017. Concurrently, he is a Director of:

- Philippine Regional Investment Development;
- Phil Star Development Bank, Inc.;
- ABACORE Capital Holdings;
- Monte Maria Asia Pilgrims Inc.;
- Abacus Global Technovision Inc.;
- Cenertec FMG;
- Cenertec Philippines;
- Cenertec Energy;
- Cenertec PRO;
- Philippine First Condominium Corp.;
- Systems Technology Institute;
- Caplife Insurance Corporation;
- Commerce and Trade Insurance Brokerage Inc.;
- RBM Holdings;
- BIC Management Services Inc.;
- Pampanga Auto Sales.

He is likewise the Director/President of:

- ACE Solid Corporation; and
- Three Eight Holdings Incorporated.

PORAC BANK SENIOR MANAGEMENT



LOURDES CONNIE C. TAYAG, 49
Filipino | President
She is the President/CEO of Porac Bank since March 2010. She forms part as Chair of the Executive Committee, Credit Committee and Property Management Committee. She is also the Director and Treasurer of Sta. Rita College. Before she was elected President, she was the bank's Corporate Secretary from 2001 to 2010. She obtained a degree in A.B. Mass Communication at St. Scholastica's College in 1993, a Bachelor's degree in Science of Nursing at the Holy Angel University in 2010 and 2015, a Master's Degree in Business Administration at Ateneo Graduate School of Business.



WILFRED JOSEPH T. DAVID, 48
Filipino | SVP for Operations
He currently holds office at Porac Bank as Director/ SVP for Operations. He is a member of various management committees including the Executive Committee, Credit Committee and Property Management Committee. His banking career started in 1992 at Metrobank where he worked as New Accounts until 1993. From 1994-1997 he worked at Far East Bank and Trust Co. as SDD. Before he was appointed SVP for Operations, he held various positions in the bank from 2008 to 2014 including but not limited to Management Trainee, Area Manager and AVP for Operations. He graduated with a degree in Business Management in 1993 at the University of the Philippines. He also obtained a degree in Bachelor of Laws in 2004.



ANNA CLAUDINE T. DAVID, 48
Filipino | Non-Executive Director
Ms. Anna Claudine T. David has been a member of the board since 2003. She graduated from Assumption College in 1993 with a degree in Bachelor of Science in Commerce major in International Business and earned her master's degree in Business Administration from the University of Western Australia. She currently acts as the Director/Senior Vice President of Factset Philippines, Inc.



ALMA D. LIMJOCO, 71
Filipino | Non-Executive Director
Board Chairperson Alma D. Limjoco was first seated as a member of the board of directors of Porac Bank in 1988. She graduated from St. Scholastica's College in 1971 with a bachelor's degree in Commerce. Board Chairperson Limjoco previously served as Branch Manager and President/Chairman of Porac Bank. Currently, she is the Director/Treasurer of Gold Fleuret Corporation, Gold Fleuret Realty and Development, Florida Agri-Business Corporation, and the President/Director of Priser Trading Corporation. She is also the owner of Davlim Property Leasing and a Partner/General Manager of Viewmont Homes Subdivision Co.



NAPOLEON TEDD D. LIMJOCO, 43
Filipino | SVP for Operations
He currently holds office at Porac Bank as SVP for Operations and Corporate Secretary since 2011 and 2014, respectively. He is a member of various management committees including the Executive Committee, Credit Committee and Property Management Committee. Before he was appointed SVP for Operations, he held various positions in the bank from 2007 to 2014 including but not limited to Area Manager and AVP for Operations. He was elected the President of the Pampanga Federation of Rural Banks from 2010-2011. He also worked at Petron Corporation as Market Analyst from 2000 to 2007. He obtained a Bachelor's degree of Arts in Humanities Major in Business Administration in 1999 at the University of Asia and Pacific and a Master's Degree of Science in Management in 2000.



JEREMY M. SUN, 45
Filipino | SVP for I.T
He was appointed the SVP for IT on July 2014. He graduated with a bachelor's degree in Electronics and Communications Engineering at Holy Angel University in year 2000 and has obtained a certificate for CISCO CERTIFIED NETWORK ASSOCIATE from the University of the Philippines in year 2013. He was a former Network Engineer at the University of the Philippines from 2001 to 2008. After which, he became the Consultant Engineer of the same institution from 2008 to 2012. From year 2006 to 2012, he worked at the Philippine General Hospital as Consultant Engineer.

	No. of Meetings Attended	Total No. of Meetings	% Rating	%Shareholdings	Shares Held	
Benjamin D. Dizon	17	18	94%	1.48%	37,333	Direct
Lourdes Connie C. Tayag	16	18	89%	2.39%	60,320	Direct
Wilfred Joseph T. David	18	18	100%	1.55%	39,083	Direct
Mark Primo T. David	18	18	100%	1.55%	39,081	Direct
Eloisa D. Sarmiento	16	18	89%	5.70%	143,588	Direct
Anna Claudine T. David	13	18	72%	2.55%	64,171	Direct
Alma D. Limjoco	16	18	89%	8.88%	223,743	Direct
Marites C. Limjoco	15	18	83%	2.39%	60,320	Direct
Mary Valerie Joy V. David	17	18	94%	3.35%	84,457	Direct
Ralph Primo A. David	10	18	56%	1.60%	40,244	Direct
Raul B. De Mesa	18	18	100%	0.00%	1	Direct

NOTE: No major stockholder owns more than twenty percent (20%) shares of stock. No indirect shares.



FRANCEL PIA D. PEÑA, 41
Filipino | VP for Property Management
She was appointed the VP for Property Management in 2014. She graduated in 2002 with a bachelor's degree in Science of Family and Life Development and took post graduate studies and earned her degree Master of Arts in Reading Education at Philippine Normal University.



EMILY L. GUANZON, 51
Filipino | Chief Compliance Officer
She graduated in 1991 with a degree in BSBA major in Accounting at the Holy Angel University and passed the CPA licensure examination in the same year. She now holds office at the Rural Bank of Porac as the Chief Compliance Officer thereof. Prior to said appointment, she held various positions in the bank including but not limited to Cashier/ OIC, Bookkeeper, Internal Auditor.

PORAC BANK EXECUTIVE OFFICERS



CYNTHIA C. GUTIERREZ, 54
Filipino | AVP for H.R & Admin
She was first hired as the HRD head in 1997 until 2014 from which she was appointed the AVP for HR/Admin. She graduated Magna Cum Laude from Angeles University Foundation in 1988 with a degree in Bachelor of Science in Commerce major in Economics. She took post graduate studies of Business Administration in the same school.



ANA TERESA M. BANAWA, 57
Filipino | Internal Auditor
She graduated with a degree in BSBA Major in Accounting at the Holy Angel University in 1985. She became a Certified Public Accountant in Year 1987. She was initially hired by the bank as Assistant Auditor in 2011 until she was appointed the Internal Audit Head on October 05, 2015.



KLEIN L. RODRIGUEZ, 27
Filipino | Chief Accountant
She graduated from Holy Angel University with a degree in BS in Accounting Technology in 2015 and a degree in BS Accountancy in 2016 at Our Lady of Fatima University. Ms. Rodriguez passed the licensure examination for Certified Public Accountant on May 2017. She started her career as Compliance Assitant in 2017 after which she was appointed as Chief Accountant in 2021.



PRINCESS SARAH L. JOCSON, 27
Filipino | Executive Assistant
She was appointed as the Executive Assistant (EA) to the President on July 19, 2021. Prior to her appointment as EA, she held the positions of Teller (2015), Assistant Bookkeeper (2015), Branch Accounting Officer (2019) and Branch Operations Officer (2019) until she was promoted to Management Trainee (2020). She graduated Magna Cum Laude from Holy Angel University in 2014 with a degree in Business Management.



PAUL JOHN P. JARANILLA, 29
Filipino | AVP for Organizational Development
He was appointed as the bank's AVP for Organizational Development in 2021. He was initially hired as Admin Staff/ Reliever on September 2013 and not long after, was promoted to Organizational Development Manager in 2018. He graduated from Holy Angel University in 2013 with a degree in BS Accounting Technology and obtained a Master's Degree in Business Management in 2016.



KIMBERLY S. PABUSTAN, 28
Filipino | Loan Officer
She graduated Magna Cum Laude at Systems Plus College Foundation in 2015 with a degree in Bachelor of Science in Accountancy and passed the CPA licensure examination on the same year. She was initially hired by the bank in 2016 as Credit Reviewer until she was promoted from the ranks as Loan Officer on January 16, 2018.



VERONICA M. ESPAÑOL, 23
Filipino | Credit Operations and Collections Manager
She graduated with a degree in Bachelor of Science in Accounting Technology at Systems Plus College Foundation in 2019. She was initially hired by the bank as Credit Operations Specialits 2019 until she was appointed as the Credit Operations and Collection Manager on March 15, 2021.



ZOREN G. CAPITULO, 28
Filipino | Independent Credit Reviewer
He graduated at Univerity of Assumption in 2015 with a degree in Bachelor of Science in Accountancy and passed the CPA licensure examination on the same year. He was initially hired by the bank in 2017 as a Senior Auditor until he was appointed as the Independent Credit Reviewer on July 01, 2019.

AUDIT AND COMPLIANCE COMMITTEE

FUNCTIONS

Chairperson: Raul B. De Mesa
Members: Mark Primo T. David
Benjamin C. Dizon
Alternate: Anna Claudine T. David

The Audit and Compliance Committee is responsible in reviewing internal control and risk management systems as well as compliance with existing laws, rules and regulations.

ACCOMPLISHMENTS

- Ensured that effective controls are in place and appropriate measures have been taken to identify and address risk areas with the view of driving optimum efficiency in the bank's daily operations.
- Streamlined the credit process to ensure an efficient credit data aggregation and enhance the bank's credit risk management system.
- Employed measures in the re-assessment and updating of the bank's credit portfolio components to correct any undue concentration.
- Developed an asset allocation strategy that will provide optimum diversification of funds while targeting the banks expected returns.
- Adapted a stress testing approach that shall identify major drivers of potential stress scenarios and integrating its results into the bank's planning process.
- Actively pursued the resolution of compliance and internal audit issues besides determining that recommendations for improvement are implemented and sustained.
- Provided assistance to top management on special audits.
- Ensured the highest level of security in determining the appropriate disposal guidelines for bank records in accordance with regulatory considerations.
- Provided guidance and assistance in the application of appropriate disclosures in the bank's annual report.
- Accorded strategic advice to the annual planning and budgeting team to provide a more insightful information in the decision making process.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Raul B. De Mesa	9	9	100%
Mark Primo T. David	9	9	100%
Benjamin C. Dizon	8	9	89%

PROPERTY MANAGEMENT COMMITTEE

FUNCTIONS

Chairperson: Lourdes Connie C. Tayag
Members: Napoleon Tedd D. Limjoco
Wilfred Joseph T. David
Francel Pia D. Peña

The Property Management Committee defines the pricing objective for ROPA and other assets of the bank and sets out plan to dispose the same to support the bank's profitability target.

ACCOMPLISHMENTS

- Approved strategies to facilitate the successful disposal of long-standing ROPA items or those that have been with the bank for more than 5-years.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Lourdes Connie C. Tayag	3	3	100%
Wilfred Joseph T. David	3	3	100%
Napoleon Tedd D. Limjoco	3	3	100%
Francel Pia D. Peña	3	3	100%

EXECUTIVE COMMITTEE

FUNCTIONS

Chairperson: Lourdes Connie C. Tayag
Members: Napoleon Tedd D. Limjoco
 Wilfred Joseph T. David

The Executive Committee acts as the highest decision-making body second to the board for matters concerning operations, security, human resources, budgeting and business planning, among others.

ACCOMPLISHMENTS

- Endorsed to the Board amendments of its charter.
- Facilitated the implementation of the Bank's Business Continuity Plan covering certain measures to protect its employees, officers, and clients against the threat of the COVID-19.
- Facilitated the implementation of the strategic plans for the year 2021, including but not limited to:
 - Successfully endorsed to the Board a new deposit product namely Basic Deposit Savings;
 - Expanded the partnership with Union Bank by enrolling the Bank with its UB Collection Payment Facility and obtaining UBX Mobile ATM; and
 - Secured membership with PESOnet, Philpass, and PPMI.
- Approved and endorsed to the board amendments of various policies relative to the Bank's Outsourcing Policy and Money Laundering and Terrorist Financing Prevention Program (MTPP), among others

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Lourdes Connie C. Tayag	14	16	88%
Napoleon Tedd D. Limjoco	16	16	100%
Wilfred Joseph T. David	16	16	100%

CREDIT COMMITTEE

FUNCTIONS

Chairperson: Lourdes Connie C. Tayag
Members: Napoleon Tedd D. Limjoco
 Wilfred Joseph T. David
 Francel Pia D. Peña

The Credit Committee reviews, approves and endorses applications, policies and reports relating to the Bank's credit granting function. The Committee ensures that credit transactions with DOSRI as well as Related Party Transactions are conducted at arm's length.

ACCOMPLISHMENTS

- Reviewed and approved loans within the authority of the Credit Committee.
- Reviewed and monitored compliance within Credit Limits.
- Reviewed and approved the expansion of coverage for unsecured agricultural loan.
- Reviewed and endorsed to the Board enhancements in credit policies specifically for cash flow analysis, restructuring and BRR.
- Reviewed and approved process enhancements such as the development of loan monitoring tool and automation of processes/forms.
- Reviewed and endorsed to the Board the designed of the Borrower Risk Rating Tool for unsecured agricultural loans and easy cash loans.
- Reviewed and approved the implementation of the Repricing Policy.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Lourdes Connie C. Tayag	46	51	90%
Wilfred Joseph T. David	51	51	100%
Napoleon Tedd D. Limjoco	50	51	98%
Francel Pia D. Peña	51	51	100%

NOMINATIONS COMMITTEE

FUNCTIONS

Chairperson: Benjamin C. Dizon
Members: Lourdes Connie C. Tayag
 Anna Claudine T. David

The nominations committee is responsible for the approval and review of criteria, qualification, selection and continuing education of the Directors, senior management, their successors and other appointments that require board approval.

ACCOMPLISHMENTS

- Evaluated and recommended the suitably qualified candidates to become Directors, successors and executive officers;
- Conducted an annual evaluation on the overall effectiveness of the Board of Directors, Management Committees and Senior Management.
- Recommend directors to serve on the committees of the Board

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Benjamin C. Dizon	1	1	100%
Lourdes Connie C. Tayag	1	1	100%
Anna Claudine T. David	1	1	100%

COMPENSATION COMMITTEE

FUNCTIONS

Chairperson: Lourdes Connie C. Tayag
Members: Wilfred Joseph T. David
 Ana Claudine T. David

The Compensation committee reviews the remuneration of directors and officers to ensure that compensation is aligned with the Bank's culture, strategy and its business landscape.

DUTIES

- To review and approve the proposed amendment(s)/ enhancement(s) in the Compensation and Benefits Program of the Bank;
- To review and approve the proposed amendment(s)/ enhancement(s) in the Incentive, Rewards and Recognition Program of the Bank;
- To review and deliberate the granting of salary adjustment of officers and employees.

Note: First meeting of the Compensation Committee was held in 2022.

CORPORATE GOVERNANCE

The Board of Directors of Porac Bank recognizes the importance of good corporate governance and corporate social responsibility in promoting and strengthening the trust of its stakeholders and believes that good corporate governance and corporate social responsibility will enhance shareholder value.

To be the Bank of Choice for our Customers, Shareholders, Employees, and Community, the Board will conduct itself in accordance with the highest standard of ethical conduct as well as in accordance with the laws of the land, for the best interests of its stakeholders.

Beginning 2021 and until 2022, it is the thrust of Porac Bank to align its policies and procedure on Corporate Governance vis-a-vis the issued BSP Circular 1129.

COMPOSITION. The business affairs of Porac Bank are conducted under the supervision and control of eleven (11) directors or board members, including one (1) independent director pursuant to Section 15 and 17 of R.A. No. 8791

SELECTION. For its board selection process, the Board will take into consideration candidates with at least one area of significance (e.g. banking, business, marketing, technology, public service, human resources, finance, accounting, law, the management or management consulting); ability to contribute to deliberations of the Board; ability to exercise sound business judgment; ability to think strategically; with demonstrated leadership experience, with a high level of professional skill and integrity, as well as other appropriate personal qualities.

The Nominations Committee will propose candidates to be elected as a director in order to replace a vacant position. Proposed candidates are assessed based on the qualification and disqualification criteria of the bank which is anchored from the BSP's fit and proper standards. Newly appointed directors will be provided with appropriate briefings and information relating to the Bank, and be advised of the legal, regulatory, good corporate governance, and other duties of Directors as required by the BSP.

The same is also responsible in the selection and appointment of a senior management including the President/CEO and other heads of units as required by the BSP. In selecting Key Officers, the Committee through the recommendation of the HR Department selects key officers based on the succession planning program for senior management and the result of the fit and proper standards which takes into account the qualification criteria as well as integrity, technical expertise, and experience of a candidate for Board approval.

ROLE AND CONTRIBUTION OF THE EXECUTIVE, NON-EXECUTIVE, AND INDEPENDENT DIRECTOR.

Non-executive directors, who shall include independent directors, shall comprise at least a majority of the board of directors whose role is to promote the independent oversight of management by the board of directors. Whilst, the executive director manages the daily activities and ensures that the board's vision is met.

The duties and responsibilities of the Board as stipulated by pertinent laws as well as from certain provisions of the Bank's Articles of Incorporation, By-Laws and resolution of shareholders, include the following:

- a. directing the policies, strategies, and financial objectives of the Bank and approving policies and operational directions proposed by management as well as overseeing and monitoring management's implementation of those policies, strategies, and financial objectives, with the aim of maximizing economic value and shareholders' wealth.
- b. devising structures and procedures designed to ensure compliance with the regulatory requirements and pertinent provisions of the Bank's Articles of Incorporation and By-Laws, adherence to resolutions adopted during board and shareholder's meetings as well as espouse ethical standards in good faith with care.
- c. developing structures and procedures to ensure the appropriate system for risk management, internal compliance, audit, and control.
- d. developing structures and procedures to ensure a strong and appropriate capital fund for business and risk operations.
- e. monitoring and assessment of management performance in the implementation of Board-approved policies and budgets
- f. establishing the criteria for, and evaluating, the performance of the Chairman of the Executive Committee, the President, senior members of the management which include, Senior Vice Presidents (SVPs), Vice Presidents (VPs) or other equivalent positions to SVPs, VPs in the different name;
- g. ensuring that there is timely and accurate preparation and bookkeeping on accounting records and related documents as well as disclosure of appropriate information to shareholders, depositors, and the general, public.
- h. reviewing on a regular and continuing basis the succession plan for the position of Chairman of the Executive Committee and the President.
- i. observing and ensuring compliance with the Director's Code of Conduct.
- j. setting policies pertaining to good corporate governance and corporate social responsibility.

CHAIRMAN'S ROLE. In accordance with BSP Regulations, the Chairman of the board of Porac Bank shall provide leadership among the members of the directors. He shall ensure effective functioning of the board, including:

1. ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
2. ensure a sound decision making process;
3. encourage and promote critical discussion;
4. ensure that dissenting views can be expressed and discussed within the decision-making process;
5. ensure that members of the board of directors receives accurate, timely, and relevant information;
6. ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
7. ensure conduct of performance evaluation of the board of directors at least once a year.

CODE OF BUSINESS CONDUCT. Porac Bank Board recognizes their commitment to observe highest ethical standards in all their business dealings and to uphold full compliance with all applicable laws, rules and regulations. In line with this, the Code of Business Conduct aims to lay down the standards that Porac Bank expects of its board in fulfilling their roles and responsibilities as incumbent board members. This Code intends to articulate the acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest and personal gain at the expense of Porac Bank. Through this Code, Porac Bank seeks to develop a Culture of Accountability among its board of directors and to enhance their practice of good corporate governance.

PERFORMANCE ASSESSMENT. In evaluating the performance and effectiveness of the Board as a body, the various committees and the Senior Management link performance to the mission of the Board, the company and the department or office. It promotes improvement in the banking function, recognizes exceptional professional performance, and ultimately achieves a workplace of high performing individuals and groups and brings about continued improvement in the work processes of the company.

The Nominations Committee is assigned to facilitate the annual evaluation of the performance and effectiveness of the Board itself as a body, as well as its various committees, its Senior Management and the Bank. A set of questionnaires/forms is answered by each member of the Committee to evaluate the performance of various committees taking into account different areas of concern and/or factors such as the degree of management, effectiveness and overall performance.

The performance assessment conducted by the Board enabled the same to ponder on the different areas of improvement and admirable performance of the Board itself, the Management Committees and the Senior Management. The end result exhibited an overall creditable performance in their mandated functions.

