

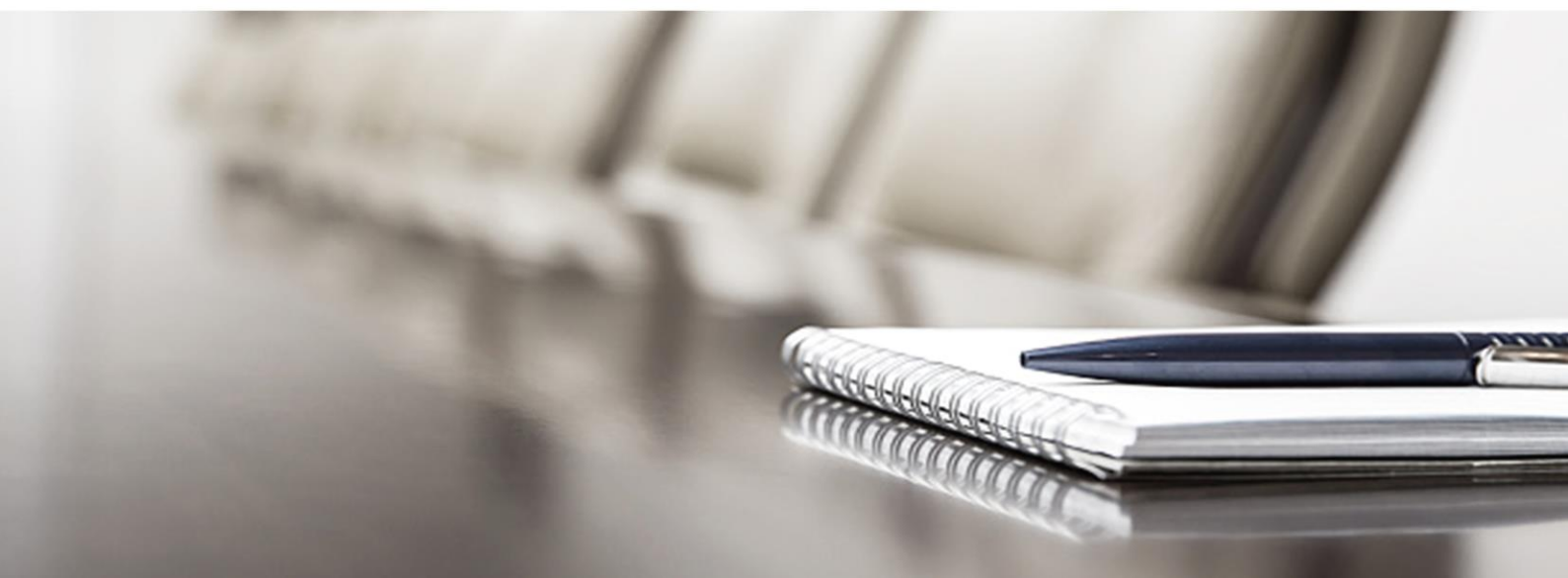
# 2020 ANNUAL REPORT



**Sun Savings**  
Bank  
THE BANK THAT REWARDS

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## SUN SAVINGS BANKS' JOURNEY

Sun Savings Bank (the “Bank”) is a domestic thrift bank incorporated in the Philippines in June 1997 originally as Urban Corp. Development Bank. Subsequently, in May 2004, the Bank’s name was changed to EIB Savings Bank and, in August 2004, was given by the Bangko Sentral ng Pilipinas (BSP) a Certificate of Authority to operate as a thrift bank. Under the previous owners, the Bank’s thrust was the provision of micro-finance loans.

In June 2011, the Bank’s sale was completed to a consortium of new investors with extensive experience in banking. The ownership of the Bank is now comprised of:

- Fleetwood Holdings, Inc. (FHI) at 39.5%, an investment holding company controlled by the family of Mr. Francisco A. Dizon, the Bank’s President & CEO;
- Project Quest Corporation (PQ) at 30.25%, an investment company managed and partially owned by Pacific Northstar Inc. (PNI) wherein Mr. Francisco A. Dizon is also the Chairman and President of both PQ and PNI.
- Santos Gonzalez Group, consist of Santos Gonzalez Hijos and Navion Capital Resources, formerly one of the significant shareholders in Prudential Bank before it was sold to Bank of the Philippine Islands (BPI) in 2005. It has substantial investments in the real estate and supermarket business. This group is represented by Mr. Augusto S. Gonzalez who is the Bank’s Executive Vice-President and Treasurer. The group owns 30.25% of Sun Savings Bank.

During the time of sale, the Bank only had one banking office with assets of P 69 million, liabilities of P 1 million and equity of P 68 million. The Bank’s new owners then had a vision of a consumer and SME-focused bank geared towards the eventual rise of FinTech and digital banking.

With this vision in mind, the new ownership started expanding the business. New branches were opened as the branch count steadily increased to seven across Metro Cebu – Capitol Site-Cebu City, Talisay City, Mandaue City, Danao City, Carcar City, Carbon Market, and Ayala Cebu Business Park-Solinea. Furthermore, new deposit and loan products were introduced to the market, with competitive and rewarding rates aimed at building the customer base. Lastly, the Bank joined Bancnet ATM network to give its customers a convenient banking experience. The efforts have been fruitful, as witnessed by the robust growth of the bank over the past nine years.





# CORPORATE POLICY

## Our Vision

Sun Savings Bank will be the preferred bank for consumers, professionals and entrepreneurs who are looking for rewarding and convenient mobile banking services using information technology.

## Our Mission

We will achieve our mission through investments in information technology, human resources, strategic branch network and product offerings for identified target markets.

## Our Core Values

We will achieve our vision and mission with the following core values:

- H** - Honesty and Integrity
- E** - Excellence,
- A** - Ability and Agility
- R** - Respect
- T** - Transparency and Teamwork

## Our Business Model

The core business of Sun Savings Bank is focused on providing value for money financial services to consumers, professionals and entrepreneurs. Financial services shall consist of deposits with rewarding rates; salary loans to private and public-school teachers and employees under Automatic Payroll Deduction System (APDS); auto loans, either brand new or pre-owned; and housing loans. The bank also provides financial assistance to small and medium enterprises (SMEs) and agri-value chain participants.

# PRESIDENT & CEO's Report

**Francisco A. Dizon**  
Director  
President & CEO



## Financial Condition and Results of Operation for 2020

In 2020, the COVID-19 pandemic caused notable turmoil and challenges in nearly every part of everyone's life or business, and it continues to burden our national economy. As reported by the Philippine Statistics Authority, the country's gross domestic product shrank by 9.5% in 2020 -- the first annual contraction since 1998 -- a year after the Asian financial crisis erupted. The imposition of lockdowns and community quarantine saved most people from the deadly virus but at a huge cost to the economy. Most businesses, including Sun Savings Bank, had to strategize in order to manage risks brought about by the pandemic. In this regard, the bank's management decided to adopt a conservative approach to operating the bank in 2020.

### Balance Sheet

The bank basically maintained its total asset level at Php 2.016 billion as of year-end 2020, just a slight decrease from the previous year's level of Php2.085 billion. The bank also maintained its total loan level at Php 1.448 billion which was almost the same as the previous year's level of Php 1.438 billion. On the other hand, to strengthen its liquidity position, the bank made additional investments of Php 41 million in government securities.

The bank's total liabilities likewise declined from Php 1.735 billion to Php 1.661 billion. This was brought about principally by the payment of more expensive bank debts in order to lower the cost of funds. Bills payable to banks went down to Php 172 million in 2020, as compared to Php 257 million in 2019. On the other hand, the bank's total deposits of Php 1.441 billion as of year-end exhibited a slight increase over the 2019 level of Php 1.429 billion. Majority of these deposits were made up of Time Deposit accounts with maturities as long as five (5) years, which gave the bank a very stable funding base to grant medium term loans, especially to DepEd teachers.

