2022

ANNUAL REPORT

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CORPORATE POLICY

Our Vision

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

Our Mission

We will achieve our vision through investments in Information Technology (IT), human capital, strategic branch network and product offerings for identified target markets.

Our Core Values

We kept on upholding our **(HEART)** core values which stands for **H** – Honesty, Integrity, **E** – Excellence, **A** - Ability and Agility, **R** – Respect, **T** - Transparency and Teamwork. This is our strong foundation builds our success and guides our decisions, actions, and relationships. These values define who we are and are reflected in every aspect of our operations. We believe that by upholding these core values, we can continue to deliver exceptional financial services to our valued customers and contribute to the growth and prosperity of the communities we serve.

Our Business Model

We remain focused on providing value for money financial services to consumers, professionals and entrepreneurs.

PRESIDENT & CEO'S REPORT

Financial Condition and Results of Operations

SUN Savings Bank continued to achieve remarkable results in year 2022, as its total assets grew by almost 47 percent to Php3 billion from only P2.07 billion a year ago.

Total loans also increased significantly by 66.35 percent to P2.4 billion and the quality of the loan portfolio continued to improve further as its non-performing loan ratio declined to 2.79 percent from 3.66 percent last year.

Liquid assets consisting primarily of deposits with the Bangko Sentral ng Pilipinas and other big banks likewise grew to P263 million from just P195 million in the prior year.

To support its high loan growth and liquidity levels, the bank attracted more deposits which grew by 18 percent to P1.755 billion by December 2022, as compared to P1.48 billion a year ago.

The growth in deposits came primarily from time deposits to match the term loans given to Department of Education teacher borrowers. The bank also availed itself of medium-term bank loans amounting to P765 million.

To ensure that the bank will have a strong and stable base on which to grow its loans and deposits, the shareholders increased their paid-in capital to P391 million from P320 million in the prior year. Combined with the increased retained earnings due to the highly profitable operations of the bank, total shareholders' equity reached a record level of P462 million as of December 31, 2022.

Given the strong loan growth and high net interest margins of 10 percent, the bank generated a solid net income of P53.6 million in December 2022. This net income attained was 114 percent higher than the P25 million earned during the comparable year in 2021. This resulted in an annualized return on equity of 12.89 percent, compared last year of 6.91 percent.

Operationally, we continue our focus on delivering exceptional customer experiences by enhancing our product offerings, investing in technology infrastructure, and streamlining processes.

The objective of the bank is simply to enable more depositors to earn a more rewarding interest income on their hard-earned deposits so that they can cope with the adverse effects of high inflation. The rewarding interest earned also allows depositors to save funds for their children's college education or fulfill their dreams, such as traveling.

Outlook and Challenges

Looking ahead, the Bank remain cautiously optimistic about the economic landscape and committed to seizing growth opportunities while managing risks prudently. Our strategic priorities include:

- Digital Transformation: Within the year, we will continue investing in advanced technology to enhance our digital capabilities, improve operational efficiency, and deliver innovative banking services that meet the evolving needs of our customers. This is to attract more depositors who are looking for more rewarding interest rates for their funds.

- Expansion and Market Penetration: We aim to expand our market presence by identifying new growth areas and strengthening our relationships with existing customers. This will be achieved through targeted marketing initiatives, product diversification, and branch network expansion.

- Talent Development: Our employees are our greatest asset, and we are dedicated to nurturing a high-performance culture. We will focus on talent development, employee engagement, and fostering a collaborative work environment to attract and retain top talent in the industry.

FINANCIAL HIGHLIGHTS

Profitability

Total Net interest Income

2022: P201M
2021: P138M
2020: P117M

Total Non-interest Expenses

2022: P128M
2021: P105M
2020: P94M

Net Income

2022: P53.5M
2021: P24.9M
2020: P17.6M

Balance Sheet Data (In Million)