ON-GOING ORIENTATION & EDUCATION. Porac Bank ensures that the on-going orientation and education program for the board, senior management, officers and employees are in place and are laid-out in the annual training program approved by the Board. Prior to appointment of a director, the same shall be able to attend a seminar on corporate governance and must undergo on-boarding orientation. Continuing refresher and education is also given to the board and employees such as the annual AML seminar and other training program deemed fitting and necessary.

RETIREMENT. The Bank has adopted a policy where the retirement age for directors and the senior management and officers are at 80 years old and 65 years old or the compulsory retirement age mandated by law, respectively. However, a deviation from the said policy, limited to postponement of a director's retirement, may be allowed so long as the Board deems it necessary to continually utilize the wisdom and experience of the director for the benefit of the Bank and all of its stakeholders.

Regular directors shall serve a one-year term and until their successors are elected. An independent director of Porac Bank, on the other hand, may only serve as such for a maximum cumulative term of nine (9) years, which shall be reckoned from 2012. After which, the independent director shall be perpetually barred from serving as independent director, but may continue to serve as regular director.

SUCCESSION. The board-approved succession plan for directors and officers contains the following sections:

1. Goals of the Succession Plan
2. Criteria for Selection of Successor
3. Planning and Review
4. Procedure
5. Assessment of Candidates
6. Emergency Succession
7. Communication Policy

This succession plan shall allow the prospective successor to undergo thorough assessment of his qualification as board member in accordance with BSP Regulations to ensure fitness and propriety of the candidate prior to appointment or election.

REMUNERATION. The Board of Directors determines the remuneration of the Senior Management based on the annual performance evaluation which they conduct covering various factors for consideration such as management, functional and personal at the same time assessing the decision skills, strategic skills and leadership skills of the said officers as qualitative factors while targets and Audit and Compliance rating are taken into consideration as quantitative factors.

The four most highly compensated management officers are the President, Senior Vice President, Vice President and Assistant Vice President. The executive directors of Porac Bank are entitled to monthly basic pay, benefits, bonuses and retirement program just like its employees. On the other hand, Non-Executive Directors of Porac Bank receives per diem on every board meetings.

EXPENDITURE MANAGEMENT POLICY. The expenditure management policy has been approved by the board to serve as a guiding framework for the allocation of expenditures of Porac Bank by determining regular finances and restricted expenses in order to ensure financial discipline and operational efficiency amongst the management.

In effect, this policy shall restrict or prohibit excessive/ luxurious and/ or other expenses of similar nature that are no longer deemed reasonable for capital outlays; staff, office and facility development; performance incentives, and other considerations pertinent to business operations.

WHISTLE-BLOWING POLICY. Porac Bank is geared towards the attainment and adherence of ethical, moral, and legal conduct in the operation of its business. To assure that these standards are met and maintained, the bank complies with BSP Circular No. 499 or the establishment of effective whistle-blowing procedures by which employees can convey any concerns or suspicions that may arise in the course of performing their jobs to strengthen the Bank's system on detection and prevention of corporate fraud.

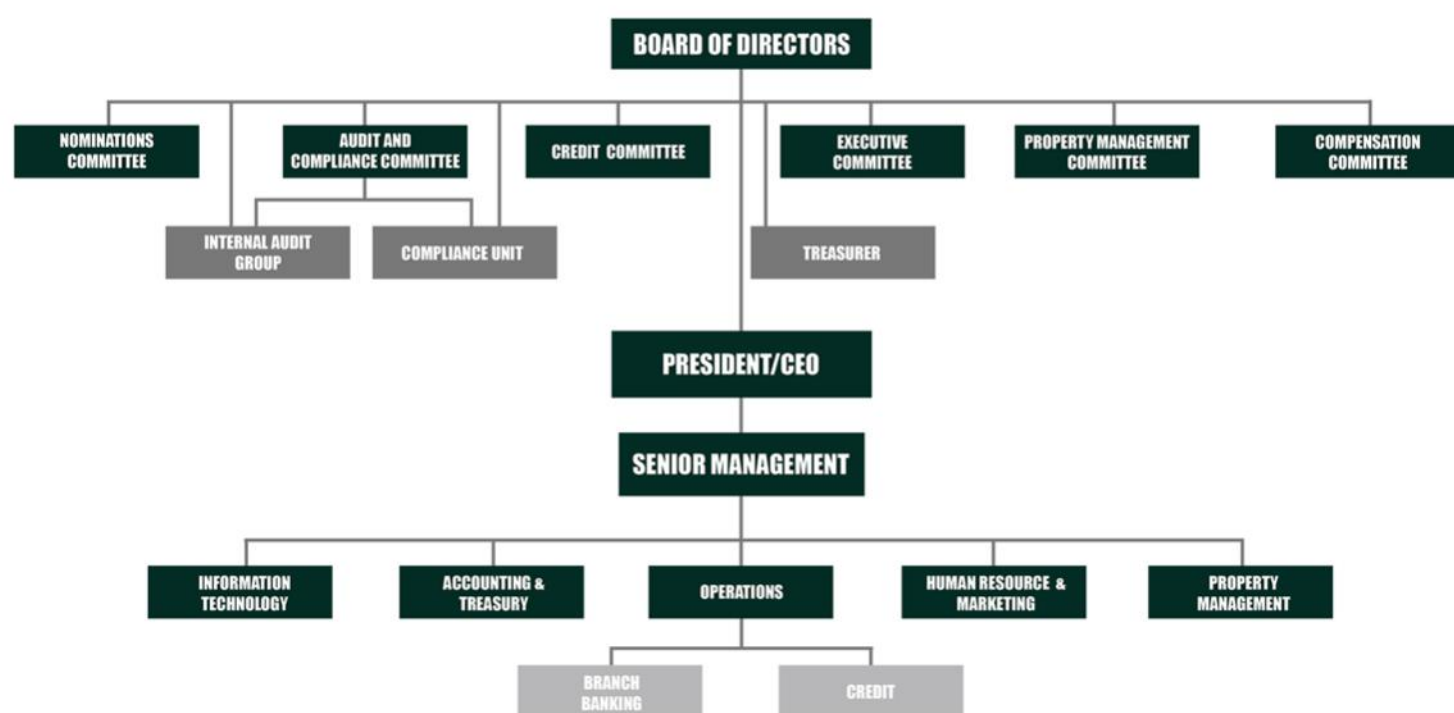
The Whistleblowing Policy applies to all ranks, from Porac Bank directors, senior management, Officers/Managers, permanent and probationary staffs of the Head Office and its branches.

DIVIDEND POLICY. The procedures in distributing/ paying dividends entail prior board approval for cash dividends and a majority or at least 2/3 affirmative votes of the stockholders in the case of stock dividends for all stockholders on record for the period based on BSP policies on the declaration of dividends and with due recommendation from the Senior Management.

The net amount available for dividend declaration is based on the unrestricted retained earnings and undivided profits which shall be based on a sound accounting system and loss provisioning process that considers relevant adjustments to capital including losses, bad debts, and unearned profits or income.

In 2021, the bank declared a cash dividend equivalent to 2% of its subscribed capital amounting to 5,038,610.00. The date of record was on December 31, 2020, and the date of distribution was on February 18, 2021.

ORGANIZATIONAL STRUCTURE.



AUDIT & COMPLIANCE

Porac Bank's corporate compliance and internal audit functions are designed as an integrated process, independent from the business operations they assess to effectively manage its business risks and promote compliance with pertinent banking laws, rules and regulations, policies and standards of good practice and provide reasonable assurance regarding the achievement of objective in the effectiveness and efficiency of operation and reliability of financial reporting.

The Compliance Unit and Internal Audit Group conducts audits from an objective and comprehensive standpoint, independent of operational reporting lines, by assessing the suitability and effectiveness of business activities associated with compliance and risk management and offering advice and remedial recommendations in connection with any problems that may be identified.

The Compliance Unit and Internal Audit Group are directly reporting to the Board of Directors thru the Audit and Compliance Committee. With the Board of Directors' oversight, management has established structures, appropriate authorities and responsibilities and channels to support the regular monitoring and reporting of internal control processes.

On behalf of the Board, the Audit and Compliance Committee oversees the monitoring and review of the internal control system. Since the Committee receives reports from the Compliance Unit and Internal Audit Group on the bank's risk management and internal control systems, it provides the link between the auditors and the Board. The Committee is then well placed to advise the Board on the effectiveness of directives to mitigate risks in the achievement of Porac Bank's objectives.

RELATED PARTY TRANSACTIONS

Porac Bank recognizes the potential for conflicts of interest resulting from transactions with DOSRI and its related parties. To this end, the Management has put in place, an integrated strategy that ensures fair management of transactions with DOSRI and their related parties which are anchored on the latest legislations, laws and regulations related thereto.

This is to safeguard the bank and its stakeholders against the possible conduct of abusive and malicious related party transactions. Through this strategy, the Board of Directors guarantees that related parties are always independent of each other.

The HRD commonly reviews related parties and their personal and business affiliates to ensure accurate and continuous identification of related parties. Deliberation and approval of related party transactions are consistent with present and relevant bank policies.

Related party transactions are monitored on an ongoing basis and are reported to the Board of Directors to ensure that such transactions remain within prescribed limits and are entered into for and in the best interest of the bank. Significant related party transactions recorded in 2021 or those that crossed the materiality threshold set for each type of transaction are summarized in the table below.

As required by the bank's RPT policy, these transactions were confirmed by a majority of the stockholders during the annual stockholder's meeting and were also reported to appropriate governing bodies.

Counterparty	Relationship between parties	Total Credit Transactions	Total Non Credit Transactions	Type of Transactions
PRISER Trading Inc.	Related Interest	0	P7,630,604	Others -monthly rental payments for the lease of (a) 4-storey building in Sto. Rosario Street, Angeles City that houses Porac Bank Head/ Corporate Center (b) 2-storey building in Cangatba, Porac that houses Porac Bank Porac Branch and (c) 2-storey building in Plaridel Street, Angeles City for Porac Bank Plaridel Branch amounting to P506,531.94, P88,578.05 and P47,158.97, respectively. The lease contracts shall be for a period of 15 years, 3 years and 20 years which matures on 31-January 2030, 31-December 2021 and 28-February 2031, respectively. All of which are subject to a 10% annual escalation.

KWENTONG MALASAKIT



CHRISTMAS IN NOVEMBER

For this year, Porac Bank management has endeavored to celebrate the Bank's 53 successful years with its greatest asset - the employees. Driven by our commitment in living out our Malasakit virtue, the Bank held an activity aptly titled "Christmas in November" and surprised the branches and offices of Porac Bank with grocery packages for all personnel as a way of "Paying Forward" and expressing our gratitude that we continue to survive the pandemic, that we are still able to make a living and managed to thrive amidst the bleak times of unprecedented recession. Indeed, when we look back on this time, we can be proudest of how our organization came together during one of the most challenging periods.

15 sacks of 25kg rice for Security Guards

162 grocery package, ham and 10kg rice for employees



HOPE COMMUNITY PANTRY

Driven by our commitment in living out our Malasakit virtue and uphold the spirit of altruism in this time of Pandemic, the bank started its Kwentong Malasakit for the year 2021 by providing HOPE to where it is needed. Small advocacy to Help Other People Eat, a day at a time. We are humbled and delighted by the generosity of the management for initiating this advocacy and we pay homage to our generous benefactors, clients, stockholders, colleagues, and friends who instantaneously responded to our call for sponsorship to this worthy endeavor. Together, we were able to keep the spirit of malasakit rolling towards a better tomorrow!



HR ACTIVITIES



For the Year 2021, the HR Department, with the support and guidance of the Executive Committee, has undertaken various activities and programs that espoused overall employee well-being and has endeavored to uphold a working environment that empowered the employees to do their best work.

The HR Department prides itself as the Team finally created and launched the Bank's company newsletter in the Year 2021 which primarily aims to capture and highlight HR activities for the quarter, present a curated list of news tidbits and compelling insights relative to employee concerns, showcase our company culture and employee profiles.

Hereunder is a roadmap of the events and activities organized and executed by the HR Department in the Year 2021 that brought a positive impact to our people even as we continue to grapple with the challenging times.

EMPLOYEE "IPON CHALLENGE"

Various money-saving challenges have trended in the Philippine social media landscape. Thus, participating in such a gimmick, Porac Bank welcomed 2021 with a challenge as we raised a dare to all employees to take on a New Year's "savings" resolution. It was a fun, money-saving challenge to save a good sum of money towards the end of the year.

ONLINE EMPLOYEE CONFERENCE

For March 2021, an Employee Conference was held which was facilitated by the HR Team who tackled and highlighted the FAQs on Employee Benefits, Workplace Etiquette, and Code of Discipline. Dr. Benjamin Dizon, the Bank's company physician, also joined and presented the salient features of the Covovax vaccine.

FIRST ANNUAL EMPLOYEE ASSEMBLY

To ensure team collaboration and staff involvement within the organization towards the attainment of our shared goal and vision for sustained growth and progress of our beloved Porac Bank, we approached the second month of 2021 with our first ever Annual Employee General Assembly.

RETIREMENT PARTY OF MR. JOSELITO DIZON

Another event to remember as Porac Bank hosted a surprise Retirement Party honoring 38 years of service of our outgoing colleague Joselito Dizon. It was a joyful night as we witnessed the heartwarming messages and tribute of former colleagues, family members and workmates of "cong Joey" as we bid him goodbye from the corporate world and send him good wishes for his new journey in life.

E-SPORT: MOBILE LEGENDS

Our first ever E-sport was held last December 03, 2021. It was a lively yet friendly competition as our PB Gamers gathered together to showcase their ML skill. It was a night of triumph for the Team of Tarlac MA Allyson Marimla, Florida MA Bryan Palo, and Frederick Acosta for emerging victorious with their triple kills and enemy wipe out.

YEAR END PARTY

To celebrate our successes for the year, the bank hosted its annual year-end party. It was a night of merriment and festivities as our virtual party was flooded with heart emojis, shrieks, happy shoutouts, deep nostalgia, and jubilation as we celebrate the hope and magic of Christmas with the glitter and festivity of Carnival.

TRAINING AND DEVELOPMENT

Getting Service Right: A Customer Service Webinar

The bank kicked off the year with Productivity and Motivation by hosting our first activity for 2021, a webinar entitled "Getting Service Right," which featured speakers from other banks, such as Ms. Stephanie Canda of Security Bank and Ms. Rosette Yambao of Asia United Bank. Indeed, taking a step toward reaching our full potential is the ideal way to begin the year.

Health & Wellness webinar: Think safe, Work safe, Be safe

In line with our mission of fostering a holistic atmosphere amidst these challenging times, the bank carried out a Wellness Webinar led by our very own Company Physician, Benjamin Dizon, in coordination with our Human Resource Department. The webinar highlights the basic understanding of mental health to reduce stigma and promote resiliency, wellness, and healthy work-life balance in these trying times. It was a lively webinar as the Porac Bank employees genuinely connected with one another in the face of adversity.

Webinar: Basic Self-Defense Training

Taking full advantage of modern technology, the HR Department hosted an Online Basic Self Defense training for Marketing Assistants facilitated by black-belted SO Nilo Villalon who taught them basic self-defense techniques as well as karate and martial arts moves.

On-Boarding Webinar for New hired employees

To create and maintain a culture of competence amidst the pandemic, the Bank carried out various virtual onboarding for its new hires to learn the Bank's policies, procedures, and best practices, including AML, Code of Discipline, and Whistle Blowing Policy, among others.

PFRB Webinar: Know Your Money Webinar

The Pampanga Federation of Rural Banks (PFRB) held a webinar last October 28, 2021, with invited resource speaker BSP Bank Officer II Ma. Lourdes Laconsay and hosted by Porac Bank. This webinar aimed to keep the bank's employees abreast, particularly the Marketing Assistants, Tellers, Branch Operations Officers, Operations Support Specialists, and Audit and Compliance Group, with the latest information about our Philippine Currency despite the restrictions brought about by the pandemic.

Anti-Money Laundering Act Webinar

An AMLA webinar was conducted for all Bank employees and board members to live out the Bank's policy of protecting the integrity and confidentiality of bank accounts and to ensure that it shall not be used as money laundering site or a conduit for the proceeds of unlawful activity amid the pandemic. It was a morning full of attendance for this year's AMLA training webinar. We gathered to update our foundational AMLA knowledge and completed the 3-hours long update on AMLA rules and regulations presented by Ms. Emma Galvez, a BSP Accredited AMLA Trainor.

Aside from the aforementioned, here are some of the webinars attended by the bank's employees, officers & board of director in 2021:

JANUARY 2021

Webinar on Comprehense Property Appraisal

FEBRUARY 2021

Webinar on Introduction to IT

MARCH 2021

Webinar on Understanding the Supervisory Assessment Framework
Webinar on Customer Service: Championing the Bank's Client

APRIL 2021

BSP Green Banking: Physical Risk Assessment for Rural and Community Banks

MAY 2021

RBAP Webinar Series: Climate Risk Mapping for Banks

JUNE 2021

Cash Flow Analysis for Going Concern Issue
Credit Investigation Training

JULY 2021

RBAP Practical Guide for Disclosure Preparation
RBAP Risk Control Self-Assessment for Rural Banks
Webinar on Basic OSH Training for Safety Officer
ASEAN LCEP: Webinar Series on Sustainable Finance

AUGUST 2021

CCLRB Webinar on Strengthening Audit and Compliance Function
Financial Statement Analysis: A tool in Credit Decision Making
Data Privacy Compliance Training

SEPTEMBER 2021

CCLRB Webinar on PCAClinic/Strenthening Bank Operations
RBAP Complaints Management Training
Webinar on Updating Customer Records

OCTOBER 2021

Webinar on Handling BSP Examination and Enforcement Guidelines
Webinar on Conducting Internal Audit Engagement
Webinar on Debt Collection Approach and Strategies in the New Normal
Webinar on Addressing Job Burnout
CCLRB Webinar on Enhanced Due Diligence on Loan Collaterals

NOVEMBER 2021

Update on Credit Policies and Procedures
RBAP Webinar on Managerial Skills for Bank Officers
RBAP 64th Anniversary Symposium
RBAP Webinar on Strategic Marketing and Basic Branding
RBAP Webinar on Basic Corporate Governance for RB Directors & Officers
CCLRB General Membership Meeting

DECEMBER 2021

RBAP Webinar on Competitive Risk-based Pricing and Loan Restructuring
CCLRB Webinar on Corporate Governance
CCLRB Webinar on Related Party Transactions
RBAP Webinar on Basic Corporate Governance for RB Directors & Officers

PRODUCTS & SERVICES



SAVINGS DEPOSIT

Whether you're putting away money for a special purchase, building personal wealth, or saving for an unexpected expense, our low maintenance savings account will help you reach your short and long-term financial goals.



DEMAND DEPOSIT

Whatever your personal or business transaction is, the convenience of a worry-free, cash-less system gives you great flexibility in managing your money.



KAYA MO BASIC DEPOSIT

An interest-bearing Peso account with no maintaining balance and no dormancy charge intended to promote financial inclusion. Its basic functionalities is characterized by ease, accessibility, convenience, and reasonable cost.



TIME DEPOSIT

Enjoy higher interest rates and zero risk on your capital when you place a Time Deposit with us! Whether you prefer a short or long term investment, we have varied term options for you ranging from 30 days to 5 years.



UNSECURED AGRI LOAN

With our No-collateral Agricultural loan, we can help you expand and increase your production and take your Agribusiness to the next level. ideal for Ampalaya, Eggplant, Palay, Corn, Cassava and Sugarcane production.



SECURED AGRI LOAN

We offer farmers easier access to credit that will open opportunities for the set-up, expansion and rehabilitation of their agribusiness as well as open doors to modern agricultural methods and technical advancements.



COMMERCIAL LOAN

This product appeals to MSME's and private corporations for business purposes. Whether you're increasing your inventory, purchasing new equipment, or expanding your business, we will make the process easy for you.



HOUSING LOAN

You're a few steps away from moving in to your dream home. We're here to help you make the best, and find the easiest financing option for you!

OTHER SERVICES



LOANS AGAINST TIME DEPOSITS

An all-purpose loan to meet your short term funding needs, secured by a hold out on client's Special Savings deposit with Porac Bank.



ATM/POS MACHINES

Withdraw money from your Bancnet ATM cards at our branches in Porac, Magalang, Arayat, Mexico, Dolores, Florida, Mabalacat, Sto. Rosario, Tarlac, and Concepcion.



SSS PENSIONER LOAN

Unsecured loan offering that allows Porac Bank enrolled SSS pensioners to draw cash advances against their pension up to P50,000.00.



FUND TRANSFER

Enjoy fast and secure fund transfer to other commercial and local Banks via InstaPay and PesoNet.



EASY CASH LOAN

Unsecured borrowings of as much as P100, 000.00 for eligible regular Marketing Assistant depositor of Porac Bank.



REMITTANCE

Send money to your loved ones anywhere in the country which they can receive on the same day via LBC, Cebuana Lhuillier, SmartPadala, and Perahub outlet nationwide.



BILLS PAYMENT

Pay your utilities, credit card bills, government dues or even top-up your e-wallet.