Paid-in capital stock went up to Php312.5 million in 2020 as compared to Php 300 million, the prior year. Inclusive of retained earnings and other capital accounts, total stockholder's equity was higher at a level of Php 354 million as compared to Php 349 million the year before.

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## Income Statement

In response to the unexpected crisis, the bank's management had to do a careful assessment of potential credit default risks, due to the lockdowns that triggered unemployment and closure of businesses. Hence, the management concentrated its efforts in increasing the level of its lower risk loans to DepEd teachers who were assured of continuing employment by the government. The bank's DepEd loan portfolio increased by 12% to Php 1.256 billion in 2020 as compared to only Php 1.128 billion in 2019. On the other hand, the bank took steps to reduce its exposure to Auto and Home Loan credits, as these were perceived to be affected more negatively by the pandemic and thus, higher risk in nature. This resulted in the decline of the combined Auto and Home Loan portfolio by 8% to Php 222 million in 2020 from Php 286 million in 2019.

The bank achieved the goal of reducing the level of its higher risk loan accounts by focusing its efforts on the collection of existing accounts rather than the marketing of new accounts. Further, the BSP reduced by 200 basis points its reference rates which substantially reduced the yields of the bank's deposits with the BSP and correspondingly, the yield on its holdings of government securities. Together, these two factors contributed to a decline of gross interest income by 11% to Php 199 million in 2020, from Php 222 million in 2019. Interest expense also went up from Php 73 million in 2019 to Php 81 million in 2020 as the full year effect of costlier time deposits generated in 2019 was felt in 2020. The result was an overall decline of 21% in net interest income to Php 117 million in 2020, from Php 149 million in 2019. The continuing community quarantines also contributed to this decrease in net interest income since our DepEd teacher-borrowers could not avail as much new loans or reloans as they would have wanted to, as the lockdowns severely restricted movement of persons. The result was the bank's operating income declined by 22% to Php 120 million in 2020 from Php 154 million in 2019.

On a positive note, the bank's total operating expenses decreased by 3% from Php 97 million in 2019 to Php 94 million in 2020, as the bank's management focused its efforts to reducing costs. The decline in operating costs would have been higher except that the management also decided to increase the cumulative provision for loan losses by 33% to Php 32 million in 2020, from Php 24 million in 2019. This was to ensure an adequate level of provisioning for loan losses given the raging pandemic.

Given the above factors, the bank's net income before tax as of 31 December 2020 was at Php 26 million, a reduction of 55% compared to Php 56 million in 2019. Likewise, the overall operation of the Bank in 2020 resulted in a net income of Php 17.6 million from Php 40.6 million in 2019.



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## Highlights in 2020

The Philippine Banking industry was not spared from the adverse impact of this pandemic. The Bangko Sentral ng Pilipinas (BSP) issued the implementing rules and regulations for the Bayanihan Act RA No. 11469 and RA No. 11494. The law required all lenders under BSP supervision to grant extensions for the payment of principal and interest on loans due within the enhanced community quarantine (ECQ) period, without imposing additional interest, penalties or charges on their borrowers.

Despite the higher credit risks and increasing pressure on profitability brought about by the significant slowdown on the economy, the Bank remained well capitalized and was able to withstand the impact of this pandemic. The bank was able to maintain a capital adequacy ratio (CAR) at a high level of 20.4%, which is double the minimum ratio required by the BSP of 10%. The bank was also able to maintain its minimum liquidity ratio (MLR) at 30.9%, which is again, almost double the BSP required MLR of 16%. The bank was able to contain its non-performing loan (NPL) ratio at a manageable level of 4.2% which was much lower than the thrift banking industry average of 7% in 2020. To-date, the bank is now the 4th largest DepEd lender in Region VII, despite the fact that the Bank's network of branches are all located in the Metro Cebu area only.

The major strategic initiatives pursued by the bank during 2020 were as follows:

1. The bank's major strategic project was to offer digital banking services to its customers in order to enhance its competitiveness. In line with this, the bank completed the various requirements needed to offer such services and requested for authority from the BSP to offer Advanced Electronic Payment and Financial Services (AEPFS) through its mobile banking App. The request for authority was approved in principle by the BSP last May 2021. The bank is now completing all the additional requirements of the BSP and plans to offer digital banking services to its customers by the second semester of 2021.
2. New loan products for DepEd teachers and personnel:
  - a. Supporting, Upgrading of e-Learning Loan (SUeL Loan)- This is a special salary loan given only to newly hired teachers and personnel whose regular pay slips are still on process for inclusion in the APDS. This loan is granted to enable newly appointed teachers to perform and deliver lessons to their pupils under the required distance learning model and adhere to the new normal in teaching under the challenging times of the Covid-19 pandemic. Loan proceeds are used to acquire teaching requirements such as but not limited to: computer laptop, printer, paper, internet connection and teaching aids. The loan is also used by new teachers and personnel to provide a living allowance for themselves while waiting for their inclusion in the APDS.
  - b. Bayanihan Loan- This is an additional loan under the APDS program, under a separate promissory note, offered to existing borrowers to address any COVID-19 related emergency needs such as medical expenses and hospitalization, loss of job

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of other members of the family, and even death of family members. This was approved by the DepEd last 24 November 2020.

3. Opening of two (2) new Branch Lite Units (BLU) in Carbon Market and Solinea-Ayala Business Park, both in Cebu City, in order to build up deposits and loans from SMEs and Retail (BPO) accounts.
4. Designing and offering the Support and Upgrade eLearning (SUeL) loans for newly hired DepEd teachers to assist them with the requirements for distance learning due to the pandemic.
5. Securing the renewal of its P200M medium term loan from LBP and approval of a new 200M term loan from DBP to enable the bank to take advantage of any significant increase in loan demand.
6. Increasing the bank's market share of DepEd loans in Region VII, as evidenced by the increase in number of teacher borrowers and loan levels, despite the lockdowns and Bayanihan 1 and 2 payment grace periods which greatly impeded loan collections and granting of new loans and reloans to Deped teachers. The bank is now the fourth largest DepEd lender in Region VII.

### **Challenges in 2020 and Outlook for 2021**

Aside from the strong competition from other thrift banks in Cebu which were offering similar loan and deposit products, the main challenge we faced in 2020 were the adverse effects brought about by the pandemic. We responded by staying committed to providing our clients with simple, convenient and rewarding financial products. We also offered Bayanihan loans or “calamity loans” to DepEd teachers and personnel.

For 2021, as more and more people get vaccinated and the country approaches “herd immunity” from COVID 19, we expect that lockdowns and movement restrictions will be lifted. Thereafter, we predict that there will be a gradual turnaround in the economy in the second half of the year. This will enable us to begin expanding our balance sheet once again, in particular our loan portfolio, funded by more deposits, to support a reviving economy. We will set up our capability to generate new SME loans for agricultural value chain enterprises backed up by credit risk support from Philguarantee Corp. We will also restart our Auto and Home loan financing. Likewise, we will begin offering salary loans to other retail customers such as BPO workers and seamen. Our historical high growth trajectory, which was flattened in 2020, will rise once more in 2021.