Total Assets
2022:P3.048B
2021: P2.070B
2020: P2.015B

Liquid Assets
2022:P583M
2021: P529M
2020: P454M

Gross Loans
2022: P2.469B
2021: P1.485B
2020: P1,498B

Allowance for credit losses
2022: P47M
2021: P36M
2020: P32M

Deposits
2022: P1.755B
2021: P1,488B
2020: P1,441B

Total Equity
2022: P462M
2021: P369M
2020: P354M

Selected Ratios

Capital Adequacy Ratio
2022: 17.06%
2021: 21.47%
2020: 20.4%

Net Interest Margin
2022: 8.38%
2021: 7.20%
2020: 5.89%

Non-Performing Loans Ratio
2022: 2.79%
2021: 3.66%
2020: 4.07%

Return on Equity
2022: 12.89%
2021: 6.91%
2020: 4.98%

Minimum Liquidity Ratio
2022: 20.74%
2021: 35.86%
2020: 30.9%

Return on Assets
2022: 2.08%
2021: 1.22%
2020: 0.88%

Headcount

2022: 43
2021: 41
2020: 41

2022:37
2021: 34
2020: 30

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Overall risk management culture and philosophy

The Bank recognizes that the management of risk is fundamental to the business of banking. In this regard, it aims to consciously and actively manage the risks inherent in the business by striking a balance between risks and returns and achieving growth through an appropriate risk management policy. The Bank is committed to protect its reputation, core investments, employees, customers and communities and to create long-term value for all its stakeholders and to adopt an agile, scalable, defensible, and competitively opportunistic Enterprise Risk Management (ERM) framework.

The Bank's Board of Directors and Management shall ensure that adequate policies and procedures are in place to exploit opportunities and mitigate the adverse effects of key risks. These shall be comprehensive and written, clearly expressing the Board's risk appetite, tolerances and key risk indicators, management approach and framework for identifying, assessing, treating and monitoring or reviewing material risks and related exposures. The Bank shall develop and implement appropriate and effective systems and procedures to manage and control its risks in line with the risk management policies of the Bank. The Bank's Management shall adopt a policy that is forward looking and perform stress testing as intended to identify possible events or changes in the industry conditions that could adversely impact the Bank.

Credit Risk

The bank's lending business is in accordance with the policies set by the board. There were no changes in the strategies for credit risk mitigations implemented by the Bank. This includes setting up approval limits to various types of loans; credit risk rating model to assess the credit worthiness of the borrower and a loan review mechanism to detect early warning signals and provide preventive measures in improving credit quality.

The bank is compliant with the regulatory limits for single borrower's limit to credit accommodations granted to directors, officers, stockholders and related interests (DOSRI).

Market Risk

The Bank still considers eligible investments such as, Government Securities and Bonds issued by private corporations with credit rating of "A". As practiced, investment portfolio level is regularly reported to the board, comparing it with the annual business plan.

Liquidity Risk

To ensure compliance with the regulatory requirements and to meet the Bank's financial obligations in a timely manner, even in times of stress or unforeseen circumstances the Bank ensures correct and well calculated reserves and accurate management of funding requirements through cash flow analysis and forecasting. The Bank's

Accountant remains the in-charge of the regular monitoring of the Bank's required reserves and minimum liquidity ratio is and the results thereof are communicated to the EVP & Treasurer.

Operational Risk

The Bank's operational risk management is commensurate with the complexity of its operations, range of products and services, organizational structure, and risk profile. Its risks subsets are Branch processes; Fraud; Human Resource; Accounting / Support function related; Vendor Selection; Competition; Outsourcing; Catastrophic Loss; Legal; Unauthorized Usage; and Health, Security and Safety.

Reputation Risk

The bank consistently managed its reputational risks by its 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 and maintaining a strong and positive reputation built on trust, integrity, and excellent customer service.

Technology Risks

The Bank is committed to managing and mitigating technology risks effectively to ensure the security, reliability, and resilience of our systems. It consistently maintains a set of standards and controls to manage technology-associated risks, existence of a data center that serves as offsite back-up of its core banking system, secured firewall to our protect network systems from unauthorized or malicious access to confidential information, and an annual disaster recovery exercise, witnessed by an independent Internal Auditor, to ensure continuity of critical operations and minimize the impact of unexpected events or disasters that could disrupt normal business operations and the ability to respond, recover, and resume critical operations in the face of unexpected events or disasters.

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.