INTER-BRANCH FACILITY

Easily deposit and withdraw funds from your Porac Bank account through any of our branches.



DEPOSIT PICK-UP FACILITY

With our personal deposit - collection program, we will bring banking services to your doorstep.



PASABAYAD

An additional banking service that allows our clients to enjoy the benefit and convenience of bills payment, fund transfer and pera-padala services through our Marketing Assistants.

*Deposits are insured by PDIC up to P500,000 per depositor.

**Porac Bank is regulated by the Bangko Sentral ng Pilipinas <https://www.bsp.gov.ph>

COVER SHEET for AUDITED FINANCIAL STATEMENTS

S.E.C. Registration Number

3 6 7 9 4

Company Name

R U R A L B A N K O F P O R A C (P A M P A N G A)

I N C .

Principal Office (No./Street/Barangay/City/Town)Province)

P R I S E R B U I L D I N G S T O . R O S A R I O

S T R E E T C O R N E R F L O R A A V E N U E

B A R A N G A Y S T O . R O S A R I O A N G E L E S

C I T Y 2 0 0 9

Form Type

A F S

Department requiring the report

B S P

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

rbporac@yahoo.com

Company's Telephone Number/s

(045) 322-0909

Mobile Number

No. of Stockholders

70

Annual Meeting

Month/Day

February 12

Year End

Month/Day

31-Dec

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Office of the Corporation

Name of Contact Person

Klein L. Rodriguez

Email Address

klrodriguez@poracbank.com

Telephone Number

(045) 322-0909

Mobile Number

Contact Person's Address

Angeles City, Pampanga

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxer must be properly and completely filled-up, Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies, Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

RURAL BANK OF PORAC (PAMPANGA), INC.

Priser Building Sto. Rosario St., Cor. Flora Ave., Barangay Sto. Rosario, Angeles City, Pampanga

Audited Financial Statements

December 31, 2021 and 2020

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **RURAL BANK OF PORAC, INC** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation 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.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

EDGARDO M. MOLINA, CPA the independent auditor appointed by the stockholders, has audited the financial statements of the bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.

Signature

Chairman of the Board:

BENJAMIN C. DIZON

Signature

Chief Executive Officer:

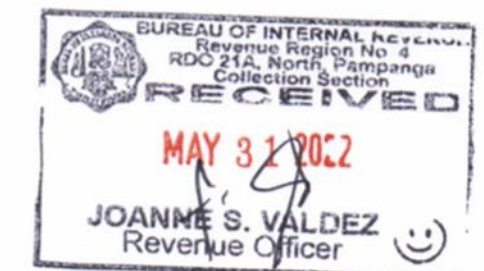
LOURDES CONNIE C. TAYAG

Signature

Chief Financial Officer

ANNA CLAUDINE T. DAVID

Signed this 13th day of APRIL 2022.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **RURAL BANK OF PORAC, INC** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021 and 2020. Management is likewise responsible for all information and representation contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representation contained in all the other tax returns filed for the reporting period, including but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, and any all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of **RURAL BANK OF PORAC, INC** are complete and correct in all material respects.

Management likewise affirms that:

- a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulation and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances.
- c. The **RURAL BANK OF PORAC, INC** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature



Chairman of the Board:

BENJAMIN C. DIZON

Signature



Chief Executive Officer:

LOURDES CONNIE C. TAYAG

Signature



Chief Financial Officer

ANNA CLAUDINE T. DAVID

Signed this 18th day of APRIL 2022.



EDGARDO M. MOLINA, CPA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: emmolinaconsultancy@gmail.com

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Director

RURAL BANK OF PORAC (PAMPANGA), INC.

Priser Building Sto. Rosario St., Cor. Flora Ave., Barangay Sto. Rosario, Angeles City, Pampanga

Opinion

I have audited the accompanying financial statements of **RURAL BANK OF PORAC (PAMPANGA), INC.** which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statement presents fairly, in all material respects, the financial position of the Bank as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank accordance with the Philippine Ethics Standards Board of Accountants (PESBA Code) together with the ethical requirements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The financial statements of the Bank for the year ended December 31, 2020 were audited by another auditor whose report dated April 14, 2021, expressed an unqualified opinion on those statements.

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 as no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation 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.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits.

Report on other Legal and Regulatory Requirements

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and 19-2011 of the Bureau of Internal Revenue and Circular 1074 as required by Bangko Sentral ng Pilipinas

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Note 16 to the financial statements is presented for purposes of Circular 1074 as required by Bangko Sentral ng Pilipinas and is not required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in my audits of the basic financial statements. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

EDGARDO M. MOLINA

TIN No. 123-467-133-000

CPA Certificate No. 39419

BOA/PRC Certificate No. 2577, valid until September 1, 2024

BIR Accreditation No. 08-005012-001-2020, valid until January 23, 2023

BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,

valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements

CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024

PTR No. 4148225, Issued January 7, 2022 at Muntinlupa City

April 13, 2022



EDGARDO M. MOLINA, CPA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: emmolinaconsultancy@gmail.com

**SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
TO ACCOMPANY INCOME TAX RETURN**

To the Stockholders and Board of Directors
RURAL BANK OF PORAC (PAMPANGA), INC.
Priser Building Sto. Rosario St., Cor. Flora Ave., Barangay Sto. Rosario, Angeles City,
Pampanga

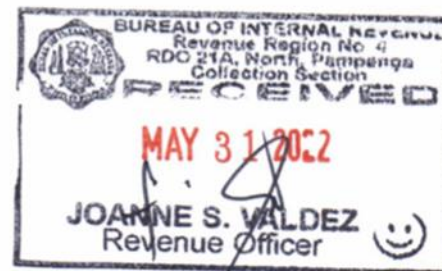
I have audited the accompanying financial statements of **RURAL BANK OF PORAC (PAMPANGA), INC.** as of and for the year ended December 31, 2021, on which I have rendered the attached report dated April 13, 2022.

In compliance with Revised Securities Regulation Code (SRC) Rule 68, I am stating that said Bank has a total number of fifty-five (55) stockholders owning one hundred (100) or more shares.

In compliance with Revenue Regulations V-20, I am stating that no member of the Bank is related by consanguinity or affinity to the president, manager or principal stockholders of the Bank.

EDGARDO M. MOLINA
TIN No. 123-467-133-000
CPA Certificate No. 39419
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April 13, 2022



EDGARDO M. MOLINA, CPA

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**SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
TO ACCOMPANY INCOME TAX RETURN**

To the Stockholders and Board of Directors
RURAL BANK OF PORAC (PAMPANGA), INC.
Priser Building Sto. Rosario St., Cor. Flora Ave., Barangay Sto. Rosario, Angeles City,
Pampanga

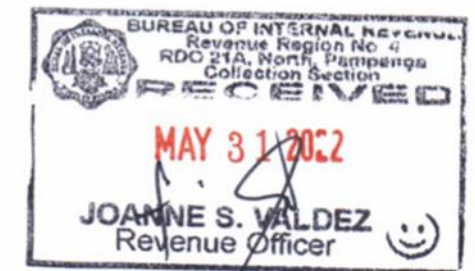
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EDGARDO M. MOLINA
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April 13, 2022



EDGARDO M. MOLINA, CPA

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Tunasan, Muntinlupa City
Email: emmolinaconsultancy@gmail.com

CERTIFICATION

To Officer in Charge
Bangko Sentral ng Pilipinas
Malate, Manila:

In connection with my audit of the 2021 financial statements **RURAL BANK OF PORAC (PAMPANGA), INC.** and pursuant to Section 174 and Appendix 55 of the Manual of Regulation for Banks (MORB), as amended by Circular No. 1074 dated February 7, 2020 relative to the Bangko Sentral requirements in the submission of audited financial statements, I hereby certify the following:

- 1.) That I have commenced my engagement to audit the financial statements on January 28, 2022, and had finished the audit on April 13, 2022.
- 2.) That the Financial Audit Report and the Certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit of the Bank were submitted to the Board of Directors on April 13, 2022.
- 3.) That I, the auditor-in-charge of the engagement, and the members of our immediate families do not have any direct or indirect financial interests with the bank including its affiliates and subsidiaries and that my independence is not at all impaired under any of the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.
- 4.) That I have read-only access to the BSP report of examination;
- 5.) That the Bank has complied with the disclosure requirement under Section 174 of the MORB, as amended by Circular No. 1074 series of 2020.
- 6.) That I have **none to report** on discovery of material breach of laws and BSP rules and regulations such as on capital adequacy ration and on loans and other risks and classification.
- 7.) That I have **no report** on findings regarding corporate governance issues;
- 8.) That I have **no report** regarding termination and resignation as external auditor
- 9.) That I have **no report** regarding breach or non-compliance on liquidity ratios, material weakness in fair value measurement methodology, significant vulnerabilities to money laundering and combating the financing of terrorism.
- 10.) That I have **none to report** on the following matters under **BSP Circular 1074 series of 2020**;
 - a) Any material finding involving fraud or dishonesty (including cases that were resolved during the audit period);
 - b) Any potential losses, the aggregate of which amounts to at least ten percent (10%) of the consolidated total asset;
 - c) Any findings to the effect that consolidated asset of the Bank, ongoing concern basis, are no longer adequate to cover the total claims of creditor;
 - d) Material internal control weakness which may lead to financial reporting problems.

It is however understood that the accountability of the undersigned practitioner is based on matters within the normal coverage of an audit conducted in accordance with the Philippine Standards on Auditing.

These certifications are being issued in compliance with the requirements by the BSP in the submission of audited financial statements on the above-mentioned rural bank.



EDGARDO M. MOLINA
TIN No. 123-467-133-000
CPA Certificate No. 39419
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BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020, valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements
CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024
PTR No. 4148225, Issued January 7, 2022 at Muntinlupa City

April 13, 2022

APR 22 2022

SAN FERNANDO, PAMPANGA

SUBSCRIBED AND SWORN TO BEFORE ME this _____ at _____


ATTY. EDGARDO M. VITUG
Notary Public
Notary Public
(Until Dec 31, 2021)
Extended until June 30, 2022
S.C. En. Bar. Reg. Dated 9-26-2021
PTR No. 03774771-3-22
IBF No. 190833/1-3-22
Roll No. 31560
MCLE No. VII-00002325
City of San Fernando (P)

Doc. No. 34
Page No. 77
Book No. XCVI
Series of 2022

EDGARDO M. MOLINA, CPA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: emmolinaconsultancy@gmail.com

STATEMENT OF REPRESENTATION**TO THE SECURITIES AND EXCHANGE COMMISSION**

In connection with my examination on the financial statements of **RURAL BANK OF PORAC (PAMPANGA), INC.** for the year ended December 31, 2021 which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the Accounting Profession and duly registered with the Board of Accountancy (BOA).
2. That the financial statements are presented in conformity with the Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described to the financial statements, in all cases where I shall express an unqualified opinion, except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof and the reasons why compliance with the principles would result in misleading statements, if such is the fact.
3. That I fully met the requirements of independence as provided in the Code of Professional Ethics for CPAs.
4. That in the conduct of such audit, I complied with the Philippine Standard of Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitations in the scope of my examination, I shall indicate the nature of the departure and the extent of limitation, the reasons therefore and the effects thereof on the expression of the my opinion or which may necessitate the negation of the expression of an opinion;
5. That relative to the expression of my opinion, on the financial statements, I shall not commit any act discreditable to the profession as provided under the code of Professional Ethics for CPAs.

As a CPA engage in public practice, I make this representations in my individual capacity.

EDGARDO M. MOLINA

TIN No. 123-467-133-000

CPA Certificate No. 39419

BOA/PRC Certificate No. 2577, valid until September 1, 2024

BIR Accreditation No. 08-005012-001-2020, valid until January 23, 2023

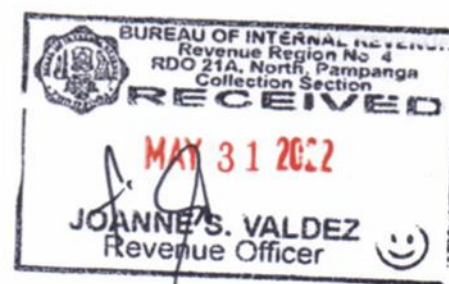
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PTR No. 4148225, Issued January 7, 2022 at Muntinlupa City

April 13, 2022

**RURAL BANK OF PORAC (PAMPANGA), INC.****STATEMENTS OF FINANCIAL POSITION**

	As at December 31	
	2021	2020
ASSETS		
Cash and Other Cash Items (Note 6.1)	P24,671,873	P 20,610,836
Due from BSP and Other Banks (Note 6.2)	348,662,610	313,257,951
Debt Securities Measured at Amortized Cost (Note 7)	370,316,469	228,449,709
Loans & Receivable, Net (Note 8)	1,227,327,505	1,297,723,931
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)	46,431,306	45,679,908
Investment Property, Net (Note 10)	43,957,856	40,069,810
Right of Use Assets (Note 11)	64,239,507	26,607,607
Deferred Tax Asset (Note 24)	4,410,085	2,024,161
Other Assets, Net (Note 12)	7,090,492	5,083,734
Retirement Benefit Asset (Note 19)	22,752,862	12,984,572
TOTAL ASSETS	2,159,860,565	1,992,492,219
LIABILITIES & SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposit Liabilities (Note 13)	1,699,820,619	1,615,971,841
Accrued Interest, Interest, Taxes and Other Expenses (Note 14)	10,760,317	8,942,706
Other Liabilities (Note 15)	83,251,173	31,541,900
Income Tax Payable (Note 24)	2,275,075	3,648,650
TOTAL LIABILITIES	1,796,107,184	1,660,105,097
SHAREHOLDERS' EQUITY		
Ordinary Share Capital (Note 16)	251,930,500	251,930,500
Retained Earnings - Free (Note 16)	104,218,328	82,985,834
Retained Earnings - Reserve for healthcare fund (Note 16)	7,022,194	7,022,194
Cumulative Gains (Losses) on Defined Benefit Plan (Note 19)	582,359	(9,551,406)
TOTAL SHAREHOLDERS' EQUITY	363,753,381	332,387,122
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	P2,159,860,565	P1,992,492,219
BOOK VALUE PER SHARE	P144.39	P 131.94

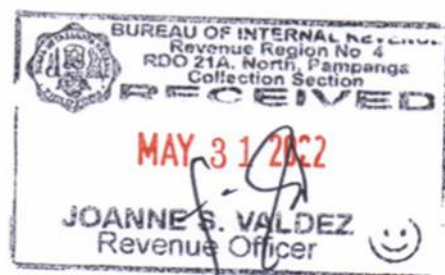
See accompanying Notes to Financial Statements.



RURAL BANK OF PORAC (PAMPANGA), INC.
STATEMENTS OF COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2021	2020
INTEREST INCOME		
Loans & Receivables	₱128,214,603	₱ 113,754,317
Due from Other Banks	277,953	733,377
Debt Securities Measured at Amortized Cost	33,461,091	7,332,671
TOTAL INTEREST INCOME	161,953,647	121,820,365
INTEREST EXPENSE		
Deposit Liabilities	8,796,713	9,439,695
Bills Payable	-	6,044,167
TOTAL INTEREST EXPENSE	8,796,713	15,483,862
NET INTEREST INCOME	153,156,934	106,336,503
PROVISION FOR CREDIT LOSSES	16,851,157	-
NET INTEREST INCOME AFTER PROVISION	136,305,777	106,336,503
OTHER INCOME (Note 17)	33,611,169	33,494,289
TOTAL INCOME BEFORE OPERATING EXPENSES	169,916,946	139,830,792
OTHER OPERATING EXPENSE		
Compensation & Fringe Benefits (Note 18)	53,514,798	44,937,331
Other Operating Expenses (Note 20)	55,580,976	48,949,283
Depreciation & Amortization (Note 21)	19,372,321	16,061,666
Taxes & Licenses (Note 26)	6,091,398	5,823,568
TOTAL OTHER OPERATING EXPENSE	134,559,493	115,771,848
NET INCOME BEFORE INCOME TAX	35,357,453	24,058,944
INCOME TAX EXPENSE (BENEFIT) (Note 24)	3,488,702	6,517,818
NET INCOME AFTER INCOME TAX	₱31,868,751	₱17,541,126
EARNINGS PER SHARE	₱12.65	₱ 6.96

See accompanying Notes to Financial Statements.



RURAL BANK OF PORAC (PAMPANGA), INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020

	Share Capital (Note 16)	Retained Earnings - Free (Note 16)	Retained Earnings - Reserve (Note 16)	Cumulative Gains (Losses) on Define Benefit Cost	Total
Balance at January 1, 2021	₱251,930,500	₱82,985,834	₱7,022,194	₱(9,551,406)	₱332,387,122
Issuance of shares	-	-	-	-	-
Total comprehensive income for the year	-	31,868,751	-	10,133,765	42,002,516
Provisions and Adjustments	-	(5,597,647)	-	-	(5,597,647)
Cash dividend declared	-	(5,038,610)	-	-	(5,038,610)
Balance at December 31, 2021	₱251,930,500	₱104,218,328	₱7,022,194	₱582,359	₱363,753,381
Balance at January 1, 2020	₱ 225,947,300	₱ 70,405,991	₱ 7,022,194	₱ (5,634,441)	₱ 297,741,044
Issuance of shares	25,983,200	-	-	-	25,983,200
Total comprehensive income for the year	-	17,541,126	-	(3,916,965)	13,624,161
Provisions and Adjustments	-	2,946,873	-	-	2,946,873
Cash dividend declared	-	(7,908,156)	-	-	(7,908,156)
Balance at December 31, 2020	₱ 251,930,500	₱ 82,985,834	₱ 7,022,194	₱ (9,551,406)	₱ 332,387,122

See accompanying Notes to Financial Statements.

RURAL BANK OF PORAC (PAMPANGA), INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Income Tax	P35,357,453	P24,058,944
Adjustments for:		
Depreciation & amortization (Note 9 and 21)	19,372,321	16,061,666
Provision for credit losses	16,851,157	-
Non-cash item on FFE	(866,581)	-
Gain on sale of investment properties	(27,582,032)	(29,027,365)
Impairment loss	-	33,001
Interest income	(161,953,647)	(121,820,598)
Interest expense	8,796,713	15,483,862
Changes in working capital:		
Loans and other receivables (Note 8)	53,545,269	(35,477,891)
Other assets (Note 12)	(2,006,758)	8,072,356
Deposits liabilities (Note 13)	83,848,778	191,633,751
Other liabilities (Note 15)	8,945,727	(29,820,079)
Accrued interest and other liabilities (Note 14)	1,817,611	(8,164,998)
Interest received	161,953,647	121,820,598
Interest paid	(8,796,713)	(15,483,862)
Income tax paid (Note 24)	(7,248,203)	(5,923,817)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	182,034,742	131,445,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment properties (Note 10)	(5,187,545)	(3,628,581)
Additions to bank premises, FFE (Note 9)	(7,557,499)	(7,730,287)
Acquisition of debt securities measured at amortized cost (Note 7)	(141,866,760)	162,284,965
Proceeds from sale of bank premises, FFE (Note 9)	-	540
Proceeds from sale of investment properties	27,582,032	29,027,365
Retirement benefit asset (Note 19)	365,475	2,709,130
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(126,664,297)	182,663,132
CASH FLOWS FROM FINANCING ACTIVITIES		
Net charges to surplus/Prior period adjustments	(5,597,649)	(970,092)
Payment of cash dividends to stockholders (Note 16)	(5,038,610)	(7,908,156)
Payments of bills payable	-	(270,000,000)
Payments of lease liabilities	(5,268,490)	(3,082,085)
Proceeds from issuance of shares (Note 16)	-	25,983,200
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(15,904,749)	(255,977,133)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,465,696	58,131,567
CASH AND CASH EQUIVALENTS, BEGINNING	333,868,787	275,737,220
CASH AND CASH EQUIVALENTS, ENDING	P373,334,483	P333,868,787

(See accompanying Notes to Financial Statements)

RURAL BANK OF PORAC (PAMPANGA), INC.
FINANCIAL HIGHLIGHTS

As of December 31, 2021 and 2020

	2021	2020	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	P195,564,816	P155,314,654	P40,250,162
TOTAL EXPENSES	163,696,065	137,773,528	25,922,537
NET INCOME	31,868,751	17,541,126	14,327,625
EARNINGS PER SHARE			
Ordinary Shares	12.65	6.96	5.69
RETURN ON AVERAGE EQUITY	9.16%	5.57%	3.59%
RETURN ON AVERAGE ASSETS	1.53%	0.87%	0.66%
NET INTEREST MARGIN	8.09%	5.67%	2.42%
AT YEAR END			
TOTAL ASSETS	2,159,860,565	1,992,492,219	167,368,346
LOANS AND RECEIVABLES (NET)	1,227,327,505	1,297,723,931	(70,396,426)
LIQUID ASSETS	743,650,952	562,318,496	181,332,456
FIXED ASSETS	46,431,306	45,679,908	751,398
DEPOSIT LIABILITIES & DUE TO BSP	1,699,820,619	1,615,971,841	83,848,778
OTHER LIABILITIES	83,251,173	31,541,900	51,709,273
EQUITY ACCOUNTS	363,753,381	332,387,122	31,366,259
BOOK VALUE PER SHARE			
Ordinary Shares	144.39	131.94	12.45
CAPITAL ADEQUACY RATIO	21.13%	18.59%	2.54%
PAST DUE RATIO	13.04%	13.08%	(0.04%)
RATIO OF LIQUID ASSETS OVER DEPOSIT LIABILITIES & DUE TO BSP	43.75%	34.80%	8.95%
RATIO OF LIQUID ASSETS OVER DEPOSIT LIABILITIES OTHER LIABILITIES	41.71%	34.13%	7.58%
DEBT TO EQUITY RATIO	4.94:1	4.99:1	0.05:1
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	12.76%	13.74%	(0.98%)