## Profitability (In Million)

### Total Net Interest Income

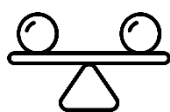
2020: **117** php  
2019: 149 php

### Total Non-interest Expenses

2020: **94** php  
2019: 98 php

### Net Income

2020: **18** php  
2019: 41 php



### Total Non-Interest Income

2020: **2** php  
2019: 5 php

### Pre-provision profit

2020: **26** php  
2019: 56 php

## Balance Sheet Data (In Million)



### Total Assets

2020: **2,016** php  
2019: 2,085 php



### Liquid Assets

2020: **455** php  
2019: 602.0 php



### Gross Loans

2020: **1,498** php  
2019: 1,492 php



### Allowance for credit losses

2020: **32** php  
2019: 24 php



### Deposits

2020: **1,442** php  
2019: 1,430 php



### Total Equity

2020: **354** php  
2019: 349 php

## Selected Ratios

### Capital Adequacy Ratio

2020: **20.4%**  
2019: 22.3%

### Non-Performing Loans Ratio

2020: **4.2%**  
2019: 1.7%

### Minimum Liquidity Ratio

2020: **30.9%**  
2019: 41.5%

## Others



### Cash Dividends Declared (In Million)

2020: **25.0** php  
2019: 21.6 php

2020: **41**  
2019: 40



Headcount

2020: **30**  
2019: 28

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# RISK MANAGEMENT FRAMEWORK

## Overall risk management culture and philosophy

Sun Savings Bank acknowledges that like any other businesses, it cannot be viable without taking on risks. Risk taking is a crucial activity and is not necessarily a cause for concern for as long as the bank exhibits the ability to properly identify, measure, monitor and control risk. The bank's concept is that taking risk is required in order to fulfill the bank's mission but the risks should be assessed to ensure that it is within the company's appetite and effective mitigation strategies are employed.

The bank is exposed to various types of risk and our position to manage these risks are articulated in our policy.

## Credit Risk

Credit Risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with the agreement.

The bank's lending business is in accordance with the policies set by the board. The bank sets up approval limits, to various types of loans; and exposure limits per type of borrowers, industry, and security. All of these are monitored by the President or Treasurer, the ExCom and the Board.

A credit risk rating model was developed to assess the paying capacity of the borrower and as basis for the client's eligibility to get a loan or renewal. The risk rating will be used in the classification of loan to identify the appropriate loan loss provision for a particular type of loan. Moreover, the tracking and monitoring of non-performing and past due loans are being done monthly.

The bank also developed a loan review mechanism to cover procedures, compliance status, review of risk rating, pick up of warning signals and recommendation of corrective action with objective of improving credit quality. The Credit review also identifies loan with credit weakness and determine adequacy of loan loss provisions.

The bank ensures that it does not exceeds any regulatory limits such as single borrower's limit and the limits on the credit accommodations granted to directors, officers, stockholders and related interests (DOSRI).

## Liquidity Risk

Liquidity risk is 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. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. This risk also arises from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Liquidity risk is the risk that the Bank may not meet its short-term debt obligations or funds are insufficient, owing to a decline in creditworthiness or an extreme gap between maturities for fund use and funding, and may therefore have to pay prohibitively high interest rates to borrow funds for the operations. The Bank adheres to the proper management of liquidity risk and it has been well defined in the separate Bank's Manual on Business Continuity and Contingency Manual.

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The bank ensures correct and well calculated reserves and accurate management of funding requirements through cash flow analysis and forecasting. It also ensures that the reserve requirement of 3% and minimum liquidity ratio of 16% is continuously complied. Regular monitoring of the Bank's required reserves and minimum liquidity ratio is being done by the Bank's Accountant and results thereof are communicated to the Treasurer.

## Operational Risk

Operational Risk is the current and prospective risk to earnings or capital arising from fraud; error; and the inability to deliver products and services, maintains competitive position and manage information. It is actually the risk of potential loss arising from inadequate information systems, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems. In varying degrees of severity, operational risks exist in all products, business activities and units of the bank. Typical examples are human error or willful actions, system failures and inadequate procedures and controls.

The Bank ensures that communication between different business units, in relation to the managing of operational risks, are continuous and consistent. Goals for each undertaking are clearly defined wherein policies and procedures to achieve such goals are carefully laid-out based on consultations with all personnel involved.

The Bank adopted well-researched comprehensive compensation scheme where performance is carefully measured and rewarded accordingly.

The Bank's operational risk management is commensurate with the complexity of its operations, range of products and services, organizational structure, and risk profile.

## Market Risk

The primary objective is to secure a reasonable return on funds invested while avoiding undue risk. Bank has adopted an investment policy that addresses: limits on volume (as a percentage of capital and deposits) and quality of investments (i.e. credit ratings) and such, investment decisions are made:

- in the best interests of Sun Savings Bank;
- in accordance with the general level of risk the Bank willing to accept.
- in accordance with defined performance tests and prudent standards.

The Bank considers eligible investments such as, Government Securities and Bonds issued by private corporations with credit rating of "A". Investments more than P100 million are approved by ExCom while lesser amounts will be approved by the President or Treasurer.

The Bank also defined in its policy its investment limit and stop loss limit. For government securities, up to 100% of the deposit liabilities (DL) if less than 1 year, and only 50% of the DL if the term is over 1 year to 25 years. For private bonds, the amount is only up to SBL per issuer and the aggregate amount is up to 50% of the DL. Stop loss limit is up to the point that the total loss that may be incurred will result to capital adequacy ratio of the bank lower than 15%.

Investment portfolio level is regularly reported to the board, which is also matched with the annual business plan. Material variances from plan, and their causes, as well as the management's plan to correct the variance

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should also be included in the report. The report will also provide the board with a summary on compliance with investment policies.

## Technology Risks

The bank has a set of standards and controls to manage technology-associated risks through effective planning, proper implementation and protocols, periodic measurement and monitoring of performance.

There is an existing data center that serves as offsite back-up which is capable of running the core banking system of the bank in case of any disruptions. The Bank ensures that there are adequate maintenance procedures of all IT equipment. A special attention is given to computer software and hardware to which efficiency of the bank's operations is highly dependent. The Internal Auditor and Compliance Officer are involved on new software and hardware acquisitions, as part of internal controls.

A secured firewall to our network system and internet access and a barrier against unauthorized or malicious access to confidential information were properly established. The bank has also a strict implementation of the strong password policy (alpha-numeric, individual responsibility, and changed periodically) and the prohibition of its sharing.

## Legal Risk

Legal risk is the risk of loss caused by penalties or sanctions originating from court disputes due to breach of contractual and legal obligations, penalties and sanctions pronounced by a regulatory body.

To properly manage the legal risks of the bank, the Board of Directors contracted the services of a competent lawyer/ legal counsel in order to seek guidance and assurance that all business transactions entered into are valid and are enforceable under Philippine laws.

## Reputation Risk

It is the current and prospective impact on earnings or capital arising from negative public opinion, including its clients, shareholders, employees, media, regulators and government entities. This affects the bank's ability to establish new relationships or services or continue servicing existing relationships.

Reputation risks are managed by the bank by consistent and full compliance of the bank's operations and employees to laws, rules and regulations, and its own policies. The bank does its business legally with high ethical standards through (1) proper and timely disclosure of the bank's financial condition to regulating bodies and to the public it serves; (2) constant information and assurance to the public of the bank's growth and development plans and its achievement to its set goals; and (3) strict compliance with regulations.

## Compliance Risk

The Bank has positioned compliance with laws, rules, and social norms as an important management issue and prepares annual Compliance Program containing specific plans for its compliance systems, which is reviewed and approved by the Board of Directors. Concerted efforts are being devoted to putting the necessary systems in place and raising the awareness of the importance of compliance among management and staff.

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## Bank-wide Governance Structure and Risk Management Process

The Bank's Board and management ensures that there are risk management policies and procedures in place, commensurate to the size, complexity, nature and business operations of the bank. The risk

management manual provides detailed structure of limits and guidelines in identifying and assessing all material risks including new and emerging risks. These were circulated to all bank employees and discussed to the Board of Directors.