(See accompanying Notes to Financial Statements)

RURAL BANK OF PORAC (PAMPANGA), INC.
 RECONCILIATION OF AUDITED FINANCIAL STATEMENTS & SUBMITTED CONSOLIDATED STATEMENT OF CONDITION
 AND STATEMENT OF INCOME AND EXPENSES

As of December 31, 2021

	Submitted Report	Audited Report	Discrepancy	Reason for Discrepancy
Cash and Other Cash Items	₱ 24,671,873	₱ 24,671,873	-	
Due from Bangko Sentral ng Pilipinas	36,681,377	36,681,377	-	
Due from Other Banks	311,981,233	311,981,233	-	
Debt Securities Measured at Amortized Cost	368,764,335	370,316,469	(1,552,134)	FS presentation
Loans and Receivables, Net	1,221,010,201	1,227,327,505	(6,317,304)	FS presentation
Investment Properties	43,957,856	43,957,856	-	
Bank Premises, Furniture, Fixtures, and Equipment, Net	46,431,306	46,431,306	-	
Right of Use Assets	21,495,399	64,239,507	(42,744,108)	See AJE#2 and 4
Other Assets, Net	27,944,502	29,843,354	(1,898,852)	FS presentation, See AJE#10
Deferred Tax Asset	-	4,410,085	(4,410,085)	See AJE#5, 6, 11 and 12
Total Assets	2,102,938,082	2,159,860,565	(56,922,483)	Net effect of adjustments
Deposit Liabilities	1,699,820,619	1,699,820,619	-	
Accrued Interest, Taxes & Other Expenses	10,605,917	10,760,317	(154,400)	See AJE#9
Income Tax Payable	2,354,253	2,275,075	79,178	See AJE#1
Other Liabilities	36,907,360	83,251,173	(46,343,813)	See AJE#2 and 3
Deferred tax liability	2,607,476	-	2,607,476	FS presentation, See AJE# 5 & 7
Total Liabilities	1,752,295,625	1,796,107,184	(43,811,559)	Net effect of adjustments
Total Shareholders' Equity	350,642,457	363,753,381	(13,110,922)	Net effect of adjustments
Total Liabilities & Shareholders' Equity	₱ 2,102,938,082	₱ 2,159,860,565	₱ (56,922,483)	Net effect of adjustments
Total Gross Income	195,381,396	195,564,816	183,420	See AJE#8
Total Expenses	158,807,509	160,207,363	(1,399,854)	See AJE#1, 3, 4 and 9
Net Income Before Tax	36,573,887	35,357,453	(1,216,434)	Net effect of adjustments
Income Tax Expense (Benefit)	3,416,132	3,488,702	72,570	Net effect of adjustments
Net Income After Tax	₱ 33,157,755	₱ 31,868,751	₱ (1,289,004)	Net effect of adjustments

RURAL BANK OF PORAC (PAMPANGA), INC.
 LIST OF ADJUSTING ENTRIES
 DECEMBER 31, 2021

No.	Particulars	Debit	Credit
Proposed Adjusting Journal Entry (PAJE)			
1.	Income Tax Expense Income Tax Payable Prepaid Income Tax Taxes and Licenses <i>To adjust Income Tax Expense and Liability for the year.</i>	2,458,494.59 79,178.02	183,420.00 2,354,252.61
2.	Right of Use Asset Lease Liability <i>To record the rental payments for the remaining years</i>	48,032,038.35	48,032,038.35
3.	Interest Expense Lease Liability Rent Expense <i>To record the rental payments for year 2021.</i>	3,362,242.68 1,688,225.69	5,050,468.37
4.	Depreciation Accumulated Depreciation <i>To record depreciation for the year.</i>	5,287,930.83	5,287,930.83
5.	Deferred Tax Assets Deferred Tax Liability Retained Earnings <i>To record unbooked DTA previous years.</i>	6,199,860.37	1,568,223.56 4,631,636.81
6.	Deferred Tax Assets Income Tax Expense <i>To record DTA on lease liability.</i>	1,317,122.63	1,317,122.63
7.	Income Tax Expense Deferred Tax Liability <i>To record DTL on RUA</i>	2,600,034.68	2,600,034.68
8.	Prepaid Income Tax Other Income <i>To record PIT on payment of CGT</i>	183,420.00	183,420.00
9.	Management and Professional Fee Accrued and other expense payable <i>To accrue 2021 audit fee.</i>	154,400.00	154,400.00
10.	Retirement Benefit Asset Retained Earnings Cumulative remeasurement gain on retirement benefit plans <i>To record retirement asset based on PAS 19R for the year 2021.</i>	9,768,290.00 365,475.00	10,133,765.00
11.	Income Tax Benefits Deferred Tax Assets <i>To close DTA on accounts written-off</i>	543,953.09	543,953.09
12.	Deferred Tax Assets Income Tax Benefits <i>To record DTA on provision for credit losses</i>	4,212,789.23	4,212,789.23

RURAL BANK OF PORAC (PAMPANGA), INC.

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

1. CORPORATE INFORMATION

RURAL BANK OF PORAC (PAMPANGA), INC. (The "BANK") was incorporated on November 12, 1968 to engage in business of rural banking. Consequently on December 11, 1968, it was granted authority by the Monetary Board to operate as a rural bank.

The registered principal office of the Bank is located at Priser Building Sto. Rosario St., Cor. Flora Ave., Barangay Sto. Rosario, Angeles City, Pampanga. It has thirteen (13) branches located in the following areas:

1. Gen. Luna St., Cangatba, Porac, Pampanga
2. San Pedro I, Magalang, Pampanga
3. Rizal Avenue Extension, Angeles City
4. Plaza Luma, Arayat, Pampanga
5. San Antonio, Mexico, Pampanga
6. Emerald Business Center, McArthur Highway, Dolores, City of San Fernando, Pampanga
7. Lot 1 Block 2 Casmor Phase II, Mabiga, Mabalacat, Pampanga
8. Sta. Maria Cor. Rizal St., Poblacion, Floridablanca, Pampanga
9. Lot 2, Bayanihan Park, M.A. Roxas St., Malabonias, Angeles City
10. Plaridel St., Sto. Rosario, Angeles City
11. Benj-Arl Building, N. Dela Patria, L. Cortez St., Concepcion, Tarlac
12. Priser Building Sto. Rosario St., Cor. Flora Ave., Barangay Sto. Rosario, Angeles City, Pampanga
13. RHC Building, Hilario Cor. M.H. Del Pilar St. Ligtasan, Tarlac City

The Bank's Board of Directors are composed of eleven (11) members; One (1) of them is an independent director.

Approval of Financial Statements

The accompanying financial statements of the Bank for the year ended December 31, 2021 were authorized for issue by its Board of Directors on April 13, 2022.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The significant accounting policies applied in the preparation of these financial statements are set out separately below or explained in the respective notes to these financial statements. These policies have been consistently applied to the periods presented, unless otherwise stated.

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments, if any, that have been measured at fair value. The financial statements are presented in Philippine peso ("₱") and all values are rounded to the nearest peso except when otherwise indicated.

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.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Statement of Compliance

The Bank's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and relative laws, regulations and industry practices applicable to rural banks. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretations of the Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC)/International Financial Reporting Interpretations Committee (IFRIC) which have been approved and adopted by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. 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 5.

Going Concern Assumption

The Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except that the Bank has adopted the following new accounting pronouncements beginning January 1, 2021. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated

New Standards, Amendments, and Interpretations Adopted

Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Bank applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to

apply the previous amendment. Accordingly, the Bank has applied the amendment in the current year financial statements.

The adoption of the amended PFRS did not materially affect the financial statements of the Bank.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendment is permitted.
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.
 - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

- Amendment to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, *Fair Value Measurement*. The amendment should be applied prospectively. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify
 - (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that 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. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii)

ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation*, which provides a two year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Financial Instruments

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and Subsequent Measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after recognition, an expected credit allowance (ECL) is recognized for financial assets measured at amortized cost.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that used only data from observable markets, difference is recognized as a gain or loss.
- b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial Assets

Classification and Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains or losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- 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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.

The Bank's investments are under this category.

Financial assets at fair value through OCI with recycling of cumulative gains or losses

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- 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

For debt instruments at fair value through OCI, interest income, foreign exchange re-valuation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Bank has no financial assets under this category.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial assets, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Bank has no financial assets under this category.

Financial Assets at fair value through profit or loss

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term. Notwithstanding the criteria the debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) it is probable that the borrower will enter bankruptcy or other financial reorganization;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties; or,
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank.

Considering that the Bank is regulated by the Bangko Sentral ng Pilipinas (BSP) which requires a distinct provisioning as well as default provision pursuant to Circular 855, 941 and 1011, then in case of conflict between the standard (PFRS) and special law (which is enacted by BSP such as MORB), then the latter will prevail.

The Bank recognizes impairment loss based on the category of financial assets as follows:

Carried at Amortized Cost – Loans and Receivables and Debt Securities Measured at Amortized Cost (formerly Held-to-Maturity Financial Assets)

For assets carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Bank includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivable or debt securities carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan or debt securities has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) it is probable that the borrower will enter bankruptcy or other financial reorganization;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties; or,
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank.

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Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible subject to BSP guidelines, it may be written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management, the BOD and the BSP, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are presented as part of Other Income in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

When possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment Losses.

Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower or of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial Liabilities

A financial liability is any liability that is:

- a. A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- b. A contract that will or may be settled in the entity's own equity instruments and is:
 - i. A non-derivative for which the entity is or may be obliged to deliver a favorable number of the entity's own equity instruments; or
 - ii. A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost, except for:

- **Financial liabilities at fair value through profit or loss:** this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable changes in

market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of the financial asset did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In subsequent period, the Bank recognizes any expense incurred on the financial liability, when continuing involvement approach applies.

Derecognition

A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Balance Sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there's an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amount in the balance sheet.

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity instruments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments as FVPL are included in the 'Net trading income' line in the statement of profit or loss.

Financial Assets

This category includes cash and cash equivalents, loans receivable, investments and portion of other assets pertaining to rental deposits.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks that are highly liquid and readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and which are subject to insignificant risk of changes in value. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are valued at face amount. Cash denominated in foreign currency is translated in peso using the closing rate as of the financial date. If a bank or financial institution holding the funds of the Bank is in bankruptcy

or financial difficulty, cash should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

Cash on Hand

Cash on hand represents the total amount of cash in the bank's vault in the form of notes and coins under the custody of the cashier/cash custodian. This is measured at face value.

Due from Bangko Sentral ng Pilipinas

This represents the balance of the deposit account in local currency maintained with the Bangko Sentral to meet reserve requirement subject to existing rules and regulations. This is measured at face value.

Due from Other Banks

This represents the balance of the deposit accounts maintained with other resident banks. These are stated in the Statement of Financial Position at their face value. Income on interest bearing deposits are credited to and included in the determination of income in the Statement of Comprehensive Income.

Loans and Receivables

Loans and receivable account includes loans extended to clients classified as small and medium enterprise loan, real estate loans, other loans, micro finance loans, and agrarian reform and other agricultural loans. Loans and receivables are recognized when cash is advanced to borrowers. These are recognized initially at fair value plus transaction costs that are directly attributable to the receivable. These are subsequently measured at amortized costs using effective interest method less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as "Interest Income" in the Statement of Comprehensive Income. The losses arising from impairment are recognized in profit or loss.

Restructured Loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment period and the arrangement of new loan terms and conditions. Once the terms renegotiated have been finalized, the loan is classified as restructured loan. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. The loan is continuously subject to an individual or collective impairment assessment calculated using the loan's original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in "Provision for Impairment and Credit Losses" in the Statement of Income & Expenses.

Loans & Discounts

Receivables from customers are stated at the outstanding balance reduced by an allowance for probable loan losses.

Interest income on non-discounted term loan is accrued monthly as earned, except in the case of non-accruing loans.

Unearned discounts are recognized as income over the period for which such discount has been collected using the effective interest method. In accordance with the existing BSP regulations no interest income is accrued on accounts classified as past due.

Under existing BSP regulations, non-accruing loans are those that have been defined as being past due and items in litigations, or those for which, in the opinion of management, collection of interest or principal is doubtful. Interest income on these loans is recognized only to the extent of amount collected. Loans are not classified as accruing until interest and/or principal due are collected and the loans are brought to current or are restructured in accordance with existing BSP regulations and future payments appear assured. Collaterals of restructured loans exceeding ₱ 1 million shall be revalued by an independent appraiser acceptable to BSP.

Sec. 304 of the Manual of Regulations for Banks (MORB) states that past due accounts of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at contractual due date.

Sec. 304 states that loans, investments, receivables or any financial asset shall be considered non performing even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date or accrued interest for more than 90 days have been capitalized, refinanced or delayed by agreement. Restructured loans shall be considered performing only, if prior to restructuring, the loans were categorized as performing. Non-performing loans and other receivables 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.

The allowance for credit losses is the estimated amount of losses in the Bank's portfolio, based on evaluation of the quality of loans and prior loan loss experience (Appendix 15 of the MORB). Any amount set aside with respect to losses on loans and advances in addition to those losses that have been specifically identified or potential losses are indicatively present in the portfolio of loans and advances, are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period. The allowance is increased by provisions charged to expense and reduced by reasonable write-offs and reversals as determined by the Bank.

The outstanding balance as of December 31, 2021 was tested for impairment. The result of the test is favorable since the allowance for probable losses booked by the Bank higher than the requirement of Attachment 3 of BSP Circular 1011 (Appendix 15 of MORB), "Guidelines for Adoption of PFRS 9".

Sales Contract Receivable

Sales Contract Receivable (SCR) shall be recorded based on the present value of the installments receivables discounted at the imputed rate of interest. Discount shall be accrued over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PFRS 15 "Revenue". Provided, that SCR shall be subject to impairment provisions of PFRS 9.

SCRs that meet all the requirements or conditions enumerated below are considered performing assets

1. That there has been a down payment of at least twenty percent (20%) of the agreed selling price or in the absence thereof, the installment payments on the principal had already amounted to at least twenty percent (20%) of the agreed selling price;
2. That payment of the principal must be in equal installments or in diminishing amounts and with maximum intervals of one (1) year;
3. That any grace period in the payment of principal shall not be more than two (2) years and;
4. That there is no installment payment in arrear either on principal or interest: Provided, That an SCR account shall be automatically classified "Substandard" and considered non-performing in case of non-payment of any amortization due: Provided, further, That an SCR which has been classified "Substandard" and considered non-performing due to non-payment of any amortization due may only be upgraded restored to unclassified and/or performing status after a satisfactory track record of at least three (3) consecutive payments of the required amortization of principal and/or interest has been established

Debt Securities Measured at Amortized Cost (formerly Held-to-Maturity Financial Assets)

HTM Financial assets are renamed as 'Debt Securities at Amortized Cost' as required under Annex A of BSP Circular 1011. These are financial assets other than those that are designated at fair value through profit or loss, which meet both of the following conditions:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in accordance with PFRS 9 and BSP Circular 1011, as shown in Note 6. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Premises, Furniture, Fixtures and Equipment's

The initial cost of premises, furniture, fixtures, and equipment except land, comprises its purchase price including import duties, borrowing costs (during the construction period), and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such asset when the recognition criteria are met and the estimated cost of dismantling and removing the asset and restoring the site. Land is stated at cost less any impairment value.

Expenditures incurred after the premises, furniture, fixtures, and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly determined that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs.

When major improvement is performed, its cost is recognized in the carrying amount of the premises, furniture, fixtures, and equipment as a replacement if the recognition criteria are satisfied. For financial reporting purposes, depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

The useful lives and depreciation or amortization method are being reviewed by the Bank periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of premises, furniture, fixtures, and equipment. The residual value, if any, is also reviewed and adjusted if appropriate, at each balance sheet date.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. Land is not depreciated.

The estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment are as follows:

Buildings	10 - 20 years
Building and Leasehold Improvement	10 - 20 years
Transportation equipment	3 - 5 years
Furniture and fixtures	1 - 5 years
Information Technology Equipment	1 - 2 years

Fully depreciated assets are retained in the accounts at ₱ 1 net value until they are no longer in use and no further charge for depreciation is made with respect to those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any resulting gain or loss are reflected in the income for the period. Any disposal or deletion of property and equipment from the Bank's book of accounts should be approved by the management.

Impairment of Premises, Furniture, Fixtures & Equipment

An assessment is made at the balance sheet date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such

indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risk specific to the asset. 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 assets or investments, the recoverable amount represents the net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for premises, furniture, fixtures, and equipment) had no impairment loss was recognized for the asset in prior years. A reversal for impairment loss is credited to current operations.

Investment Properties

Initially, investment properties are measured at cost including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measured. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on the derecognition shall be recorded as gain on sale of investment properties in the Statement of Income in the year of disposal.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period when the costs are incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets of 10 years or shorter from the date of acquisition. Land is not depreciated.

However, under Sec.382c of the BSP MORB, land and building classified as Real and Other Properties Acquired (ROPA) shall be accounted for as Investment Properties under PAS 40.

Right-of-use Assets

The Bank recognizes right-of-use assets using prospective application for the remaining lease term (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at remaining cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The remaining cost of right-of-use assets includes the amount of lease liabilities recognized. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

	Years
Buildings and improvements	2 to 12

Intangible Assets

An intangible asset pertains to acquired information technology software capitalized on the basis of the cost incurred to acquire and bring to use the specific software. This asset is stated at historical cost less amortization. However, costs for licenses incurred for maintaining the software are charged to operations. Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets provided they meet the following recognition requirements:

- Demonstration of technological feasibility of the prospective product for internal use or sale;
- The intangible asset will generate probable economic benefits through internal use or sale;
- Sufficient technical, financial and other resources are available for completion; and

- The intangible asset can be reliably measured.

Intangible assets are subject to impairment testing. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install specific software.

Amortization on other computer software is provided on a straight-line method over the estimated useful lives of 1 - 2 years.

Other Assets

Other assets represent residual accounts which were not classified as a separate line item in the Financial Reporting Package (FRP) - Manual of Accounts issued by the Bangko Sentral ng Pilipinas.

Impairment of Non-Financial Assets

The Bank assesses at each reporting date if there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and value in use. When the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognized in the Income Statement in the expense categories.

The assessment is made at each reporting date. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount net of depreciation that would have been determined, had no impairment loss have been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial Liabilities

Financial liabilities include deposit liabilities, bills payable and other accrued expenses and are recognized when the Bank becomes party to the contractual agreement of the instrument. Financial liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments. The following compose the financial liabilities of the Bank.

Deposit Liabilities

The deposit liability account includes savings, demand and term deposits. Savings and demand deposits are interest bearing or non-interest bearing and are withdrawable upon presentation of properly accomplished withdrawal slip, passbook and cheque. Term deposits refer to interest-bearing deposits with specific maturity dates and evidenced by certificate of deposit and passbook issued by the Bank.

Accrued Expenses and Other Liabilities

These refer to obligations already incurred by the Bank which are not yet paid as of the balance sheet date. These are normally measured at actual costs.

Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available on balance sheet date, including the risks and

uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence not recognized in the financial assets.

Contingencies

Contingent liabilities are not recognized in the financial statements but they are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefit is probable.

Revenue Recognition

The Bank primarily derives its revenue from interest income on loans. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services. The Bank assesses its revenue arrangements against specific criteria in order to determine whether it is acting as principal or as an agent. The Bank is acting principal in its revenue arrangements to its customers, revenue is recognized on a gross basis. However, if the Bank is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue within the scope of PFRS 15:

Loan Fees and Service Charges

Loan fees directly related to acquisition and origination of loans are included in the cost of receivables and are amortized using the effective interest rate method over the term of the loan. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower.

Service charges are recognized earned or accrued where there is reasonable degree as to its collectability

Revenue outside the scope of PFRS 15:

Interest Income

Interest on Loans

Interest Income on loans and discount with advanced interest are recognized periodically using the effective interest method of amortization. On the other hand, interest income on loans and discount with no advanced interest are recognized on accrual basis. The accrual basis of recognition of interest income, however, ceases when the loans and discount is already past due.