The bank's risk appetite is set by the Board of Directors. It cannot be defined by a single number and the bank considers different dimensions. It is usually a combination of regulatory requirements and aggregates, such as credit concentrations limits, that are taken into account. The bank also considers whether it is coherent with the bank's business strategy.

The Board of Directors also ensures that the risk management function has adequate resources to effectively perform its functions and such shall be afforded with adequate personnel, access to information technology systems and support and access to internal information.

## AML Governance and Culture and Description of the Overall Money Laundering (ML)/Terrorist Financing (TF) Risk Management Framework

Sun Savings Bank established its own Money Laundering and Terrorist Prevention Program (MTPP) that is fully documented and approved by the Board of Directors, to provide guidance

to all employees to prevent the bank from being made as a channel of money laundering, terrorist financing and other criminal activities.

To ensure that Sun Savings the Bank's reputation is not compromised, it is the Bank's guiding principle that its employees will not aide or abet money-laundering activities and will protect the integrity and confidentiality of bank accounts.

Sun Savings Bank shall not allow itself to be used as an intermediary for the deposit, investment or transfer of money derived from unlawful activities. The Bank shall, thus, it does not allow the opening of anonymous accounts, accounts under fictitious names and all other similar accounts. It shall extend full cooperation in transnational investigations and prosecutions of persons involved in money laundering activities wherever committed.

The Bank ensures that the following areas are implemented:

- Customer Identification, including on-going monitoring of customers and their transactions.
- Record Keeping
- Reporting of Covered and Suspicious Transactions
- Employees Training

The performance and the processes of the MTPP is continuously monitored and measured. The monitoring does not limit to the performance of the employees in managing their obligations but also the efficacy and suitability of the methods used in managing their compliance obligations.



## CORPORATE GOVERNANCE

The objective of the Board of Directors of Sun Savings Bank is to achieve a long-term accomplishment through the implementation of Governance practices that promote continuity, consistency, and effectiveness in the way the Board operates and governs the Bank.

As of 31 December 2020, Sun Savings Bank is governed by a Board consisting of five (5) Directors, three (3) of which are independent directors. The responsibility of the Board is to ensure strategic direction, management supervision and adequate control of the company, with the ultimate goal of increasing the long-term value of the Bank. The Directors will hold their office charged with the duty to exercise sound and objective judgment for the best interest of the Bank.

Sun Savings Bank upholds the value of honesty and integrity and will continue to enhance this culture guided by the Code of Conducts that defines commitment to pursue the highest standards of ethical conduct.

The Board of Directors were selected based on fit and proper rule for the position. The bank ensures that the following matters are considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/ training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities. The Directors are being assessed by its conduct and behavior and his ability to comply with company policies and applicable laws and regulations. The board of directors are also required to attend seminar on corporate governance for directors.

### **The Chairman of the Board**

The chairman's primary role is to ensure that the board is effective in its task of setting and implementing the company's direction and strategy. Consistent to BSP guidelines on effective governance for banks, he shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with board members. He shall: (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; (5) 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 director at least once a year.





## THE BOARD OF DIRECTORS

### **CATALINO S. ABACAN**

Chairman of the Board



Mr. Catalino S. Abacan was initially appointed as director of the Bank in December 2019, to serve the remaining term of Mr. Kenneth S. Uy, who resigned as Chairman and director of the Bank in November 2019. Thereafter, on January 2, 2020, Mr. Abacan was elected Chairman of the Board.

Prior to Sun Savings Bank, he was the former President & CEO of City Savings Bank, a thrift bank subsidiary of Union Bank of the Philippines (UBP) and a member of the Aboitiz Group.

Mr. Abacan started his career at the Philippine Banking Corporation (PhilBank) in 1975 where he held various positions, initially as Credit Investigator/Appraiser then as Head of the Credit Investigation & Appraisal Unit. Afterwards, he moved to Branch Operations as Manager and subsequently, became an Area Manager for Manila branches. The last position he held was being Vice-President & Group Head for Operations of Transaction Banking (Loans & International), Foreign Currency Deposit Unit and Treasury.

In 1994, he was invited by Lippp Bank of Indonesia as the Vice President for Operations of their Manila Offshore Banking Unit. Likewise, he was instrumental in setting up a Lippp Bank branch in Cambodia.

In 1997, Mr. Abacan joined Union Bank of the Philippines (UBP) as VP/Region Service and Operations Head of North Luzon branches. Eventually, he was assigned in 2000 – 2004 as VP/Operations Head of UBP Visa Credit Card Unit, then as Head of Liabilities Products, Branches Operations & Credit Card Operations. His last position in UBP was Executive Vice-President of the Channel Management Group until 2014.

In 2013, he was appointed as Vice Chairman of the Board of Directors of City Savings Bank, a subsidiary of UBP and then, became its President/CEO in 2014. In 2018, he was transferred as President/CEO of PR Savings Bank to oversee its merger with City Savings. Upon the latter's completion in February 2019, he was designated as Senior Adviser to the Board until his retirement on October 31, 2019.

Mr. Abacan finished a degree of Bachelor of Science in Business Administration (BSBA) major in Accounting at the University of the East and passed the CPA Board in 1975. He also completed the academic requirements for the Masters in Business Administration at the Ateneo Graduate School of Business in 1978.



## **FRANCISCO A. DIZON**

Director  
President & CEO

Mr. Francisco A. Dizon is the President and CEO of Sun Savings Bank and concurrently the Chairman and President of Pacific Northstar Inc. (PNI) and Project Quest Corp., the investment fund organized by PNI. He is also Chairman and President of BPO International and Phoenix One Knowledge Solutions, and serves as Independent Director of the Makati Medical Center. He previously served as Chairman/Vice Chairman of Pointwest Technologies Corp.

Mr. Dizon has established an excellent background in banking. In the year 2000, he was elected as Director of the Philippine National Bank but eventually appointed as Chairman of the Board and served from 2001 up to 2005. He was also the President and CEO of Rizal Commercial Banking Corporation from 1997 to 2000. Previous to that, he was President and CEO of AsianBank Corporation.

Mr. Dizon was also the Vice-Chairman and President of AB Capital Investment Corporation which he helped organized in 1980. AB Capital Investment Corporation, and its subsidiary Anscor Hagedorn Securities, were the leading Philippine investment bank and stock brokerage firms respectively in the 1980s and 1990s. Mr. Dizon was also a director of Ayala Property Ventures Corp in 1987. He holds an MBA from the Asian Institute of Management and obtained his Bachelor's degree from the Ateneo de Manila University.



## **AUGUSTO S. GONZALEZ**

Director  
Executive Vice President & Treasurer

Mr. Augusto Gonzalez is the Executive Vice President, Treasurer and Director of Sun Savings Bank. He is also concurrently the Vice President of PNI and has managed several significant advisory transactions, including the sale of Prudential Bank and Citytrust Banking Corporation. He is also currently a Director of Project Quest Corp., Pointwest Technologies and Phoenix One Knowledge Solutions. Prior to joining PNI, Mr. Gonzalez was a Senior Manager at AB Capital and Investment Corporation where he managed various debt and equity underwriting transactions. Previous to that, Mr. Gonzalez was a Corporate Finance Analyst with SGV & Company. Mr. Gonzalez holds an MBA from Northwestern University and obtained his Bachelor's degree from the Ateneo de Manila University.

The Santos family, to which Mr. Gonzalez belongs to, formerly owned the Prudential Bank that was bought by the Bank of the Philippine Islands (BPI) in 2005. The Santos Family also co-owned the former Pilipinas Bank building in 111 Paseo de Roxas together with BPI, but the family bought out BPI in 2012.