The Bank shall only charge interest based in the outstanding balance of a loan at the beginning of an interest period. For a loan where the principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.

Interest Income on Bank deposits and Debt Securities measured at Amortized Cost

Interest on bank deposits and held-to-maturity financial assets are recognized using the accrual method.

Other Income

Other income arising from litigation, service charges, membership fee, rental income and others. Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

Lease Recognition

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease liabilities

The Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses its incremental borrowing rate because the interest rate implicit in the lease is not readily determinable. After the initial recognition, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on lease liabilities) and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Employee Benefits

a. Short term benefits

The Bank provides short term benefits to its employees in the form of salaries and wages, 13th month pay, contributions to SSS/PHIC/HDMF and other short term employee benefits and are presented as part of the operating expenses as compensation and fringe benefits -employees.

b. Retirement Benefits

Republic Act (RA) No. 7641 (New Retirement Law) which took effect on January 7, 1993 requires the Bank to provide minimum retirement benefit to qualified retiring employees. Minimum retirement benefit is equivalent to at least one half month salary for every year of service. An employee upon reaching sixty years of age and who has served at least five years may retire and be entitled to retirement benefits. The compulsory retirement age is sixty five (65) years of age.

c. Retirement Cost

The Bank has a contributory defined benefit retirement plan. The retirement cost of the Bank is determined using the projected unit cost method. Under this method, the current service cost is the present value of retirement obligation in the future with respect to services rendered in the current year.

Income Taxes

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

On March 26, 2021, President Rodrigo Roa Duterte signed into law Republic Act No. 11534 which is now known as the CREATE Act wherein CREATE stands for Corporate Recovery and Tax Incentive for Enterprises.

The CREATE Act is the second package in the Comprehensive Tax Reform Program (CTRP) of the Duterte Administration with the TRAIN Law (Tax Reform for Acceleration and Inclusion) under Republic Act No. 10963 taking effect last January 1, 2018 as the initial package.

The CREATE Act provides tax reduction and relief measures to corporations and also provides for the modernization and rationalization of fiscal incentives granted to investors thereby making the country more competitive in attracting investors and stimulating economic recovery in the face of the COVID pandemic.

Among the salient features of the CREATE Act are the following:

1. Reduction of Corporate Income Tax rate from 30% to 20% for domestic corporations with taxable income not exceeding ₱5M and total assets not exceeding ₱100M excluding land on which the entity's office, plant and equipment are situated effective July 1, 2020 to June 30, 2023
2. Reduction of Corporate Income Tax rate of domestic corporations from 30% to 25% if the above mentioned threshold is not met effective July 1, 2020 to June 30, 2023
3. Reduction of Minimum Corporate Income Tax (MCIT) rate from 2% to 1% effective July 1, 2020 to June 30, 2023
4. Repeal of Improperly Accumulated Earnings Tax (IAET)
5. Clarification on types of reorganizations covered by tax free exchanges

With the above provisions of the CREATE Act, the Income Tax Rate (ITR) and Minimum Corporate Income Tax (MCIT) of the Bank are reduced to 25% and 1% respectively from January 1, 2021 to December 31, 2021.

There is no other material financial impact to the Bank arising from the provisions of the CREATE Act as of December 31, 2021.

Equity

Share Capital

Share Capital is measured at par value for all shares issued and outstanding. When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. The subscribed capital stock is reported in equity less the related subscription receivable not currently collectible. Capital stock consist of common shares.

Subscribed common stock is recognized at subscribed amount net of subscription receivable. Subscriptions receivable pertains to uncollected portion of subscribed stocks. The Bank accounted for the subscription receivable as a contra equity account.

Retained Earning

Retained earnings represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividends

Cash dividends are recognized as liability and deducted from the equity when approved by the Board of Directors (BOD) while stock dividends are deducted from equity when approved by BOD and stockholders. Dividends for the year that are approved after the reporting date are dealt with as subsequent events. Stock issuance costs are accounted for as deduction from equity.

Earnings per Share

Earnings per share (EPS) is computed by dividing net income by the weighted average number of ordinary shares outstanding during the year with retroactive adjustments applicable, if any, to preference shares.

Book Value per Share

The book value per common share is derived from the total stockholders' equity net of dividends (for cumulative shares) divided by the total number of ordinary shares outstanding during the year.

Deposit for Stock Subscription

Deposit for stock subscription (DSS) represents payments made on subscription of shares which cannot be directly credited to 'Preferred stock' or 'Common stock' pending registration with the SEC of the amendment to the Articles of Incorporation increasing capital stock. In accordance with SEC Financial Reporting Bulletin No. 006 issued in 2012 and Section 123 of the MORB, the Bank does consider a deposit for future subscription as an equity instrument unless all of the following elements are present.

(a). the deposit for stock subscription meets the definition of an equity instrument under Philippine Accounting Standards (PAS) 32 Financial Instruments: Presentation such that the deposit for stock subscription shall not be interest-bearing nor withdrawable by the subscriber; (b). The unissued authorized capital stocks of the Bank are insufficient to cover the amount of shares classified as deposits for future shares subscriptions; (c). the entity's BOD and shareholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; (d). an application for the approval of the increase in capital stock has been presented for filing or filed with the SEC and BSP and (e). the bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Sec. 122 (Transactions involving voting shares of stocks, Item "b"), if applicable

DSS that does not meet the foregoing provisions is treated as a financial liability.

As of December 31, 2021 and 2020, the Bank has no DSS recorded in its books.

Related Party Relationships and Transactions

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. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Events after Reporting Date

Post-year-end events up to the date of approval of the BOD of the financial statements that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed in the notes when material to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments are made by management in the development, selection and disclosure of the Bank's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revisited 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.

Judgments

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

a. Leases

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the stand-alone credit rating, or to reflect the terms and conditions of the lease).

Operating lease

Bank as lessor

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

Bank as lessee

The Bank has entered into leases on premises it uses for its operations. The Bank has determined, based on the evaluation of the terms and conditions of the lease agreements (i.e. the lease does not transfer ownership of the asset to the lessee by the end of the lease term and the lease term is not for the major part of the asset's economic life), that the lessor retains all significant risks and rewards of the ownership of these properties and so accounts for these contracts as operating leases.

b. Classification of financial instruments

The Bank exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial

liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

c. Determination of Functional currency

PAS 21, the effects of Changes in Foreign Exchange Rates requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- c.1. The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- c.2. The currency in which funds from financing activities are generated; and
- c.3. The currency in which receipts from operating activities are usually retained.

The Bank has determined that its functional currency is the Philippine Peso which is the currency of the primary environment in which the Bank operates.

d. Recognition of Provision 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 presented in the Notes to the Financial Statements.

e. Classification of Acquired Properties and Fair Value Determination of Non-current Assets Held for Sale and Investment Property

At initial recognition, the Bank determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

Estimates

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

a. Determination of Fair Values of Financial Assets and Liabilities

PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Bank utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would directly affect the Bank's statement of comprehensive income and statement of changes in equity.

b. Allowance for Credit Losses

The allowance for credit losses, which includes both specific and general loan loss reserve represents management's estimate of probable losses inherent in the portfolio, after considering the prevailing and anticipated economic conditions, prior loss experience, estimated recoverable value based on fair market values of underlying collaterals and prospect of support from guarantors, subsequent collections and evaluations made by the BSP. The BSP observes certain criteria and guidelines in establishing specific loan loss reserves for classified loans and other risk assets a provided under Sec. 143 and Appendix 15 of the Manual of Regulations for Banks.

Individually assessed loans and other credit accommodations (which include other credits such as accounts receivables, sales contract receivables, accrued interest receivables and advances):
Loans and other credit accommodation with unpaid principal and/or interest is being classified and provided with allowance for credit losses (ACL) based on the number of days missed payments as follows:

For unsecured loans and credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
31 - 90 days	Substandard (Underperforming)	10%	2
91 - 120 days	Substandard (Non-Performing)	25%	3
121 - 180- days	Doubtful	50%	3
181 days and over	Loss	100%	3

For secured loans and other credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
31 - 90 days*	Substandard (Underperforming)	10%	2
91 - 180 days	Substandard (Non-Performing)	10%	3
181 - 365- days	Substandard (Non-Performing)	25%	3
Over 1 year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

*When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%

Provided that where the quality of physical collateral or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances are treated as if unsecured.

Loans and other credit accommodations that exhibit the characteristics for classified account is being provided with allowance for credit losses as follows:

Classification	Minimum ACL	Stage
Especially Mentioned	5%	2
Substandard – Secured	10%	2 or 3*
Substandard – Unsecured	25%	2 or 3*
Doubtful	50%	3
Loss	100%	3

*The stage depends on whether the accounts are classified as non-performing (Stage 3) or under performing (Stage 2).

Unsecured loans and other credit accommodations classified as "substandard" in the last two (2) internal credit reviews which have been continuously renewed or extended without reduction in principal and is not in process of collection, is downgraded to "doubtful" classification and provided with 50% allowance for credit losses.

Loans and other credit accommodations under litigation which have been classified as "pass" prior to litigation process is classified as "substandard" and provided with 25% ACL.

Loans and other credit accommodations that were previously classified as "pass" but were subsequently restructured shall have a minimum classification of "especially mentioned" and provided with a 5% ACL, except for loans which are considered non-risk under existing laws, rules and regulations.

Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be fully repaid.

Collectively Assessed Loans and Other Credit Accommodations which includes microfinance loans, micro enterprises and small business loans and consumer loans such as salary loans, credit card receivables, auto loans, housing loans and other consumption loans, and other types of loan which fall below the Bank's materiality threshold for individual assessment:

Current "pass" loans and other credit accommodations is provided with ACL based on the number of days of missed payments as follows:

For unsecured loans and other credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
1-30 days	Especially Mentioned	2%	2
31-60 days/1 st restructuring	Substandard	25%	2 or 3
61-90 days	Doubtful	50%	3
91 days and over/ 2 nd restructuring	Loss	100%	3

For secured loans and other credit accommodations:

No. of Days Unpaid/With Missed Payments	Classification	Allowance for Credit Losses (ACL)		STAGE
		Other types of collateral	Secured by real estate	
31 - 90 days	Substandard (Underperforming)	10%	10%	2
91 - 120 days	Substandard (Non-performing)	25%	15%	3
121 - 360 days	Doubtful	50%	25%	3
361 days - 5 years	Loss	100%	50%	3
Over 5 years	Loss	100%	100%	3

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances is treated as if these are unsecured. Unclassified loans and receivables-General loan loss provision

For unclassified loans:	
Unclassified restructured loans	5% of the borrower's outstanding loan
Unclassified other than restructured	1% of the borrower's outstanding loan

Outstanding loans that were already subjected to specific provisioning were no longer included in the general loan loss provisioning as shown above.

Other Risk Assets

Other risk assets such as accounts receivable are also given allowance after considering the nature of the transaction and the degree of collectibles of the accounts.

Provisions for losses (expense account) on the above cited risk assets are determined by the required allowance at the end of the year less the beginning allowance for a particular year adjusted by write-off and recovery, if any.

c. Useful lives of Bank Premises, Furniture, Fixtures & Equipment

The useful lives of Bank Premises, Furniture, Fixtures and Equipment are estimated based on the period over which these assets are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment are reviewed periodically and are updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the Bank Premises, Furniture, Fixtures and Equipment. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment.

d. Useful life of Depreciable Investment Property

The assumptions and estimates used by the Bank in the useful life of Investment Property are made to objectively determine the productivity or use of the assets. The BSP however in its Circular 494 provided that Investment Property -building and Investment Property -Other Non-Financial Assets specifically those that were accounted for as Investment Property under PAS 40 shall be depreciated only for a period of not more than 10 and 3 years respectively reckoning from the date of foreclosure. Thus, the lower between the estimate of the Bank and BSP regulation shall prevail.

e. Determination of Impairment of Non-financial Assets

An impairment review should be performed when certain impairment indicators are present. Determining the value in use of Bank Premises, Furniture, Fixtures and Equipment which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that Bank Premises, Furniture, Fixtures and Equipment are impaired.

Any resulting impairment loss could have a material adverse impact on the Bank's financial position and financial performance.

f. Recognition of Retirement Costs.

The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include among others, discount rates and salary rate increase. Actual results that differ from the assumptions generally affect the recognized expense and recorded obligation in such future periods. While the Bank believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

g. Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial instruments consist of cash and cash equivalents, receivables and payables which arise from operations, and long term investments. The Bank's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Bank through a rigorous, comprehensive and continuous process of identification measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls. The Bank has placed due importance to expanding and strengthening its risk management process and considers it as a vital component to the Bank's continuing profitability and financial stability. Central to the Bank's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business validity and good financial position in the market.

The inherent risks which can arise from the Bank's financial instruments are credit risk, market risk (i. e. interest rate risk, currency risk and price risk) and liquidity risk. The Bank's risk management objective is primarily focused on controlling and mitigating these risks. The Board of Directors reviews and agrees on policies for managing each of these risks and are summarized as follows:

Credit Risk

Credit risk is the risk of financial loss due to the other party's failure to discharge an obligation cited in a binding financial instrument. The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients and invests funds to issuers. The Bank manages the level of credit risks it accepts through

comprehensive credit risk policy setting assessment and determination of what constitutes credit risk for the Bank; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Additionally, the tables below show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2021 and 2020:

2021				
	Loans and Receivables*	Due from BSP and Other Banks	Debt Securities Measured at Amortized Cost**	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	P 88,654,444	P -	P -	P 88,654,444
Agriculture, forestry and fishing	37,349,793	-	-	37,349,793
Financial institutions	-	228,352,726	-	228,352,726
Government	-	120,309,884	370,316,469	490,626,353
Education	1,739,551	-	-	1,739,551
Construction	21,151,927	-	-	21,151,927
Manufacturing	132,109,485	-	-	132,109,485
Household Consumption	18,603,347	-	-	18,603,347
Transportation and storage	27,078,399	-	-	27,078,399
Real estate activities	579,173,555	-	-	579,173,555
Accommodation and Food Services	231,005,860	-	-	231,005,860
Administrative and support service activities	3,978,157	-	-	3,978,157
Electricity, gas, stream and air-conditioning supply	3,263,057	-	-	3,263,057
Human health and social work activities	81,668,832	-	-	81,668,832
Mining and quarrying	8,786,086	-	-	8,786,086
Other service activities	27,762,596	-	-	27,762,596
Total	P1,262,325,089	P 348,662,610	P 370,316,469	P1,981,304,168

* Amount is gross of ACL and net of unamortized discounts

** Amount is net of unamortized premium and discounts

2020				
	Loans and Receivables*	Due from BSP and Other Banks	Debt Securities Measured at Amortized Cost**	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	P86,627,341	P-	P-	P86,627,341
Agriculture, forestry and fishing	32,484,632	-	-	32,484,632
Financial institutions	-	246,199,325	-	246,199,325
Government	-	67,058,626	228,449,709	295,508,335
Education	1,010,988	-	-	1,010,988
Construction	29,236,344	-	-	29,236,344
Manufacturing	72,364,502	-	-	72,364,502
Financial and insurance activities	-	-	-	-
Household Consumption	32,276,082	-	-	32,276,082
Transportation and storage	25,457,771	-	-	25,457,771
Real estate activities	926,251,090	-	-	926,251,090
Accommodation and Food Services	30,449,383	-	-	30,449,383
Administrative and support service activities	124,373	-	-	124,373
Arts, entertainment and recreation	-	-	-	-
Electricity, gas, stream and air-conditioning supply	3,959,122	-	-	3,959,122
Human health and social work activities	45,044,126	-	-	45,044,126
Mining and quarrying	16,649,691	-	-	16,649,691
Professional, Scientific and Technical Activities	893,111	-	-	893,111
Other service activities	9,845,155	-	-	9,845,155
Total	P1,312,673,711	P313,257,951	P228,449,709	P1,854,381,371

* Amount is gross of ACL and net of unamortized discounts

** Amount is net of unamortized premium and discounts

Credit quality per class of financial assets

The tables below show the credit quality per class of financial assets as at December 31, 2021 and 2020:

	2021				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	P 36,681,377	P -	P -	P -	P36,681,377
Due from other banks	311,981,233	-	-	-	311,981,233
Loans Receivable*	1,097,469,509	71,837,113	90,239,292	2,779,175	1,262,325,089
Sales Contract Receivable**	4,111,738	-	26,874,726	-	30,986,464
Other receivables:					
Accounts receivable	3,935,857	-	-	-	3,935,857
Accrued Interest Receivable***	-	3,705	-	-	3,705
Debt Securities Measured at Amortized Cost****	370,316,469	-	-	-	370,316,469
Total	P1,824,496,183	P71,840,818	P117,114,018	P2,779,175	P2,016,230,194

* Amount is gross of ACL and net of unamortized discounts

** Amount is gross of ACL

*** Consists of accrued interest from time deposit from other bank

**** Amount is net of unamortized premium and discounts

	2020				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	P36,535,211	P-	P-	P-	P36,535,211
Due from other banks	276,722,740	-	-	-	276,722,740
Loans Receivable*	1,140,697,449	48,154,312	115,030,641	8,791,309	1,312,673,711
Sales Contract Receivable**	2,446,229	-	42,079,757	-	44,525,986
Other receivables:					
Accounts receivable	2,897,855	-	-	-	2,897,855
Accrued Interest Receivable***	-	178,623	-	-	178,623
Debt Securities Measured at Amortized Cost****	228,449,709	-	-	-	228,449,709
Total	P1,687,749,193	P48,332,935	P157,110,398	P8,791,309	P1,901,983,835

* Amount is gross of ACL and net of unamortized discounts

** Amount is gross of ACL

*** Consists of accrued interest from time deposit from other bank

**** Amount is net of unamortized premium and discounts

Aging analysis of past due but not impaired loans and receivables

The following tables show the total aggregate amount of loans and receivables that are contractually past due but not considered impaired per delinquency bucket as at December 31, 2021 and 2020.

	2021					
	at Amortized Cost	31 to 60 days	61 to 90 days	91 to 180 days	181 days and up	Total
Past Due Performing	P5,329,348	P45,444,071	-	P-	P-	P50,773,419
Past Due Non Performing	499,202	9,123,781	3,494,763	10,405,455	2,779,175	23,523,201
Items In Litigation	-	-	-	-	-	2,779,175
	P5,828,550	P54,567,852	P3,494,763	P13,184,630	P2,779,175	P77,075,795

	2020					
	at Amortized Cost	31 to 60 days	61 to 90 days	91 to 180 days	181 days and up	Total
Past Due Performing	P47,516,630	P637,682	-	P-	P-	P48,154,312
Past Due Non Performing	62,059,334	4,183,497	8,184,713	40,603,096	1,165,826	115,030,640
Items In Litigation	7,625,483	-	-	-	-	8,791,309
	P117,201,447	P4,821,179	P8,184,713	P41,768,922	P1,165,826	P171,976,261

Market Risk

Market risk is the risk of loss that may result from the changes in price of a financial product. The value of a financial product may change as a result of changes in interest rates (currency risk) and market prices (price risk). Interest rate risk is the risk that the value of financial instrument will fluctuate because of changes in market interest rates, Currency risk on the other hand is the risk that the value of instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Interest rate risk

The Bank's loan receivables earn effective interest rates ranging from 5.80% to 22.00% for 2021 and 6.00% to 20.00% for 2020, respectively. The Bank's interest rate on its deposit liabilities is 0.125% on its savings and demand accounts, and ranges from 0.25% to 3.00% on its time deposits.

However, the Bank earns 1.100% to 6.125% from its investment in bonds and treasury bills and ranging from 0.125% to 1.00% on its savings and time deposits with other Banks.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of the financial instruments will fluctuate because of changes in interest rates. The Bank's cash equivalents are mostly invested in fixed interest rates on its duration and therefore exposed to fair value interest rate risk but not to cash flow interest rate risk.

Loan receivables and interest bearing liabilities are sized as to interest rate and maturity to make a reasonable analysis of the degree of risk associated with lending and borrowings.

Cash Flow Interest Rate Risk

This is the risk that future cash flows of the financial instrument will fluctuate because of changes in market interest rates. In the case of a floating rate debt instrument. Fluctuation results in a change in effective interest rate of a financial instrument usually without a corresponding change in its fair value.

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. It may result from either inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Bank monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Bank maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuations in cash flows and a balance between continuity of funding and flexibility through the use of short-term debt and advances from related parties and an arrangement for a stand-by credit line facilities with any reputable bank and in case of emergency. Interest rate and maturity matching analysis is used to quantify monitoring of liquidity position.

The tables below summarize the maturity profile based on contractual undiscounted cash flows of the Bank's financial liabilities and related financial assets used for liquidity purposes:

	2021					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Liabilities						
Deposit liabilities	₱1,295,979,695	₱102,642,140	₱93,879,784	₱175,009,495	₱ 32,309,505	₱1,699,820,619
Other Liabilities:						
Accrued expenses	8,712,322	-	-	-	-	8,712,322
Accrued interest payable	2,047,995	-	-	-	-	2,047,995
Accounts payable	-	10,591,434	-	-	-	10,591,434
Total Financial Liabilities	1,306,740,012	113,233,574	93,879,784	175,009,495	32,309,505	1,721,172,370
Financial Assets						
Cash and other cash items	24,671,873	-	-	-	-	24,671,873
Due from BSP	36,681,377	-	-	-	-	36,681,377
Due from other banks	311,981,233	-	-	-	-	311,981,233
Loans and receivable*	9,710,158	8,467,284	9,747,588	35,656,416	1,198,743,643	1,262,325,089
Sales Contract Receivable**	1,524,795	-	1,245,467	1,342,456	26,873,726	30,986,464
Accounts receivable	-	3,935,857	-	-	-	3,935,857
Accrued Interest Receivable***	3,705	-	-	-	-	3,705
Debt Securities Measured at Amortized Cost****	57,028,819	16,434,108	43,290,189	-	252,011,218	368,764,335
Total Financial Assets	441,601,961	28,837,249	54,283,264	36,998,872	1,477,628,587	2,039,349,933
Liquidity Position (Gap)	₱865,138,052	₱84,396,324	₱39,596,520	₱138,010,623	₱(1,445,319,082)	₱(318,177,563)

* Amount is gross of ACL and net of unamortized discounts

** Amount is gross of ACL

*** Consists of accrued interest from debts securities measured at amortized cost and time deposit from other bank

**** Amount is net of unamortized premium and discounts

	2020					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Liabilities						
Deposit liabilities	₱1,218,231,591	₱100,873,257	₱115,222,409	₱176,837,495	₱4,807,089	₱1,615,971,841
Bills Payable	-	-	-	-	-	-
Other Liabilities:						
Accrued expenses	6,780,251	-	-	-	-	6,780,251
Accrued interest payable	2,162,455	-	-	-	-	2,162,455
Accounts payable	-	1,960,813	-	3,082,085	25,670,849	30,713,747
Total Financial Liabilities	1,227,174,297	102,834,070	115,222,409	179,919,580	30,477,938	1,655,628,294
Financial Assets						
Cash and other cash items	20,610,836	-	-	-	-	20,610,836
Due from BSP	36,535,211	-	-	-	-	36,535,211
Due from other banks	276,722,740	-	-	-	-	276,722,740
Loans and receivable*	10,793,310	6,480,149	14,759,726	27,473,094	1,253,167,432	1,312,673,711
Sales Contract Receivable**	2,446,229	-	2,237,439	664,427	39,177,891	44,525,986
Accounts receivable	-	2,897,855	-	-	-	2,897,855
Accrued Interest Receivable***	8,218,651	-	-	-	-	8,218,651
Debt Securities Measured at Amortized Cost****	19,973,611	26,953,235	16,000,000	-	164,662,340	227,589,186
Total Financial Assets	375,300,588	36,331,239	32,997,165	28,137,521	1,457,007,663	1,929,774,176
Liquidity Position (Gap)	₱851,873,709	₱66,502,831	₱82,225,244	₱151,782,059	₱(1,426,529,725)	₱(274,145,882)

* Amount is gross of ACL and net of unamortized discounts

** Amount is gross of ACL

*** Consists of accrued interest from debts securities measured at amortized cost and time deposit from other bank

**** Amount is net of unamortized premium and discounts

Operational Risks

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the Bank's involvement in financial instruments, personnel, technology and infrastructure and external factors other than market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. The Bank's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Minimum Liquidity Ratio (MLR)

Minimum Liquidity Ratio (MLR) for Stand-Alone TBs, RBs and Coop Banks. To promote short-term resilience to liquidity shocks, banks shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. The prudential MLR requirement applies to all TBs, RBs and Coop Banks and QBs that are not subsidiaries of UBs/KBs.

On March 26, 2020, the Monetary Board in its Resolution No. 427.B issues the Memorandum No. M-2020-020 reducing the MLR from twenty percent (20%) to sixteen percent (16%) to address the increasing liquidity risk exposure of the Banks arising from higher demands for funds by depositors, borrowers or both brought by the COVID-19 outbreak the implementation of community quarantine until December 31, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the reducing of MLR of stand-alone thrift, rural, and cooperative banks until the end of December 31, 2022.

Minimum Liquidity Ratio (MLR) as of December 31, 2021

PART 1. MINIMUM LIQUIDITY RATIO (MLR)

A. Stock of Liquid Assets	₱680,107,845
B. Qualifying Liabilities	₱1,404,681,434
Minimum Liquidity Ratio	48.42%

PART II. STOCK OF LIQUID ASSETS

Cash on Hand	₱24,671,873
Bank Reserves in the BSP	36,681,377
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP	306,773,362
Deposits in Other Banks	311,981,233
	680,107,845

PART III. QUALIFYING LIABILITIES

A. Qualifying Liabilities

1 Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below (50%)		336,702,016
2. Obligations arising from operational expenses		
3. Total on Balance Sheet Liabilities	1,752,295,626	
4. Deduct: Sum of A1 to A2	684,316,208	

B. Other on-balance sheet liabilities (Item A.3 less A.4) 1,067,979,418

C. Irrevocable obligations under off-balance sheet items -

D. Total (Sum of Adjusted Amount of Item A(1), A(2), B and C) **₱1,404,681,434**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	2021	2020
6.1. Cash and Other Cash items		
Cash on Hand and in Vault	₱24,671,873	₱ 20,610,836
Cash and Other Cash Items	-	-
Total cash and other cash items	24,671,873	20,610,836
6.2. Due from BSP and other Banks		
Due from Bangko Sentral ng Pilipinas	36,681,377	36,535,211
Due from Other Banks	311,981,233	276,722,740
Total due from BSP and other banks	348,662,610	313,257,951
Total Cash and Cash Equivalent	₱373,334,483	₱ 333,868,787

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Checks and other cash items include cash items (other than currency and coins on hand) such as checks drawn on the other banks or other branches after the Bank's clearing cut-off time until the close of the regular banking hours. For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

The balance of Due from BSP account serves as the Bank's reserve for its deposit liabilities. Under the Manual of Regulations for Banks, a Bank is required to maintain its reserve requirements for its deposit liabilities in the form of deposits with the BSP Section 252 of MORB further provides that such deposit account with the BSP is not considered as a regular current account. Drawings against such deposits shall be limited to: (a) settlement of obligations with the BSP; and, (b) withdrawals to meet cash requirements.

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its operating funds. Breakdown of this account follows:

Name of Banks	2021	%	2020	%
Asia United Bank	₱77,617,531	24.87%	₱94,130,465	34.02%
Banco De Oro	3,799,719	1.22%	5,613,652	2.03%
Bank of Commerce	12,053,845	3.86%	31,057,221	11.22%
Bank of the Philippine Island	3,528,017	1.13%	7,196,092	2.60%
Chinabank	11,146,218	3.57%	11,756,749	4.25%
Development Bank of the Philippines	4,825,211	1.55%	2,263,677	0.82%
Eastwest Bank	10,000,592	3.21%	19,614,036	7.09%
Landbank of the Philippines	88,810,184	28.47%	28,259,738	10.21%

Maybank	143,362	0.04%	847,992	0.31%
Metrobank	209,845	0.07%	1,379,100	0.50%
Philippine National Bank	2,035,983	0.65%	6,678,467	2.41%
Rural Bank of Angeles	10,380,908	3.33%	10,356,377	3.74%
Rizal Commercial Banking Corporation	5,267,031	1.69%	7,541,282	2.73%
Security Bank	489,500	0.16%	286,800	0.10%
Union Bank	4,012,333	1.29%	675,811	0.24%
United Coconut Planters Bank	77,660,954	24.88%	49,065,281	17.73%
Total	₱311,981,233	100.00%	₱276,722,740	100.00%

Under Sec.362g of the Manual of Regulations for Banks, loans and other credit accommodations as well as deposits and usual guarantees by a bank to any other bank whether locally or abroad shall be subject to the Single Borrower's Limit of 25% of the Net worth as herein prescribed or ₱100 Million whichever is higher. Provided that the lending bank shall exercise proper due diligence in selecting a depository bank and shall formulate appropriate policies to address the corresponding risks involved in the transactions.

On March 19, 2020, the Monetary Board, on its Resolution issued the Memorandum No. M-2020-011 increasing the single borrower's limit (SBL) from 25% to 30% for a period of six (6) months from March 19, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the effectivity of the single borrower's limit for Philippine banks and foreign bank branches until end of December 31, 2022.

As of December 31, 2021, the Bank's SBL was registered at ₱109,126,014 and as per BSP Manual of Regulations, bank are exempted on the ceiling of single borrower's limit (SBL) on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for clearing operation.

As of December 31, 2021 and 2020, none of the Banks has exceeded the prescribed limit or ₱ 100 million under Circular No. 734 Series of 2011.

Cash in bank represents current account in local bank, savings account, and time deposits. They earn interests ranging from 0.625% to 1.00% for years 2021 and 2020.

Interest income from bank accounts and short-term cash deposits amounted ₱277,953 and ₱733,377 in 2021 and 2020, respectively.

The Bank reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

The Bank holds no cash and cash equivalents in 2021 and 2020 which are not available for use by Bank.

7. DEBT SECURITIES MEASURED AT AMORTIZED COST

This account is consisting of:

	2021	2020
Book Value	₱366,303,362	₱225,043,897
Add: Unamortized Premium	3,211,615	3,385,077
Accrued Interest Receivable	1,552,134	860,523
Total	371,067,111	229,289,497
Less: Unamortized Discount	750,642	839,788
Total	₱370,316,469	₱228,449,709

This account consists of Treasury Bills, Treasury Bonds, and Treasury Notes. Treasury bills have maturities of a year or less. Treasury notes are issued with maturities from two to ten

years. Treasury bonds are long-term investments that have maturities of 10 to 30 years from their issue date.

Debt Securities Measured at Amortized Cost earn interest ranging from 2.800% to 6.125% for 2021 and 2.125% to 6.125% for 2020. The interest income on these accounts amounted to ₱33,461,091 and ₱7,332,671 for 2021 and 2020, respectively.

8. LOANS AND RECEIVABLES

The loan receivables are stated at outstanding balances, net of estimated allowance for credit losses and unearned income/discounts, broken down as follows:

	2021	%	2020	%
Current Loans	₱1,103,765,457	86.96%	₱1,146,752,031	86.92%
Past Due Loans - Performing	72,177,837	5.69%	48,426,603	3.67%
Past Due Loans - Non-Performing	90,547,401	7.13%	115,322,622	8.74%
Items in Litigation	2,791,423	0.22%	8,797,786	0.67%
Total	1,269,282,118	100.00%	1,319,299,042	100.00%
Less: Unearned Income and Discounts	6,957,029		6,625,331	
Total, net of discount	1,262,325,089		1,312,673,711	
Less: Allowance for Credit Losses (Note 8.1)				
Specific	33,493,386		46,305,433	
General	35,160,347		14,670,829	
Total	1,193,671,356		1,251,697,449	
Add: Sales contract receivable, net (Note 8.2)	27,453,067		39,320,578	
Accrued Interest Receivable	6,203,082		6,705,904	
Total Loans and Receivables, net	₱1,227,327,505		₱1,297,723,931	

The Bank's loan accounts are stated at the outstanding balance, reduced by estimated allowance for credit losses and unearned interest and discounts. These receivables can be received either by cash or check payments.

Loans and receivables earn interest income at interest rates ranging 5.80% to 22% in 2021 and 6% to 20% in 2020. Total earned interest amounts to ₱128,214,603 and ₱113,754,550 for 2021 and 2020, respectively.

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets.

The total allowance for credit losses of ₱68,653,733 which composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the BSP Memorandum Circular 1011.

The Bank has in place a reliable credit classification system to promptly identify deteriorating credit exposures and determine appropriate allowance for credit losses. Classification can be done on the basis of internal credit risk rating system, including payment delinquency status. All credit classifications, not only those reflecting severe credit deterioration, are considered in determining the appropriate allowance for credit losses.

The provisioning requirements required by the guidelines are deemed the minimum requirements. Depending on how management evaluates or assesses the collectability prospect on each account, the Bank has the option to be more aggressive in their provisioning, particularly on the Bank's clan loans and those not covered by proven methodology. A stricter provisioning policy may be adopted considering the unsecured nature of these accounts and the higher risk of loss.

Loan accounts and other credit accommodations are classified in accordance with the guidelines in the classification of credits as prescribed under Appendix 15 of the MORB as the minimum criteria and in accordance with the Bank's own set of standards for loan classification using the BSP loan classification criteria as the minimum.

The bank implemented an independent and objective credit review process to determine that credits are granted in accordance with the bank's policies; assess the overall assets quality, including appropriateness of classification and adequacy of loan-loss provisioning; determine trends; and identify problems (e.g. risk concentration, process risk mitigation, deficiencies in credit administration and monitoring). The audit unit may at its discretion assign a different classification to a particular loan account, when certain important and reasonably specific factor(s)/ information not captured by the classification criteria, work to the advantage and strengthening of the asset, or vice versa. Provided, further, that, the bank may utilize an internal credit risk rating system for its loan account classification system as the basis for its regular setting up of appropriate level of allowance for probable losses.

In the course of the credit review, loan accounts are classified for the following purpose:

- Highlight problem credits for attention and action at appropriate levels.
- Categorize problem credits according to severity of actual and/or potential risk of loss;
- Initiate monitoring reports on a periodic basis to assure development of appropriate and ensure adequacy of reserve provisioning.

The Bank employed an appropriate sampling methodology to determine the scope of the credit review. At a minimum, credit review shall be conducted on all individual obligors with substantial exposures, and on a consolidated group basis to factor in the business connections among related entities in a borrowing group. Moreover, the audit team as part of its scheduled plan of activities will be task to perform this review vis-à-vis the recommendations for further upgrading/downgrading of loan accounts for loan-loss provisioning purposes. Meanwhile, the accounts that will be shortlisted more than once in the sample to be selected should be place/counted only in one of the review as may be deemed by the audit team.

In compliance with the regulations of the BSP, the Bank strictly adheres to the setting up of the valuation allowance for risk assets based on Circular 1011 and Appendix 15 of the MORB. The Bank reviews the quality of its loan portfolio and prepares a quantitative classification of its risk assets including loans.

8.1 Movements in the allowance for credit losses are as follows:

	2021	2020
Balance at beginning of year:		
Loans and receivables	₱60,976,262	₱58,976,888
Sales contract receivables	5,375,078	4,263,670
Accounts receivables	810,006	902,741
Accrued Interest Receivable	473,601	-
Investment property	291,089	380,256
Total	67,926,036	64,523,555
Impairment loss charged to operations	16,021,734	8,229,325
Write-off/Adjustments to ROPA	(10,529,914)	(4,826,844)
	73,417,856	67,926,036
Balance at end of the year:		
Loans and receivables	68,653,733	60,976,262
Sales contract receivables	3,647,619	5,375,078
Accounts receivables	715,780	810,006
Accrued Interest Receivable	400,715	473,601
Investment property	9	291,089
	₱73,417,856	₱67,926,036

Classification of loans: (Amount is gross of ACL and net of unamortized discounts)

As to Maturity:

	2021	%	2020	%
Due within one (1) year	₱40,446,540	3.20%	₱ 42,258,321	3.22%
Due beyond one (1) year	1,221,878,549	96.80%	1,270,415,390	96.78%
Total Loan Portfolio	₱1,262,325,089	100.00%	₱ 1,312,673,711	100.00%

As to Security:

	2021	%	2020	%
Unsecured	₱8,935,419	0.71%	₱ 9,160,463	0.70%
Secured by real estate mortgage	1,252,754,227	99.24%	1,297,444,025	98.84%
Secured by other type of securities	635,443	0.05%	6,069,223	0.46%
Total Loan Portfolio	₱1,262,325,089	100.00%	₱ 1,312,673,711	100.00%

As to Concentration of Credits to Certain Industry/Economic Sector:

	2021	%	2020	%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycle	₱88,654,444	7.02%	₱86,627,341	6.60%
Construction	21,151,927	1.68%	29,236,344	2.23%
Real Estate Activities	579,173,555	45.88%	926,251,090	70.56%
Agriculture, Forestry, And Fishing	37,349,793	2.96%	32,484,632	2.47%
Household Consumption	18,603,347	1.47%	32,276,082	2.46%
Transportation and Storage	27,078,399	2.15%	25,457,771	1.94%
Electricity, Gas, Steam and Air Conditioning	3,263,057	0.26%	3,959,122	0.30%
Education	1,739,551	0.14%	1,010,988	0.08%
Manufacturing	132,109,485	10.47%	72,364,502	5.51%
Mining and Quarrying	8,786,086	0.70%	16,649,691	1.27%
Accommodation and food service activities	231,005,860	18.30%	30,449,383	2.32%
Administrative and support service activities	3,978,157	0.32%	124,373	0.01%
Human Health and Social work activities	81,668,832	6.47%	45,044,126	3.43%
Professional, Scientific and Technical Activities	-	0.00%	893,111	0.07%
Other service activities	27,762,596	2.20%	9,845,155	0.75%
Total	₱1,262,325,089	100.00%	₱1,312,673,711	100.00%

Percentage per tier 1 capital

	2021	%	2020	%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycle	₱88,654,444	24.71%	₱86,627,341	26.22 %
Construction	21,151,927	5.90%	29,236,344	8.85 %
Real Estate Activities	579,173,555	161.44%	926,251,090	280.37 %
Agriculture, Forestry, And Fishing	37,349,793	10.41%	32,484,632	9.83 %
Household Consumption	18,603,347	5.19%	32,276,082	9.77 %
Transportation and Storage	27,078,399	7.55%	25,457,771	7.71 %
Electricity, Gas, Steam and Air Conditioning	3,263,057	0.91%	3,959,122	1.20 %
Education	1,739,551	0.48%	1,010,988	0.31 %
Manufacturing	132,109,485	36.82%	72,364,502	21.90 %
Mining and Quarrying	8,786,086	2.45%	16,649,691	5.04 %
Accommodation and food service activities	231,005,860	64.39%	30,449,383	9.22 %
Administrative and support service activities	3,978,157	1.11%	124,373	0.04 %
Human Health and Social work activities	81,668,832	22.76%	45,044,126	13.63 %
Professional, Scientific and Technical Activities	-	-%	893,111	0.27 %
Other service activities	27,762,596	7.74%	9,845,155	2.98 %
Total	₱1,262,325,089		₱1,312,673,711	

The BSP considers that significant credit exposures exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital. As at December 31, 2021, one (1) of the industry is exceeding 30.0 percent of the total loan portfolio and six (6) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

As at December 31, 2020, one (1) of the industry is exceeding 30.0 percent of the total loan portfolio and four (4) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

The credit exposure of the bank to real estate activities was at 45.88% which is composed of subcategories in FRP. Also, the bank had already reviewed and reclassified loans accounts to their proper industry tagging in accordance with the Philippine Standard Industrial Classification (PSIC) in the year 2021. Further, the bank was also in the process of further reviewing its policy on concentration limits.