**QUINTIN G. TAN**  
Independent Director

Mr. Quintin G. Tan sits as an independent director of Sun Savings for 9 (nine) years. He is also an adviser of Entrepinoy Volunteers Foundation, Inc and became the Chairman of the Board of CCT Training and Development Institute. He was previously a Director of the Bureau of Small and Medium Enterprise-Department of Trade and Industry.

Prior to joining Sun Savings Bank, he worked as Consultant of Development Bank of the Philippines and a full-time Professor of Asian Institute of Management. Previous to that, he was a Plant Manager of Atlantic Gulf and Pacific Corporation and San Miguel

Corporation.

He finished his MBA International Teachers Program at University of the Philippines and Harvard University. He earned his Bachelor of Science degree in Mechanical Engineering from University of the Philippines.



**JOSE ENRICO R. GANDIONCO**  
Independent Director

Jose Enrico R. Gandionco is a member of the Gandionco clan, who have proudly established the "Julie's Bakeshop" name in the country.

He is the Chief Executive Officer of Cebu Primera Food Industries, Inc., which owns the Mang Tinapay chain of bakeshops. He used to operate the largest number of Julie's Bakeshop, owned by a single franchisee, with more than 50 main branches and over 100 physical stores located nationwide, for nearly 25 years.

He is also the president of several companies and is the former President of Casino Español de Cebu, a highly regarded social club in Cebu City.

He is a Doctor of Medicine, having earned his doctorate degree from the Cebu Institute of Medicine. He also earned his Bachelor's Degree in Medical Technology from Velez College.

## Board Level Committees

The Board of Directors constituted the following board committees: Executive Committee, Audit Committee and Management RPT Committee.

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## The Audit Committee

The audit committee is composed of three (3) members of the board of directors, who are non-executive directors of which the chairman is the Independent Director Mr. Quintin Tan.

The Audit committee primary functions set forth in Section 133 of the MORB.

- (1) Oversee the financial reporting framework. The committee will oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
- (2) Monitor and evaluate the adequacy and effectiveness of the internal control.
- (3) Oversee the internal audit function. The committee will be responsible for the appointment/selection, remuneration, and dismissal of internal auditor. It shall review and approve the audit scope and frequency.
- (4) Oversee implementation of corrective actions. The committee will receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by auditors and other control functions.
- (5) Investigate significant issues/ concerns raised. The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
- (7) Establish whistleblowing mechanism. The committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

Audit Committee composition:

<b>Chairman:</b>	Quintin G. Tan
<b>Members:</b>	Jose Enrico R. Gandionco Catalino S. Abacan

## The Executive Committee

The Executive Committee act on behalf of the board during the interim times between board meetings. Executive Committee functions board delegated authority in the management and direction of the affairs of the bank subject to the provisions of the Bank's By-laws, and the limitations of the law and other applicable regulations. Its authority includes major operational policies and credit exposures, but subject to ratification of the board.

Committee composition:

<b>Chairman:</b>	Francisco A. Dizon
<b>Members:</b>	Augusto S. Gonzalez Catalino S. Abacan

## Management RPT Committee

It is the policy of Sun Savings Bank that related party transactions are conducted on arm's length basis and transparent. The Bank shall exercise appropriate oversight and implement effective control systems to

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manage related party transactions that is free from abuses and are not disadvantageous to the Bank, its depositors, creditors and other stakeholders.

All RPT transactions below the materiality threshold, except DOSRI transactions shall be approved by the Management RPT Committee but subject to confirmation by the Board of Directors. All transactions that cross the materiality threshold shall be approved by the Board of Directors.

#### Responsibilities of the Management RPT Committee:

- Evaluate, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board and regulators/supervisors.
- Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the bank's affiliation or transactions with other related parties.
- Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- Ensure that the RPT transactions are part of the periodic review of the Internal Auditor.
- Check the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Committee composition:

<b>Chairman:</b>	Francisco A. Dizon
<b>Members:</b>	Augusto S. Gonzalez Senior Accounting Head

## Board Qualification

Consistent to RA 8791 and provisions in the Manual of Regulations for Banks (MORB), Sun Savings Bank will assess its board of directors based on the minimum qualifications prescribed in the MORB and relevant rules and regulations:

- (1) He shall be at least twenty-five (25) years of age at the time of his election or appointment;
- (2) He shall be at least a college graduate or have at least five (5) years' experiences in business;
- (3) He must have attended a special seminar on corporate governance for board of directors conducted or accredited by the Bangko Sentral;
- (4) He must be fit and proper for the position of a director of the bank. Such that with integrity/probity, physical/mental fitness; relevant education/financial literacy/ training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities.

## Board Composition

NAME	TYPE OF DIRECTORSHIP	STOCKHOLDINGS (No. of Shares)	YEARS OF SERVICE
Francisco A. Dizon	Executive Director	1	9
Augusto S. Gonzalez	Executive Director	1	9
Quintin G. Tan	Independent Director	1	9
Jose Enrico R. Gandionco	Independent Director	1	9
Catalino S. Abacan	Independent Director	1	1

## Board and Committee Meeting Attendance

Name	Board Meeting (Regular)		Board Meeting (Special)		Audit Committee Meeting	
	Attended	%	Attended	%	Attended	%
Catalino S. Abacan	5	100%	2	100%	5	100%
Francisco A. Dizon	5	100%	2	100%		
Augusto S. Gonzalez	5	100%	2	100%		
Quintin G. Tan	5	100%	2	100%	5	100%
Jose Enrico R. Gandionco	5	100%	2	100%	5	100%

## Performance Assessment Program

Sun Savings Bank conducts an annual evaluation of its Board and Senior Officers to ensure that they are performing their duties and responsibilities at the highest level.

The rest of the employees are subject to evaluation by their direct superiors based on their performance of their duties, responsibilities and the achievement of their respective goals set.

The Bank regularly reviews its employment policies, to ensure that the Bank is offering compensation at par with the thrift bank industry offering the same job. Salary structure is also reviewed to ensure that the bank is offering a reasonably competitive salary as compared to its peer banks.

Benchmarking of bank positions, in the Bank, and comparing it with the industry are being done. This is acted by conducting job evaluation on a regular basis.



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## Orientation and Education Program

The onboarding employees and provided with orientation trainings to be fully equipped with knowledge and skills to his specific job. Bank also sent employees to various trainings to keep them abreast with applicable banking rules and regulations. As member of the Chamber of Thrift Banks, we will be able to send our employees any related seminars that are available for the employees.

## Retirement and Succession Policy

### Retirement Policy

The age of retirement from the Bank is sixty-five (65) years old but may be extended with board approval. The succession plan will also foresee the future retiree of the bank by preparing a pool of the employee to be prepared to fill in on the day the employee retires. This is only for officer holding critical position or the senior officers of the bank.

### Succession Policy

The Board of Directors of Sun Savings Bank adopted the bank's succession plan for the purpose of ensuring that the Bank will continue its business operation in case of resignation, retirement, disability, or even death of its key officers. The pipeline of staff shall also be developed for succession roles so that they will be ready to fill the vacant position of the officer who will be in the future promoted for a more senior position of the Bank.

### Board of Directors

Succession or filling up of any vacancies in the board shall be made by a vote of at least 2/3 of remaining members of the board. However, if such vacancy is caused by a removal, expiration of the term or any increase of number of the directors, such shall be filled by the stockholders of the bank.

### Senior Management and Officers

The bank identified the list of key officers of the bank, as articulated in our policy. It developed an acceleration pool where selected high potential employees who shall be developed, prepared, and trained for high level positions. An existing policy is in place indicating plan and measures in case of retirement, resignation, disability or loss of the bank's Directors and officers.

## Remuneration policy

The officers are provided with an industry competitive compensation package to attract, motivate, and retain highly qualified people. The salary scales of our officers are generally based on their position and rank. Result of annual performance evaluation is the primary basis when adjustment is made. We also grant performance bonuses, including a 13th-month pay, in accordance with law. The Bank's remuneration policy is applicable to all employees, including the President and its senior officers. Each director receives a per diem for attending Board and committee meetings.

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## Related Party Transactions (RPT)

It is the policy of Sun Savings Bank that related party transactions are conducted on arm's length basis and transparent. The Bank shall exercise appropriate oversight and implement effective control systems to manage related party transactions that are free from abuses and are not disadvantageous to the Bank, its depositors, creditors and other stakeholders.

All RPT transactions below the materiality threshold, except DOSRI transactions shall be approved by the Management RPT Committee but subject to confirmation by the Board of Directors. The Management RPT Committee shall compose of the President, Treasurer and Senior Accountant. All transactions that cross the materiality threshold shall be approved by the Board of Directors.

Transactions to related parties shall pass the following criteria: (1) Done in arm's length basis; (2) Conducted in the regular course of business; (3) Not undertaken on more favorable economic terms (price, commission, interest rates, fees, tenor, collateral requirement) to such related party/ies under similar circumstances; and (4) Transactions are engaged into at terms that promote the best interest of the Bank.

Prior to approval, the Compliance Officer shall conduct an initial review and consider the following factors and relevant facts and surrounding circumstances in reviewing the proposed transactions with related parties: (1) Transaction and Transacting Parties; (2) Terms and Conditions; (3) Purpose and

Rationale; (4) Monetary Value; (5) Reputational Risks; (6) Conflict of Interest; and (7) Availability of others sources comparable products and services.

Our RPT policy likewise requires our directors and officers with personal interest in the Bank's transaction (e.g. they themselves or any of their close family members acting as the Bank's counterparty) to inhibit/abstain from the discussion, approval and management of such transaction. Provisions against conflict-of-interest situations are likewise stipulated in the Bank's Board-approved "Code of Conduct" such as the prohibition of self-dealing transactions.

### **RPT Materiality Thresholds**

**1.1** The Board set up materiality thresholds on the transactions for purposes of determining which RPT should go to the Board for approval and which ones can be approved at Management level.

**1.2** The following transactions are not considered material and are not subject to the regular management report to Board or prior approval of the Board:

a. Deposit operations

Subject to the following conditions:

Special Deposit rates given to the related parties shall require prior approval by at least majority of the members of the Management RPT committee to ensure that the terms and conditions of the transactions are not disadvantageous to the bank.

b. Regular trade transactions, involving purchases and sales of debt securities traded in an active market.

c. Loans granted to Officers of the Bank under BSP-approved fringe benefit programs

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### 1.3 Limits

The Bank had set-up limits in terms of materiality of the related party transactions.

#### Transactions considered Material

Any transactions or dealings in which the aggregate amount involved will or may exceed 5% of the total capital of the Bank in each year where a Related Party will have direct or indirect material interest.

Exceptions to the related party transactions:

Even if the aggregate amount exceeds the materiality threshold, the following shall not require approval from the RPT Management Committee:

- (1) Conducted in the regular course of business

Transactions entered by the bank under the regular course of business; provided that no policy deviations and that the services offered are of the same terms to the comparable services provided by unrelated parties

- (2) Employee's Benefit

- (3) Preferential rates given to employees as part of their incentives or benefits (i.e interest rate for loans)

#### **Material Related Party Transactions**

Based on the bank's materiality threshold, no reported material related party transactions for the year 2020.

### **Self-Assessment Function**

#### **Compliance**

To ensure compliance with applicable laws, rules and regulations, it shall start with the Board of Directors and Senior Management Team. The Chief Compliance Officer is the lead senior officer responsible for the administering the compliance program of the Bank. The CCO shall oversee the design of an appropriate compliance system, promote its effective implementation and address breaches that may arise. The CCO directly reports to the Audit Committee and the Board of Directors

The Compliance office works proactively to identify, monitor, assess and address emerging compliance issues. This will be done through compliance testing and monitoring and provide advisory through a clear and open communication line.

#### **Internal Audit**

The Internal Audit unit is the third line of defense as the independent assurance provider. This unit is under the oversight function of the Audit Committee.

The Internal Audit unit conducts independent reviews and appraisals of the Bank's procedures and operations. Results of the review will provide management with independent appraisal of the various operations and systems of controls.

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The functions of internal Audit are the following:

- a. Developing and maintaining a comprehensive audit program necessary to ensure compliance with accounting standards, policies and procedures necessary to bank's assets.
- b. Communicating the results of audits and reviews by preparing timely reports, including recommendations for modifications of management practices, internal policies and accounting procedures as warranted by audit findings.
- c. Establishing and maintaining a quality assurance program to evaluate the Internal Audit operations. This program should include the following: uniformity of work paper preparation, audit sampling, work paper review, report preparation and review, report communication and issuance and record retention.

## Dividend Policy

The policy is consistent to SEC rules. Dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them: Provided, that any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while

stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid: Provided, further, That no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

Consistent to BSP rules and regulations, the bank will comply the requirements prior to the declaration of dividends as enumerated in Section 124 of the MORB. The net amount available for dividends shall be the amount of unrestricted or free retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of the calendar/ fiscal year-end immediately preceding the date of dividend declaration.

On August 27, 2020, the Board the Board of Directors declared cash dividends of Php25.0 million payable not later than September 17, 2020 which cash dividends will be used for the following purposes: (1) Php12.5 million to pay for a portion of the unpaid subscription of the stockholders, thereby bringing up the Paid-Up Capital to Php312.5 million in 2020 and the remaining Php12.5 million to the stockholders of record as of July 31, 2020.

## Corporate Social Responsibility

Employee and society engagement have always been a part of what we do. Every year, Sun Savings Bank has shown its commitment to our core values, the HEART of the vision and mission, not just to our valued customers, but as well as to the community we belong to.

Sun Savings Bank believes that engaging employees in different activities would help improve their productivity, efficiency and commitment towards achieving the company's mission and vision. However, the current situation derived from the ongoing global health crisis that occurred in 2020 due to COVID-19, has caused us to change our way in pursuing our Corporate Social Responsibility (CSR) strategies in maintaining employee engagement.

At the height of the pandemic, Sun Savings Bank granted its employees in advance their 13<sup>th</sup> month pay bonus and provided financial assistance in order to help them survive the month-long quarantine. Sun

Savings bank continues to believe that employees play an important role towards achieving the company's mission and vision therefore we acknowledge that our prime responsibility is to take care of our employees' well-being amidst pandemic. For the employees who were to work from home, they were provided with the tools to conduct remote selling and be able to work on their tasks even at the comfort of their homes. Upon resumption of operations, the bank provided free transport and vitamins to its employees. The banking and office hours were also reduced and implemented a skeleton work schedule.

The teachers are regarded as our inspiration. Many teachers faced problems while shifting to online classes from the traditional way of teaching during. Numerous teachers resorted to starting a campaign online that asks for donations of bond papers and ink to be used for the printing of modules. Sun Savings Bank allocated funds to donate bond papers to twenty-five different public school which were located in the far-flung areas of Cebu. The bank also identified ten (10) schools for the donation of printers provided by Lexmark.

Despite the challenges, we still managed to pivot our way to adapt our CSR policies and actions to current health, economic and social needs.



## Consumer Protection Practices

Sun Savings Bank adheres to BSP Financial Consumer Protection framework for regulated financial institutions. The Consumer Protection policy was crafted and duly approved by the Board of Directors. The initiatives are intended to serve and protect consumers, assert their rights, raise their awareness and hear their complaints.