As of December 31, 2021 and 2020, the breakdown of loans as to Performing and Non-Performing per product line as required by Circular 1074 of appendix 55 to Section 174 as follows: (Amount is net of unamortized discount)

Loan Portfolio per Product Line - December 31, 2021	Current	Performing	Non-Performing	Items in Litigation	Total
Agrarian Reform and Other Agricultural Reform Loans					
Agrarian Reform Loans	₱ -	₱ -	₱ 6.00	₱ -	₱ 6
Other Agricultural Credit Loans	31,157,026	11,947,020	715,568	1,011,931	44,831,545
Microfinance Loans	9,849,849	268,770	936,489	-	11,055,108
Small and Medium Enterprises Loans					
Small Enterprises	60,015,559	3,259,722	4,430,639	816,433	68,522,353
Medium Enterprises	226,394,657	43,242,109	37,538,912	-	307,175,678
Loans to Individuals for Housing Purposes	145,449,600	3,021,003	14,063,514	910,212	163,444,329
Loans to Private Corporation for Non-Financial Purposes	437,163,534	4,984,156	25,509,627	-	467,657,317
Loans to Individuals for Personal Purposes	17,983,635	1,097,170	1,623,046	40,598	20,744,449
Loans to Individuals for Other Purposes	169,455,649	4,017,163	5,421,491	1	178,894,304
Total	₱1,097,469,509	₱ 71,837,113	₱90,239,292	₱2,779,175	₱1,262,325,089

Loan Portfolio per Product Line - December 31, 2020	Current	Performing	Non-Performing	Items in Litigation	Total
Agrarian Reform and Other Agricultural Reform Loans					
Agrarian Reform Loans	₱845,836	₱ -	₱6	₱ -	₱845,842
Other Agricultural Credit Loans	23,633,100	285,981	3,914,098	5,981,000	33,649,179
Microfinance Loans	8,849,619	287,437	878,660	-	10,015,716
Small and Medium Enterprises Loans					
Small Enterprises	67,610,258	7,799,129	12,644,143	-	88,053,530
Medium Enterprises	301,563,530	9,848,098	39,157,607	-	350,569,235
Loans to Individuals for Housing Purposes	112,024,454	6,087,658	7,996,166	325,229	126,433,507
Loans to Private Corporation for Non-Financial Purposes	470,909,402	3,987,693	39,026,456	-	513,923,551
Loans to Individuals for Personal Purposes	24,314,582	1,455,732	6,165,170	340,597	32,276,081
Loans to Individuals for Other Purposes	131,111,667	18,402,584	5,248,336	2,144,483	156,907,070
Total	₱1,140,697,448	₱48,154,312	₱115,030,642	₱8,791,309	₱1,312,673,711

8.2 SALES CONTRACT RECEIVABLE

This account consists of:

	2021	2020
Performing	₱20,255,864	₱31,794,632
Non-performing	10,730,600	12,731,354
Total	30,986,464	44,525,986
Add: Accrued Interest Receivable	114,222	169,670
Total	31,100,686	44,695,656
Less: Allowance for Credit Losses (Note 8.1)	3,647,619	5,375,078
Sales Contract Receivable-net	₱27,453,067	₱39,320,578

9. Bank Premises, Furniture, Fixtures and Equipment

This account is consists of:

	Land	Building	Building Improvement	Building Fixtures and Equipment	IT Equipment	Transportation Equipment	Leasehold Improvement	Total
December 31, 2021								
Cost	₱14,429,929	₱25,208,778	₱6,687,886	₱45,266,519	₱9,367,485	₱10,015,629	₱26,757,163	₱137,733,389
Accumulated Depreciation and Amortization	-	13,452,938	4,265,693	38,735,522	8,439,864	7,256,372	19,151,694	91,302,083
Net carrying amount	₱14,429,929	₱11,755,840	₱2,422,193	₱6,530,997	₱927,621	₱2,759,257	₱7,605,469	₱46,431,306
December 31, 2020								
Cost	₱14,429,929	₱25,208,778	₱6,687,886	₱38,389,658	₱8,828,447	₱9,874,029	₱26,957,216	₱130,375,943
Accumulated Depreciation and Amortization	-	12,721,743	3,887,192	36,104,039	7,893,795	5,998,086	18,091,180	84,696,035
Net carrying amount	₱14,429,929	₱12,487,035	₱2,800,694	₱2,285,619	₱934,652	₱3,875,943	₱8,866,036	₱45,679,908

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2021 and 2020 is shown below:

	Land	Building	Building Improvement	Building Fixtures and Equipment	IT equipment	Transportation Equipment	Leasehold Improvement	Total
2021								
Cost	₱14,429,929	₱25,208,778	₱6,687,886	₱38,389,658	₱8,828,447	₱9,874,029	₱26,957,216	₱130,375,943
Additions	-	-	-	6,876,861	539,038	141,600	7,557,499	(200,053)
Adjustments	-	-	-	-	-	-	(200,053)	(200,053)
Balance at end of year	14,429,929	25,208,778	6,687,886	45,266,519	9,367,485	10,015,629	26,757,163	137,733,389
Accumulated Depreciation and Amortization	-	12,721,743	3,887,192	36,104,039	7,893,795	5,998,086	18,091,180	84,696,035
Additions	-	628,325	378,501	2,631,483	547,875	1,258,286	2,228,213	7,672,683
Adjustments	-	102,870	-	-	(1,806)	-	(1,167,699)	(1,066,635)
Balance at end of year	-	13,452,938	4,265,693	38,735,522	8,439,864	7,256,372	19,151,694	91,302,083
Net Book Value	₱14,429,929	₱11,755,840	₱2,422,193	₱6,530,997	₱927,621	₱2,759,257	₱7,605,469	₱46,431,306

2020

	Land	Building	Building Improvement	Building Fixtures and Equipment	IT equipment	Transportation Equipment	Leasehold Improvement	Total
Cost	₱14,429,929	₱25,208,778	₱6,687,886	₱36,997,481	₱8,267,044	₱7,824,580	₱23,229,958	₱122,645,655
Additions	-	-	-	1,392,177	561,403	2,049,449	3,727,258	7,730,288
Balance at end of year	14,429,929	25,208,778	6,687,886	38,389,658	8,828,447	9,874,029	26,957,216	130,375,943
Accumulated Depreciation and Amortization	-	11,991,436	3,454,708	32,954,463	6,591,787	4,814,661	16,014,368	75,821,423
Additions	-	731,907	432,484	3,150,236	1,299,208	1,183,425	2,076,812	8,874,072
Adjustments	-	(1,600)	-	(660)	2,800	-	-	540
Balance at end of year	-	12,721,743	3,887,192	36,104,039	7,893,795	5,998,086	18,091,180	84,696,035
Net Book Value	₱14,429,929	₱12,487,035	₱2,800,694	₱2,285,619	₱934,652	₱3,875,943	₱8,866,036	₱45,679,908

Depreciation of these accounts amounting to ₱7,672,683 and ₱8,874,072 in 2021 and 2020, respectively, are shown as separate components of operating expenses in the Statements of Comprehensive Income.

No additions to property and equipment during the year are treated as non-cash transactions for cash flows.

The value of the Bank premises, furniture, fixtures and equipment of ₱46,431,306, net of accumulated depreciation, as of December 31, 2021 is 12.76% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Section 109).

The Bank, after due consideration of the assessment of its impairment, believes that there are no indications that the property and equipment as of December 31, 2021 and 2020 are impaired or its carrying amount cannot be recovered.

10. INVESTMENT PROPERTY

This account is consisting of real estate properties acquired by the Bank in settlement of loans which were recognized as ROPA and accounted for as investment properties to conform with PAS 40. Under Sec. 394.2, ROPA shall be booked initially at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less allowance for credit losses computed based on PAS 39 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PAS 39 provisioning requirements) plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property).

This account is consists of:

	2021	2020
Land	₱26,379,416	₱28,817,242
Building	24,465,133	17,895,461
Total	50,844,549	46,712,703
Less: Accumulated Depreciation	6,886,684	6,351,804
Net Amount	43,957,865	40,360,899
Less: Allowance for Credit Losses (Note 8.1)	9	291,089
Net Carrying Amount	₱43,957,856	₱40,069,810

A reconciliation of the carrying amounts of the Bank's investment property at the beginning and end of 2021 and 2020 is shown in below:

	2021	2020
Balance at beginning of year net of accumulated depreciation and Impairment loss	₱40,069,810	₱38,434,411
Additions	5,187,545	16,249,274
Disposal	(764,619)	(13,006,335)
Depreciation	(534,880)	(1,927,180)
Impairment Losses	-	(33,001)
Other Adjustments	-	352,641
Balance at end of year net of accumulated depreciation and Impairment loss	₱43,957,856	₱40,069,810

As of December 31, 2021 and 2020, no amount of investment property was used as collateral for liabilities.

Additions to investment property during the year are through transfer of loans receivables to ROPA account.

11. RIGHT OF USE ASSETS

The Bank is currently leasing its building premises. With the exception of short term leases and leases of low-value underlying assets, the lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The bank classifies its right-of-use assets in a consistent manner as Bank Premises, Furniture, Fixtures and Equipment.

This account consists of:

	Building	Total
Cost		
At January 1, 2020	₱ -	₱ -
Additions	31,835,019	31,835,019
At December 31, 2020	31,835,019	31,835,019
Additions	48,032,039	48,032,039
At December 31, 2021	79,867,058	79,867,058

Depreciation

At January 1, 2020	₱ -	₱ -
Additions	5,227,412	5,277,412
At January 1, 2021	5,227,412	5,277,412
Additions	10,400,139	10,400,139
At December 31, 2021	15,627,551	15,627,551
Net Book Value	₱64,239,507	₱64,239,507

12. OTHER ASSETS

This account is consists of:

	2021	2020
Financial Assets		
Accounts Receivables	₱3,935,857	₱ 2,897,856
Accrued Interest Receivable	3,705	178,623
Non-Financial Assets		
Prepaid Expense	2,128,727	1,465,872
PLDT 350 Shares	3,500	3,500
Petty Cash Fund	79,000	79,000
Stationery and Supplies on Hand	1,655,483	1,268,889
Total	7,806,272	5,893,740
Less: Allowance for Credit Losses (Note 8.1)	715,780	810,006
Net Other Assets	₱7,090,492	₱5,083,734

The Accounts Receivable represents various advances and payments made by the Bank of various expenses and/or transactions and were charged to the respective accounts of the beneficiaries' subject to liquidation. Prepaid Expenses are future expenses that have been paid in advance.

13. DEPOSIT LIABILITIES

This account is consists of:

	2021	%	2020	%
Savings Deposit	₱996,216,213	59%	₱918,625,950	57%
Special Savings/Time Deposit	475,366,744	28%	475,147,773	29%
Demand Deposit	228,237,662	13%	222,198,118	14%
Total Deposit Liabilities	₱1,699,820,619	100%	₱1,615,971,841	100%

Savings Deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time. The total deposits for the year increased by ₱83,848,778 or 5.19% over the figures of 2020.

For the year 2021 and 2020, savings and demand deposit carries an interest rate of 0.125%. The bank's special savings deposit carries interest rate ranging from 0.25% to 3.00% for the years 2021 and 2020.

On July 27, 2020, the BSP issued Circular No. 1092 which took effect on July 31, 2020 as amended by Circular No. 1082 dated March 31, 2020 Reduction in Reserve Requirements of 3% for savings and time deposits. The required reserve as of December 31, 2021 amounting to ₱33,996,412 or 2% of the total deposit liabilities. This amount is in the form of deposit with Bangko Sentral ng Pilipinas which has a balance of ₱ 36,681,377 as at December 31, 2021.

Interest expense on deposit liabilities charged to profit or loss in 2021 and 2020 amounted to ₱8,796,713 and ₱9,439,695, respectively.

14. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account is consists of:

	2021	2020
Accrued Interest Payable	₱2,047,995	₱2,162,455
Accrued Other Expenses Payable	8,712,322	6,780,251
Total	₱10,760,317	₱8,942,706

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31, 2021 but subsequently paid in the next accounting period. Accrued other expenses payable are year-end expenses payable on the following year.

15. OTHER LIABILITIES

This account is consists of:

	2021	2020
Accounts Payable	₱10,591,434	₱1,960,813
Premium Payable	420,106	391,672
Withholding Tax Payable	429,223	225,150
Special Guarantee Fund LOI 1242	19,976	19,976
Due to Treasurer of the Philippines	273,953	191,355
Lease Liability (Note 22)	71,516,481	28,752,934
Total	₱83,251,173	₱31,541,900

The above liabilities are settled either by cash or check payments. As at December 31, 2021 and 2020, no amount of assets was used as collateral, security or guarantee for the above liabilities.

Accounts Payable represents various liabilities incurred by the Bank for its own account and the third parties arising from short term indebtedness/obligations still outstanding at the cut-off/ reporting date.

Withholding tax payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is obliged to withhold as a withholding agent of the government.

SSS, Medicare and Pag-ibig Contribution are employees' contribution which are to be remitted by the Bank on January 2022.

Due to Treasurer of the Philippines are deposit account balances which are dormant for ten years or longer which are due for transfer to the Treasurer of the Philippines due to absence of claimant.

16. EQUITY

Share Capital

Ordinary Shares

The ordinary shareholders of the bank are given less priority as to assets liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restriction for reserve requirements and preferred dividends, if any.

Authorized ordinary share capital as of December 31, 2021 amounted to ₱350,000,000 or 3,500,000 shares with a par value of ₱100 each. Total subscribed ordinary shares amounted to ₱251,930,500 and paid up ordinary shares amounted to ₱251,930,500 as of December 31, 2021.

Under Section 121: *Minimum Required Capital*, Rural Banks under 1st class municipality with 11 to 50 branches in all other areas outside NCR are required to comply with the minimum capital of ₱40 Million within five (5) years. The Bank is currently compliant with the minimum capital.

The reconciliation of ordinary shares outstanding during the period is as follows:

	2021		2020	
	Shares	Amount	Shares	Amount
Share Capital – ₱100 par value, 3,500,000 authorized shares				
Ordinary Shares at the beginning of the year	2,519,305	₱251,930,500	2,259,473	₱225,947,300
Issuance of shares of stocks from settlement of subscriptions receivable	-	-	259,832	25,983,200
Ordinary Shares at the end of the year	2,519,305	₱251,930,500	2,519,305	₱251,930,500
Subscribed	-	-	-	-
Subscription receivable	-	-	-	-
	2,519,305	₱251,930,500	2,519,305	₱251,930,500

The reconciliation of surplus during the period is as follows:

Retained Earnings - Free

	2021	2020
Balance, Beginning	₱82,985,834	₱70,405,992
Net Income (Loss)	31,868,751	17,541,126
Provision and Adjustments	(5,597,647)	2,946,872
Dividends Declared	(5,038,610)	(7,908,156)
Balance, Ending	₱104,218,328	₱82,985,834

Retained Earnings - Reserve

	2021	2020
Balance, Beginning	₱7,022,194	₱7,022,194
Transfer from/(to)	-	-
Balance, Ending	₱7,022,194	₱7,022,194

Cash Dividends

The Bank declared Cash Dividends amounting to ₱5,038,610 and ₱7,908,156 for the years 2021 and 2020, respectively. The relative dates of dividend declaration are summarized below:

Type of Dividend	Date of Declaration	Date of Record	Date of Distribution	Amount of Dividend
Cash	February 6, 2021	December 31, 2020	February 6, 2021	₱5,038,610
Cash	January 16, 2020	December 31, 2019	February 7, 2020	7,908,156
Stock	February 8, 2018	February 8, 2018	February 17, 2020	25,983,200
Cash	February 9, 2019	December 31, 2018	February 21, 2019	7,908,156
Stock	February 8, 2018	February 8, 2018	Upon BSP & SEC approval	₱25,983,940

Capital Management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The Bank maintains sufficient capital necessary to support its primary purpose and/or undertakings which it has initiated and promoted. The Bank management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations of unanticipated events created by consumer behavior or capital market conditions.

The Bank manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Regulatory Qualifying Capital

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 PFRS in some aspects.

Under Section 127 of the MORB, as amended by Circular No. 1079 dated March 2020, the risk-based capital adequacy framework for stand alone thrift banks, rural banks and cooperative banks are in Appendix 62 of the MORB.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

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 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.

Under Section 121: *Minimum Required Capital of 2018 Manual of Regulations for Banks*, which states that rural banks under 1st class municipality with head offices in areas outside the National Capital Region and with 11 to 50 branches are required to comply with the minimum capital requirement of ₱40.00 million. As at December 31, 2021 and 2020, the Bank is in compliant with the minimum capitalization requirement set by the BSP.

The CAR of the Bank as at December 31, 2021 and 2020, as adjusted, is shown in the table below:

	2021	2020
Tier 1 capital	₱358,760,937	₱330,362,961
Tier 2 capital	16,265,258	14,670,829
Total qualifying capital	₱375,026,195	₱345,033,790
Risk weighted assets	₱1,775,184,180	₱1,856,405,510
Tier 1 capital ratio	20.21%	17.80%
Tier 2 capital ratio	0.92%	0.79%
Total CAR	21.13%	18.59%

The Bank's Total Qualifying Capital as at December 31, 2021 and 2020 was computed as follows:

	2021	2020
A. Calculation of Qualifying Capital		
A.1 Tier 1 Capital		
Core Tier 1 Capital		
Paid-Up Capital - Ordinary	₱251,930,500	₱251,930,500
Retained Earnings	111,240,522	80,456,622
Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	(4,410,085)	(2,024,161)
Total Tier 1 Capital	358,760,937	330,362,961
A.2 Tier 2 Capital		
General Loan Loss Provisions	16,265,258	14,670,829
Total Upper Tier 2 Capital	16,265,258	14,670,829
TOTAL QUALIFYING CAPITAL	₱375,026,195	₱345,033,790

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios adopted by the BSP in supervising the Bank.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments. As at December 31, 2021 and 2020, the Bank was in compliance with CAR requirement.

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2021	2020
A. Return on average equity (ROE)	9.16%	5.57%
B. Return on average assets (ROA)	1.53%	0.87%
C. Net interest margin	8.09%	5.67%
D. Debt to Equity Ratio	4.94:1	4.99:1

The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2021 and 2020 was computed as follows:

Return on average equity (ROE)

Formula: ROE = Net Income after Tax / Average Capital

	2021	2020
Net Income	₱31,868,751	₱17,541,126
Average Equity		
2021	363,753,381	
2020		332,387,122
2019		297,741,044
Total	696,140,503	630,128,166
Average Equity	₱348,070,252	₱315,064,083
Return on Average Equity	9.16%	5.57%

Return on average assets (ROA)

Formula: ROA = Net Income after Tax / Average of Total Assets

	2021	2020
Net Income	₱31,868,751	₱17,541,126
Average Assets		
2021	2,159,860,565	
2020	1,992,492,219	
2020		1,992,492,219
2019		2,045,523,590
Total	4,152,352,784	4,038,015,808
Average Assets	₱2,076,176,392	₱2,019,007,904
Return on Average Assets	1.53%	0.87%

Net Interest Margin Ratio

Formula: Net Interest Margin Ratio = Net Interest Income / Average Earning Assets

Formula: Average Earning Assets = Due from BSP + Due From Other Banks + Loans + Debt Securities Measured at Amortized Cost

	2021	2020
Net Interest Income	₱153,156,934	₱106,336,503
Average Interest Earnings Assets		
2021	1,946,306,584	
2020	1,839,431,591	
2020		1,839,431,591
2019		1,911,243,588
Total	3,785,738,175	3,750,675,179
Average Interest Earnings Assets	₱1,892,869,088	₱1,875,337,589
Net Interest Margin	8.09%	5.67%

Debt to Equity Ratio

Formula: Debt to Equity Ratio = Total Liabilities / Total Equity

	2021	2020
Total Liabilities	₱1,796,107,184	₱1,660,105,097
Total Equity	₱363,753,381	₱332,387,122
Debt to Equity Ratio	4.94:1	4.99:1

Capital Instruments

As of December 31, 2021 and 2020, the Bank share capital consist of:

	Shares*	Amount
Share Capital - ₱100 par value		
Authorized	3,500,000	₱350,000,000
Issued and outstanding		
Balance at the beginning and end of the year	2,519,305	₱251,930,500

*Absolute number of shares

There are no capital instruments issued by the Bank in 2021 and 2020.

17. OTHER INCOME

This account is consists of:

	2021	2020
Fees and Commission Income	₱5,859,812	₱625,404
Gains on sale of ROPA	27,582,032	29,027,365
Recovery on charged off assets	70,648	1,500
Miscellaneous income	98,677	3,840,020
Total	₱33,611,169	₱33,494,289

18. COMPENSATION AND BENEFITS

This account is consists of:

	2021	2020
Salaries and Wages	₱32,709,983	₱26,368,976
Compensation Benefits-Officers and Employees	10,428,612	8,605,245
Director's Fee	2,610,000	2,740,000
SSS, Philhealth and Employees Compensation Premium and PAGIBIG Fund Contribution	3,316,634	3,183,004
Medical, Dental, and Hospitalization	994,129	658,582
Contribution to Retirement Fund	3,455,440	3,381,524
Total	₱53,514,798	₱44,937,331

19. RETIREMENT BENEFITS

This account is consists of:

The Bank provides contributory defined benefit pension plans for all employees that is qualified for retirement. Provisions for pension obligations are established for benefits payable in the form of retirement pensions and the employees do contributes in the Bank's retirement fund but will be fully withdrawn once resigned or separated. Benefits are dependent on years of service and the respective employee's final compensation. The most recent actuarial valuation was carried out as of December 31, 2021. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the recognized liability under the "Retirement benefit asset" account in the statement of financial position is as follows:

	2021	2020
Present value of defined benefit obligation	₱27,964,666	₱29,378,559
Fair value of plan assets	(58,010,275)	(44,019,383)
Asset ceiling	7,292,747	1,656,252
Net defined benefit liability (asset)	₱(22,752,862)	₱(12,984,572)

The movement in the defined benefit obligation is shown below:

	2021	2020
Present value of defined benefit obligation, beginning	₱29,378,559	₱19,463,642
Interest expense	1,160,453	1,016,002
Current service cost	2,543,620	1,875,645
Benefit paid from Plan assets	(963,504)	(179,156)
Actuarial (gains) losses- changes in financial assumptions	(3,423,094)	3,638,688
Actuarial (gains) losses- changes in demographic assumptions	(1,527)	108,091
Actuarial (gains) losses- experience	(729,841)	3,455,647
Present value of defined benefit obligation, ending	₱27,964,666	₱29,378,559

The movement in the plan assets is shown below:

	2021	2020
Fair value of plan assets, beginning	₱44,019,383	₱39,591,711
Interest income	1,752,357	2,119,724
Contributions	1,651,663	2,211,232
Benefit paid from plan assets	(963,504)	(179,156)
Remeasurement gain (loss) - return on plan assets	11,550,376	275,872
	₱58,010,275	₱44,019,383

The defined benefit cost recognized in the profit or loss statement consists of:

	2021	2020
Current service cost	₱2,543,620	₱1,875,645
Interest cost	1,160,453	1,016,002
	₱3,704,073	₱2,891,647

The defined benefit cost recognized in the other comprehensive income:

	2021	2020
Accumulated comprehensive income, beginning	₱9,551,406	₱5,634,441
Actuarial (gains) losses- DBO	(4,154,462)	7,202,426
Remeasurement (gain) loss- plan assets	(11,550,376)	(275,872)
Remeasurement (gain) loss- changes in the effect of the asset ceiling	5,571,073	(3,009,589)
Defined benefit cost in OCI- Expense (Income)	(10,133,765)	3,916,965
Accumulated comprehensive income, ending	₱(582,359)	₱9,551,406

The principal assumption used to determine retirement benefit obligation of the Bank are as follows:

	2021	2020
Discount rate	5.08%	3.95%
Salary increase rate	7.00%	7.00%

The summary of movements in the net defined benefit liability (asset) is as follows:

	2021	2020
Beginning Net defined liability (Asset)	₱(12,984,572)	₱(15,693,702)
Defined benefit cost recognized in P&L	2,017,138	1,003,397
Defined benefit cost recognized in OCI	(10,133,765)	3,916,965
Contributions	(1,651,663)	(2,211,232)
Closing Net defined liability (asset)	₱(22,752,862)	₱(12,984,572)

Sensitivity Analysis, Year-end defined benefit obligation (DBO)

	2021	2020
a. 1. Decrease in DBO due to 100 bps increase in discount rate	(2,571,113) ; (9.2%)	(2,925,560) ; (10.0%)
2. Increase in DBO due to 100bps decrease in discount rate	2,997,447 ; 10.7%	3,450,211 ; 11.7%
b. 1. Increase in DBO due to 100bps increase in salary increase rate	2,910,027 ; 10.4%	3,309,983 ; 11.3%
2. Decrease in DBO due to 100bps decrease in salary increase rate	(2,550,405) ; (9.1%)	(2,873,304) ; (9.8%)
c. Increase in DBO, no attrition rates	16,240,534 ; 58.1%	22,024,754 ; 75.0%

Allocation of plan assets	2021	2020
Cash and cash equivalents	91.97%	92.00%
Loans	8.03%	8.00%

20. OTHER OPERATING EXPENSE

This account is consists of:

	2021	2020
Miscellaneous*	₱20,972,439	₱23,775,564
Repair and Maintenance	7,085,931	1,402,998
Interest Expense	4,864,310	2,228,451
Insurance expense - PDIC	3,360,997	3,071,623
Fines and Penalties	3,067,685	43,250
Security and Messengerial Services	2,838,228	2,663,244
Postage, Telephone, and Telegram	2,620,493	2,637,362
Power, Light, and Water	2,101,141	1,912,636
Insurance expense - Others	1,560,166	1,457,934
Stationery and Supplies	1,507,545	1,181,354
Fuel and Lubrication	1,204,314	706,427
Publicity and Advertisement	1,170,059	43,169
Fees and Commissions Expense	849,637	-
Management and Other Professional Fees	689,480	693,990
Litigation and Asset Acquired	512,938	337,890
Supervision Fees	410,049	380,661
Representation and Entertainment	307,998	319,922
Donation	231,840	74,247
Travelling	131,452	184,715
Membership Fees and Dues	88,385	56,824
Periodicals and Magazines	5,889	26,973
Documentary Stamps	-	1,541,148
Rental	-	4,208,901
Total	₱55,580,976	₱48,949,283

*Miscellaneous expenses include staff/employee benefits amounting to ₱20,906,266 and ₱14,311,882 for the year ended December 31, 2021 and 2020.

21. DEPRECIATION AND AMORTIZATION EXPENSE

This account is consists of:

	2021	2020
Depreciation Expense – Buildings	₱1,006,826	₱1,164,392
Depreciation Expense - Furniture and Fixtures	2,631,483	3,150,236
Depreciation Expense - Transportation Equipment	1,258,286	1,183,425
Depreciation Expense – Information Technology	547,875	1,299,208
Depreciation Expense – Leasehold Improvements	2,228,213	2,076,812
Depreciation Expense – ROPA Building	1,299,499	1,927,180
Depreciation Expense - Right of Use Asset	10,400,139	5,227,412
Impairment Losses - ROPA	-	33,001
Total	₱19,372,321	₱16,061,666

22. LONG-TERM LEASE

Bank as a lessee

	MINIMUM LEASE PAYMENTS						
	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	6-7 YEARS	8-9 YEARS	10 YEARS AND BEYOND	TOTAL
December 31, 2021							
Lease Payments	₱10,212,665	₱20,940,300	₱22,212,319	₱26,947,645	₱18,126,172	₱244,659	₱98,683,760
Finance Charges	5,006,154	8,872,772	7,119,319	4,776,857	1,376,172	16,005	27,167,279
Net Present Value	₱5,206,511	₱12,067,528	₱15,093,000	₱22,170,788	₱16,750,000	₱228,654	₱71,516,481

	MINIMUM LEASE PAYMENTS						
	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	6-7 YEARS	8-9 YEARS	10 YEARS AND BEYOND	TOTAL
December 31, 2020							
Lease Payments	₱5,592,970	₱9,053,840	₱6,893,274	₱7,352,509	₱8,967,275	₱1,975,534	₱39,835,402
Finance Charges	2,012,705	3,321,519	2,557,181	1,943,523	1,103,342	144,198	11,082,468
Net Present Value	₱3,580,265	₱5,732,321	₱4,336,093	₱5,408,986	₱7,863,933	₱1,831,336	₱28,752,934

All rentals fees shall be increased by 10% every year beginning from the date of consummation.

23. COMMITMENT AND CONTINGENCIES

This account consists of:

- The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of loans and receivables under litigation amounted to ₱2,791,423 and ₱8,797,786 as at December 31, 2021 and 2020, respectively.
- The Bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.
- The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.
- The Bank has no contingent accounts for the years ended December 31, 2021 and 2020.

24. INCOME TAXES

Under Philippine tax laws, the Bank is subject to percentage and other taxes presented as 'Taxes and licenses' in the statements of income as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes.

Income taxes also include RCIT, as discussed below and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Provision for income tax consists of:

	2021	2020
Current	₱5,874,627	₱5,844,755
Deferred	(2,385,925)	673,063
Tax Expense reported in Statement of Comprehensive Income	₱3,488,702	₱6,517,818

The current and deferred tax is computed as follows:

Current Tax

	2021	2020
Transitory and Statutory income tax	₱8,839,363	₱7,217,683
Income tax effects of:		
Interest income subject to final tax	(8,434,761)	(1,049,098)
Interest Income from HGC	(1,718,075)	(1,370,717)
Accounts written-off	(543,953)	(29,465)
Interest expense	2,108,690	432,753
Non-Deductible Interest Expense and Depreciation	3,816,113	2,236,759
Provision for credit losses	4,212,789	-
Lease Payments	(2,405,541)	(1,593,160)
Current tax expense	₱5,874,627	₱5,844,755

Computation of Income Tax:

	2021	2020
Net Income before tax per books	₱35,357,453	₱24,058,944
Add: Non-deductible Expenses/Taxable Other Income		
Provision for Credit Losses	16,851,157	-
Non-deductible Interest Expense and Depreciation	15,264,449	7,455,863
Interest expense	8,434,761	1,442,509
Total	75,907,820	32,957,316
Less: Non-taxable Income and Income Subjected to Final Tax		
Interest Income Subject to Final Tax	33,739,044	3,496,992
Interest Income under HGC	6,872,295	4,569,055
Accounts written off	2,175,812	98,216
Lease payments	9,622,162	5,310,535
Net Taxable Income	23,498,507	19,482,518
Tax Rate	25%	30%
Normal Corporate Income Tax	5,874,627	5,844,755
Minimum Corporate Income Tax**	973,057	1,696,353
Income Tax Due	5,874,627	5,844,755
Less: Tax payments for the previous quarters	3,416,132	1,613,980
Creditable Tax Withheld per BIR Form 2307	183,420	582,125
Income Tax Still Due/(Overpayment)	₱2,275,075	₱3,648,650

**Below is the computation of Minimum Corporate Income Tax (MCIT) for the years ended December 31, 2021 and 2020.

	2021	2020
Revenue	₱161,953,647	₱121,820,365
Cost of Revenue	57,647,796	62,430,967
Gross Income	104,305,851	59,389,398
Add: Other Income	33,611,169	33,494,289
Less: Interest Income Subjected to Final Tax	33,739,044	3,496,992
Interest Income under HGC	6,872,295	4,569,055
Total Gross Income	97,305,681	84,817,640
MCIT Rate	1%	2%
Minimum Corporate Income Tax	₱973,057	₱1,696,353

Deferred Tax Asset

As at December 31, 2021 and 2020, net deferred tax assets are as follows:

	2021	2020
Deferred Tax Asset - Beginning	₱6,199,861	₱5,304,700
Provision for Credit Losses	4,212,789	-
Lease Liability	1,317,123	924,626
Used DTA from accounts written-off	(543,953)	(29,465)
	11,185,820	6,199,861
Deferred Tax Liability - Beginning	4,175,700	2,607,477
Right of Use Asset	2,600,035	1,568,223
	6,775,735	4,175,700
Net Deferred Tax Assets	₱4,410,085	₱2,024,161

25. RELATED PARTY TRANSACTIONS

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. Entities are considered to be related if they are subjected under common control or significant influence. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities
- which are controlled, significantly influenced by or for which significant voting power is held
- by key management personnel or their close family members,
- post-employment benefit plans for the benefit of the Bank's employees, and

The Bank has business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Remunerations of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the senior management to constitute key management personnel for purposes of PAS 24.

The compensation of key management personnel included under 'Compensation and benefits' in the statement of income are as follows:

	2021	2020
Short-term employee benefits	₱9,104,568	₱14,240,271
Total	₱9,104,568	₱14,240,271

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

The summary of transactions to related parties for the years ended December 31, 2021 and 2020 that exceeds the limit of ₱500,000 is as follows:

2021

Name of Related Party	Amount of Transaction	Amount Paid	Outstanding Balance
Priser Trading Corporation	₱7,630,604	₱7,630,604	₱-
Total	₱7,630,604	₱7,630,604	₱-

2020

Name of Related Party	Amount of Transaction	Amount Paid	Outstanding Balance
Priser Trading Corporation	₱7,127,570	₱7,127,570	₱-
Total	₱7,127,570	₱7,127,570	₱-

Regulatory Reporting

As required by BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending Bank within the Bank.

In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As at December 31, 2021 and 2020, the Bank is in compliance with the regulatory requirements.

Below are the selected ratios relative to the Banks' DOSRI and Related Party loan accounts.

2021	DOSRI Loans	Related Party Loans Inclusive of DOSRI
A.1. Outstanding Balance	635,443	10,017,703
A.2. Total Loan Portfolio	1,262,325,089	1,262,325,089
B. Percentage of DOSRI/Related Party to Total Loan Portfolio (A.1./A.2.)	0.05%	0.79%
C. Percentage of unsecured DOSRI/RP to Total DOSRI/RP Loans		
Unsecured	-	-
Total DOSRI/RP Loan	635,443	10,017,703
	0.00%	0.00%
D. Percentage of Past Due DOSRI/RP to Total DOSRI/RP Loans		
Past Due	-	-
Total DOSRI/RP Loan	635,443	10,017,703
	0.00%	0.00%
E. Percentage of Non Performing DOSRI/RP to Total DOSRI/RP Loans		
Non Performing	-	-
Total DOSRI/RP Loan	635,443	10,017,703
	0.00%	0.00%

2020	DOSRI Loans	Related Party Loans Inclusive of DOSRI
A.1. Outstanding Balance	₱13,196,924	₱23,223,351
A.2. Total Loan Portfolio	₱1,319,299,042	₱1,319,299,042
B. Percentage of DOSRI/Related Party to Total Loan Portfolio (A.1./A.2.)	1.00%	1.76%
C. Percentage of unsecured DOSRI/RP to Total DOSRI/RP Loans		
Unsecured	₱-	₱-
Total DOSRI/RP Loan	₱13,196,924	₱23,223,351
	0.00%	0.00%
D. Percentage of Past Due DOSRI/RP to Total DOSRI/RP Loans		
Past Due	₱-	₱500,000
Total DOSRI/RP Loan	₱13,196,924	₱23,223,351
	0.00%	2.15%
E. Percentage of Non Performing DOSRI/RP to Total DOSRI/RP Loans		
Non Performing	₱-	₱500,000
Total DOSRI/RP Loan	₱13,196,924	₱23,223,351
	0.00%	2.15%

The term of the related party loans ranges from one (1) to ten (10) years. Payment of the principal amount and interest is made on a monthly basis. The related parties are siblings of the directors, officers, and/or stockholders.

The Bank monitors its RPTs using the Bank's materiality threshold and limits. The sublimit per related parties and per family group of each director, officer, and stockholder is ₱100M and ₱12.5M per family group of each DOS, respectively. As of December 31, 2021 and 2020, The Bank is in compliant with the maximum aggregate amount and sub-limit that was set by the Bank.

26. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR 15-2010 and RR 19-2011

Revenue Regulation (RR) No 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the year.

Percentage Taxes (Gross Receipt Tax)

Under Section 121 of the National Internal Revenue Code, there shall be tax on gross receipts derived from all sources within the Philippines by all banks and non-bank financial intermediaries in accordance with the following rates:

a) On interest commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipt are derived:

Maturity period of five (5) years or less5%
Maturity period is more than five (5) years.....1%

b) On dividends.....0%

c) On royalties, rentals of property, real or personal, profit from exchange and all other items treated as gross income under Section 32 of the NIRC.....7%

d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments.....7%

GRT in 2021 consists of taxes on:

Interest income on loans and other related income from lending operations	₱2,276,067
Other income	2,768,731
	₱5,044,798

Documentary Stamp

Pursuant to revenue regulation No. 13-2004 dated December 23, 2004 " Implementing provisions of Republic Act No.9243, an act rationalizing the provisions of the documentary stamp tax of the Internal Revenue Code of 1997 (as amended), below are some of the circular affecting the operation of bank and non-bank financial intermediaries:

Section 51 of Republic Act No 10963: New Rate of DST on Original Issuance of Shares of Stock

There shall be two pesos (₱2.00) on each two hundred pesos (₱ 200.00) or fractional part thereof of the par value of such shares of stock. Provided that in case of original issue of shares of stocks without par value, the amount of documentary stamp herein prescribed shall be based upon the actual consideration for the issuance of such shares of stocks. Provided further that in the case of stock dividends, or the actual value represented by each share.

Section 55 of Republic Act No 10963: New Rate of DST on all Debt Instruments (Documents, Loan Agreements, Instruments and Papers)

One peso and fifty centavos (₱1.50) on each two hundred pesos (₱ 200.00) or any fractional part thereof of the issue price of any such debt instrument. If the debt instrument has a maturity date of less than one (1) year, the DST due shall be computed based on the number of days the instrument is outstanding as a fraction of 365 days.

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2021, follow:

Taxes and Licenses

a. Local	
Business Permit	₱530,868
Real Property Tax	195,279
Others	313,953
b. National	
Percentage Tax	5,044,798
Documentary Stamp Tax	-
Annual Registration - BIR	6,500
Total-Taxes and Licenses	₱6,091,398

Withholding taxes in 2021 are categorized into:

Paid:	
Final withholding tax on interest expense	₱1,783,203
Withholding taxes on compensation and benefits	281,800
Expanded withholding tax	1,300,810
	₱3,365,813

Tax Assessments and Cases

As at December 31, 2021, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.

Revenue Regulation (RR) No 19-2011

The Bank reported the following schedules and information on taxable income and deductible expenses to be taken in 2021:

Sale of Services

The Bank's taxable sale of services amounted to ₱161,825,772 and income subject to final income tax and are exempt from tax amounted to ₱33,739,044 for the year ended December 31, 2021.

Cost of Services

2021	
Details of the Bank's tax deductible cost of services accounts are as follows:	
Direct Charges - Salaries and wages	₱53,514,798
Direct Charges - Insurance (PDIC)	3,360,997
Direct Charges - Supervision Fee	410,049
Direct Charges - Interest Expense	8,796,713
Interest expense	
Less: Limit (interest income subj. to final tax)	8,434,761
Total	₱57,647,796

Itemized Deductions

2021	
Miscellaneous	₱ 20,972,439
Rental	9,622,162
Depreciation and Amortization	8,972,182
Repair and Maintenance	7,085,931
Taxes and Licenses	6,091,398
Fines and Penalties	3,067,685
Security and Messengerial Services	2,838,228
Postage, Telephone, and Telegram	2,620,493
Bad Debts	2,175,812
Power, Light, and Water	2,101,141
Insurance expense - Others	1,560,166
Stationery and Supplies	1,507,545
Fuel and Lubrication	1,204,314
Publicity and Advertisement	1,170,059

Fees and Commissions Expense	849,637
Management and Other Professional Fees	689,480
Litigation and Asset Acquired	512,938
Representation and Entertainment	307,998
Donation	231,840
Travelling	131,452
Membership Fees and Dues	88,385
Periodicals and Magazines	5,889
Total	₱ 73,807,174

Total Deductible Expense	₱ 131,454,970
Expense Reported in Audited Financial Statements	160,207,363
Difference*	₱ (28,752,393)

*Reconciliation of Difference:

Interest Limit	₱ 8,434,761
Provision for credit losses	16,851,157
Non-deductible Interest Expense and Depreciation	15,264,449
Accounts written-off	(2,175,812)
Lease Payments	(9,622,162)
	₱28,752,393

27. OTHER MATTERS

1. Anti-Money Laundering Act (AMLA)

The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering Act.

2. As of December 31, 2021, all of the bank's directors had undergone the requirements for corporate governance as confirmed by the Monetary Board as mandated by Section 132 of the MORB.

28. AGGREGATE AMOUNT OF SECURED LIABILITIES AND ASSETS PLEDGED

As of December 31, 2021, the Bank has no secured liabilities and assets pledged.

29. RECLASSIFICATION OF ACCOUNTS

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. Management believes that the reclassifications resulted to a better presentation of accounts and did not have any impact on prior year's profit or loss.

These reclassifications had no effect on the reported results of operations. Adjustments have been made to the Statements of Financial Position and Statements of Cash Flows for the fiscal year ended December 31, 2020. These changes in classification do not affect previously reported financial statements.

THE IMPACT OF CORONAVIRUS DISEASE 2019 (COVID-19) ON THE FINANCIAL STATEMENTS

The outlook on the COVID-19 situation in the country is generally optimistic at the end of 2021 as daily new cases of COVID-19 infection have been brought down to hundreds coming from tens of thousands in the earlier part of the year. Moreover, the government has intensified and expanded the rollout of its vaccination program after it began to stabilize its supply of vaccines in October with total vaccines received reaching around 200 million doses in December.

Vaccination Czar Carlito Galvez, Jr. admitted that the government fell short of its 54 million vaccination target by around 4 million as of yearend but he is also quick to assert that this deficit can be addressed within the first two weeks of January 2022 and that by end of Quarter 1 of 2022, a total of 77 million Filipinos would have been vaccinated.

Another enhancement in the government's COVID-19 response is the implementation of the new Alert Level System by the COVID-19 Inter Agency Task Force (IATF) in December. Under this system, quarantine and health protocols are implemented not only based on number of cases but also on hospital and Intensive Care Unit (ICU) utilization rates. With these factors being considered, there is more relaxation on quarantine and health protocols and thus, paving the way for much needed economic activities.

The most critical part of the year was during the surge of the feared Delta variant which was first detected in July and which caused surges in positive cases in August and September with new cases going as high as 20,000 on a daily basis. By October, cases of the Delta variant began to slow down and accordingly, the IATF started lowering alert levels in majority of areas in the country.

While the DOH announced that it has detected the presence of 7 imported and 3 local cases of the new OMICRON variant in the country in December, there is no foreseen significant and long-term impact on the health and economic situation in the country since studies suggest that this variant is much less severe in terms of manifestation of symptoms and need for hospitalization as compared to other preceding variants.

The country's looming recovery from COVID-19 is also expected to further boost the country's economic recovery given that the government has been infusing financial recovery programs like the Bayanihan To Heal as One Act and the CREATE Act which was passed into law last March 26, 2021 wherein corporate income tax rates are reduced from 30% to 25% or 20% starting July 1, 2020 to June 30, 2023.

The impact of COVID-19 on the Bank's business and operations in 2021 has been insignificant but the Bank recognizes that the COVID-19 situation is dynamic and that it continues to evolve. Thus, the Bank will continue to closely monitor the situation and assess any potential impact on its business and operations.