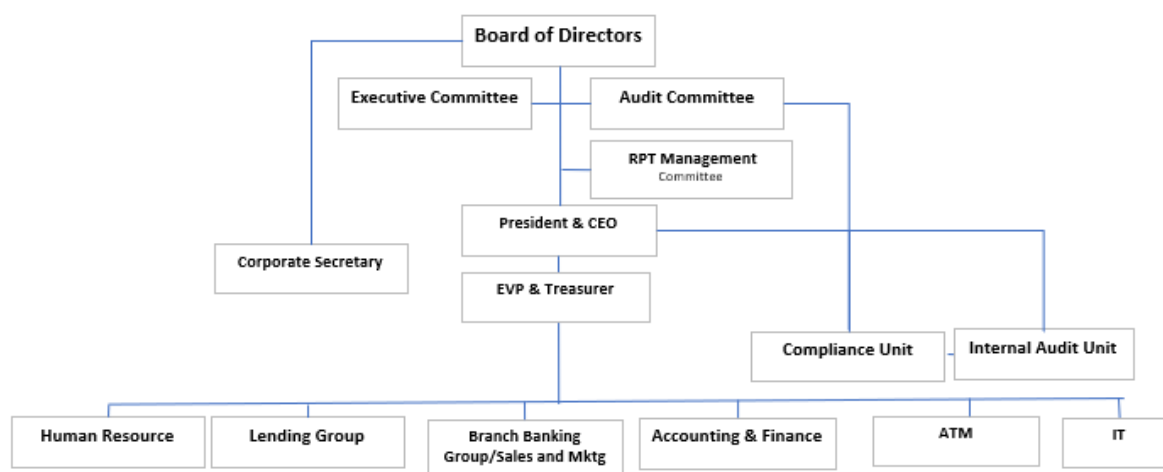
As simple bank, our Branch Consumer Assistance Officer handles customer complaints and assistance in a branch. This is concurrently performed by our Branch Cashiers. We also appointed one of our

Managers to head the Customer Assistance Officers who will review and regularly report to the President for any branch complaints received.

The bank ensures prompt response to customer complaints wherein the acknowledgment, processing, and communication of resolution s shall not be beyond the timelines set in Appendix 115 of the MORB on processing of simple and complex complaints.

# CORPORATE INFORMATION

## Organizational Structure



## Key Officers

Francisco A. Dizon  
Augusto S. Gonzalez  
Atty. Arsenio A. Alfiler, Jr.  
Bryan E. Bacon  
Marilou R. Saberon

President & CEO  
Treasurer & Exec Vice President  
Corporate secretary  
Senior Assistant Vice President  
AVP-Chief Compliance Officer

## MAJOR STOCKHOLDERS

Name	Nationality	% of Stockholdings	Voting Status
Fleetwood Holdings, Corp.	Filipino	39.50%	Voting
Project Quest Corporation	Filipino	30.25%	Voting
Santos Gonzalez Hijos, Inc.	Filipino	25.25%	Voting
Navion Capital Resources	Filipino	5.00%	Voting



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# PRODUCTS AND SERVICES

## **Savings Deposit Accounts**

- Regular Passbook Savings
- Passbook with ATM
- Payroll ATM
- ATM for DepEd Teachers
- Basic Deposit Account

Savings deposit account which requires minimum average daily balance (ADB) of P200.00 and interest is at 1% per annum paid monthly.

## **Checking Accounts**

- Regular Checking Account
- Automatic Transfer Account

## **Time Deposit Accounts**

- Short Term Time Deposits (Terms from 30 to 90 days)
- Regular One-Year TD
- Advance Interest One-Year TD
- Advance Interest Three-Year TD
- Five Years and One Month Time Deposit (Tax Free)
- Five Years and One Month Time Deposit  
(Interest Paid in Advance for one year and every year thereafter/  
Tax Free)

## **Consumer Loans**

1. Salary Loans
  - (1) Salary Loan for DepEd Teachers and Employees under the Automatic Payroll Deduction Scheme (APDS)<sup>1</sup>
  - (2) Start-up Loans for newly hired teachers and employees of DepEd<sup>2</sup>
  - (3) Salary Loans for Private Employees in the BPOs
2. Auto Loans (Brand New and Pre-owned)
3. Housing Loan/Home Loan (House & Lot and Condominium units)  
Other complementary home loans:
  - (1) Home Furniture Loan
  - (2) Home Improvement Loan
  - (3) Move-In Loan
  - (4) Equity Loan

## **Business Loans**

- SMe Term Loan
  - Factoring of Receivables/ Discounting Lines
  - PDC Discounting
  - Hold-out Deposit (Back-to Back Loan)
- Other Business Loan
  - Secured with Real Estate Mortgage or Chattel Mortgage
  - Postdated Checks of the Borrower
  - Continuing Suretyship of the Principal(s)

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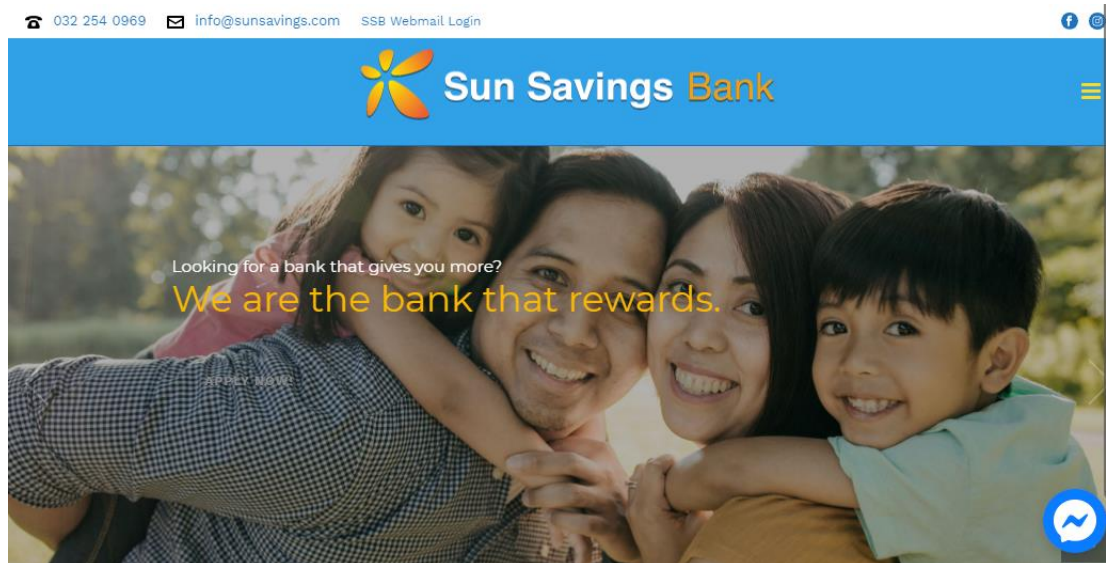
<sup>1</sup> Sun Savings Bank renewed its agreement with DepEd on 4 May 2018 under the new Terms and Conditions of the APDS Accreditation for Loans (TCAA), pursuant to DepEd Order No. 18 s. 2018

<sup>2</sup> Launched last July 2018.

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## OUR WEBSITE

[www.sunsavings.ph](http://www.sunsavings.ph)



Our website features the following:

- About Sun Savings Bank

- News and Advisory

- Deposits

- Loans

- FAQs

- Careers

- Contact Us

Online Banking that will direct you to BancNet using your Sun Savings ATM for online transactions.

## BRANCH LOCATION

Office	Complete Address	Tel Nos.
<b>Cebu City Head Office</b>	45 Capitol West, Don GI Garcia corner Escario Street, Capitol Site, Cebu City	415-4228/ 415-4223
<b>Talisay Branch</b>	Door 8, GF, Rosalie Building, Gaisano Fiesta Mall, Hi-way Tabunok, Talisay City, Cebu	520-9760/ 520-8847
<b>Mandaue Branch</b>	Door 6, Ground Floor, Carlos Perez Building, A.C. Cortes Avenue, Mandaue City, Cebu	263-1981/ 410-8306
<b>Carcar Branch-Lite Unit (BLU)</b>	A-10, Ground Floor, Gaisano Grand Mall, Poblacion II, Awayan, Carcar City, Cebu	487-7355
<b>Danao Branch-Lite Unit (BLU)</b>	GF Space# 7, Sands Gateway Mall, National Hi-way, Poblacion, Danao City	349-8380
<b>Ayala-Solinea Branch-Lite Unit (BLU)</b>	Retail No. 8, G/F Tower 2, Solinea Condominium Complex, corner Cardinal Rosales 2, Luzon Avenues, Cebu Business Park, Bgy Hipodromo, Cebu City	326-8153
<b>Carbon Cebu City Branch-Lite-Unit (BLU)</b>	Plaridel corner Progreso St., Bgy Ermita, Cebu City	254-6882

# CAPITAL STRUCTURE AND CAPITAL ADEQUACY

	2020	2019
Authorized Capital Stock	1,000,000,000	1,000,000,000
Subscribed	341,700,000	341,700,000
Paid-Up	312,500,500	300,000,000

## Bank's regulatory capital position as at December 2019 and December 2020

	BSP Report		Audited FS	
	2020	2019	2020	2019
Common Stock	312,500,500	300,000,000	312,500,500	300,000,000
Retained Earnings	23,065,315	9,779,074	23,065,315	7,476,400
Undivided Profits	16,567,655	35,033,874	17,643,950	40,588,914
Other Comprehensive Income				
<b>Total Capital</b>	<b>352,133,470</b>	<b>344,812,948</b>	<b>353,209,764</b>	<b>348,065,314</b>
Less:				
Deferred Income Tax	7,443,743	5,219,111	9,855,079	7,443,743
DOSRI-Unsecured				
Other intangibles-Net				
Goodwill				
Unbooked valuation reserves and other capital adjustments <sup>1</sup>				
Other equity investments				
<b>Total Tier 1 Capital</b>	<b>344,689,727</b>	<b>339,593,837</b>	<b>343,354,685</b>	<b>340,621,571</b>
Add:				
Unrealized gains on AFS		32,618	370,265	32,618
General loan loss provision	14,470,847	13,972,034	14,470,847	13,972,034
<b>Total Qualifying Capital</b>	<b>359,160,574</b>	<b>353,598,489</b>	<b>358,195,798</b>	<b>354,626,223</b>
Total Credit Risk-Weighted Assets	1,600,423,531	1,473,940,118	1,596,338,215	1,470,129,060
Add: Total Operation Risk Weighted Assets	163,825,605	111,848,971	159,508,034	107,217,151
<b>Total Risk Weighted Assets</b>	<b>1,764,249,135</b>	<b>1,585,789,089</b>	<b>1,755,846,250</b>	<b>1,577,346,211</b>
<b>Risk Based Capital Adequacy Ratio</b>				
Total CAR	20.36%	22.30%	20.40%	22.48%
Tier 1 CAR	19.54%	21.41%	19.55%	21.59%

## Computation of the Bank's Credit Risk Weighted Assets

		Audited			
		2020		2019	
	Risk	Principal Amount	Risk Weighted Amount	Principal Amount	Risk Weighted Amount
Cash on Hand	0%	24,234,660	-	16,272,040	-
Due from BSP, RRP, AFS, Loans covered by Hold-outs	0%	351,256,596	-	525,589,694	-
COCI	20%	1,836,086	367,217	2,586,683	517,337
Corporate Private Bonds	20%	16,563,169	3,312,634	23,488,343	4,697,669
REM (mortgaged and current)	50%	51,439,969	25,719,985	39,468,111	19,734,055
MSME (Current)	75%	91,028,101	68,271,076	148,224,266	111,168,200
NPL	150%	57,936,940	86,905,410	24,257,946	36,386,920
ROPA	150%	1,348,032	2,022,048	718,198	1,077,297
Other Assets	100%	1,409,739,845	1,409,739,845	1,296,547,583	1,296,547,583
<b>Total Credit Risk Weighted Assets</b>			<b>1,596,338,215</b>		<b>1,470,129,060</b>

### Computation of Operational Risk Weighted Assets-2020

	2020 Gross Income (Audited)			
	2017	2018	2019	Average
<b>A. Net interest income</b>				
A.1 Interest income	99,724,271	140,175,940	222,266,548	
A.2 Interest expense	31,765,965	45,665,689	73,630,308	
A.3 Subtotal (A.1 minus A.2)	<b>67,958,306</b>	<b>94,510,251</b>	<b>148,636,240</b>	
<b>B Other non-interest income</b>				
B.1 Dividend Income				
B.2 Fees and Commissions Income	929,963	2,623,953	3,398,175	
B.3 Net Gain/Loss on Financial Assets and Liabilities Held for Trading	(91,667)	-	-	
B.4 Net Gain/Loss on Financial Assets and Liabilities Designated at Fair Value Profit or Loss			2,628,828	
B.5 Net Profit/Loss on Foreign Exchange				
B.6 Net Gain/Loss on Fair Value Adjustment in Hedge Accounting				
B.7 Other Income				
B.8 Sub-total (sum of B.1 to B.7)	838,296	1,045,972	6,027,003	
<b>C. Gross Income (A.3 plus B.8) (to Part V. Item A.)</b>	<b>68,796,602</b>	<b>95,556,224</b>	<b>154,663,243</b>	<b>106,338,689</b>
D. Capital Charge multiply by capital charge factor 12%				12,760,643
E. Adjusted Capital Charge (multiply by 125%)				15,950,803
<b>F. Total Operational Risk-weighted Amount (multiply by 10)</b>				<b>159,508,034</b>

### Computation of Operational Risk Weighted Assets-2019

	2018 Gross Income (Audited)			Average
	2016	2017	2018	
<b>A. Net interest income</b>				
A.1 Interest income	71,895,719	99,724,271	140,175,940	
A.2 Interest expense	24,988,699	31,765,965	45,665,689	
A.3 Subtotal (A.1 minus A.2)	<b>46,907,020</b>	<b>67,958,306</b>	<b>94,510,251</b>	
<b>B Other non-interest income</b>				
B.1 Dividend Income				
B.2 Fees and Commissions Income	595,068	929,963	2,623,953	
B.3 Net Gain/loss on Financial Assets and Liabilities Held for Trading	2,579,388	(91,667)	-	
B.4 Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value Profit or Loss				
B.5 Net Profit/loss on Foreign Exchange				
B.6 Net Gain/loss on Fair Value Adjustment in Hedge Accounting				
B.7 Other Income				
B.8 Sub-total (sum of B.1 to B.7)	3,174,456	838,296	1,045,972	
<b>C. Gross Income (A.3 plus B.8) (to Part V. Item A.)</b>	<b>50,081,477</b>	<b>68,796,602</b>	<b>95,556,224</b>	<b>71,478,101</b>
D. Capital Charge multiply by capital charge factor 12%				8,577,372
E. Adjusted Capital Charge (multiply by 125%)				10,721,715
<b>F. Total Operational Risk-weighted Amount (multiply by 10)</b>				<b>107,217,151</b>

	2020	2019
Credit risk weighted assets	1,596,338,215	1,470,129,060
Operational risk weighted assets	159,508,034	107,217,151
<b>Total Risk Weighted Assets</b>	<b>1,755,846,250</b>	<b>1,577,346,211</b>

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# INDEPENDENT AUDITORS REPORT

(Annex A-Attached)