Strategic Risk

Is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

The Bank consider its subset risks are Budget and Planning; Customer Wants Risk; and Organization Structure.

At a minimum, the Bank shall be guided by the following in formulating its business plans and shall endeavor to align its activities with its 5- year strategic roadmap:

- Mission
- Vision

- Core Values
- Strategic Pillars, Initiatives and Objectives

The Bank shall not undertake any risk that may erode the Bank's minimum capital adequacy ratio below 12% unless fully approved by the Board of Directors with the necessary capital raising activity as an immediate mitigation.

Regular reviews of actual performance against targets are conducted to ensure proper execution of business plans. Environmental and industry analysis are likewise performed regularly to ensure that external threats and opportunities are identified and addressed. These are translated into scenarios to test the impact of internal and external conditions in order to properly equip the Bank to respond pro-actively to these shocks.

Sustainability Framework

In compliance with the Bangko Sentral ng Pilipinas Circular No. 1085, as amended by Circular No. 1128, Sun Savings Bank, Inc. is cognizant that climate change and other environmental and social risks could pose financial stability concerns considering their significant and protracted implications on the bank's operations and financial interest. In particular, physical and transition risks arising from climate change could result in significant societal, economic and financial risks affecting the bank and their stakeholders.

Prior to the issuance of the BSP Circular 1085, the bank has already adopted credit risk strategies that are aligned with it.

In the bank's Housing Loan product, the due diligence process in the accreditation of the developers include:

- Checking on-site if the housing project has no environmental issues such as improper drainage; and
- Verification whether the developer does not involve in any social issues such as conflicts in relation to land acquisition, displacement of local settlement, complaints from neighborhood, etc.

Additionally, for the Auto Loans, it is a policy of the bank that no loan will be granted for previously owned vehicles that is more than 10 years at the end of the term of the loan, as older cars tend to produce more carbon content.

Moreover, the Bank also offers Rebuilding and Inflation Assistance Loan to DepEd Teachers which aims to extend a hand on teacher's financial needs in rebuilding and repairs of their dwelling places or home after the onslaught of the Typhoon Odette.

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 different risk management manuals provide 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.

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

The Bank and its employees are always guided by basic principles and practices to combat money laundering, (1) Comply with laws and regulations; (2) Know the Bank's clients; (3) Cooperate with law enforcement agencies; (4) Disseminate policies and provide trainings; and (5) Implement risk management system.

The Bank continuously strictly observes proper customer Identification and on-going monitoring of customers and their transactions, appropriate record keeping, timely reporting of Covered and Suspicious Transactions and development of a comprehensive employees training programs.

CORPORATE GOVERNANCE

As of 31 December 2022, Sun Savings Bank is governed by a Board consisting of six (6) Directors, two (2) of which are independent directors.

Two (2) independent directors namely Mr. Ermelindo Andal and Mr. Jose Levi S. Villanueva resigns effective May 2 and August 31, 2022, respectively.

Ms. Catherine M. Cheung replaced Mr. Jose Levi S. Villanueva in August 18, 2022 while Mr. Ermelindo Andal was replaced by Mr. Noel A. Santiago in February 2023.

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. Thereafter, on January 2, 2020, Mr. Abacan was elected Chairman of the Board.

Furthermore, he currently sits on the Board of Robinsons Bank Corporation, a commercial bank belonging to the Gokongwei Group of companies, as Independent Director since February 24, 2021. He is a member of its following committees, viz: Audit Committee as Chairperson, Risk Oversight Committee as Vice-Chairperson and Related Party Committee as Member.

Prior to Sun Savings Bank, he was the former President & CEO of CitySavings 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 Lippo Bank of Indonesia as the Vice President for Operations of their Manila Offshore Banking Unit. Likewise, he was instrumental in setting up a Lippo 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 Center until 2014.

In 2013, he was appointed as Vice Chairman of CitySavings Bank, 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 CitySavings. Upon the completion of the merger in February 2019, he was designated as Senior Adviser to the Board of CitySavings Bank until his retirement on October 31, 2019.

With Latin honors, Mr. Abacan finished his degree in 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 & Chief Executive Officer (CEO)

Mr. Francisco A. Dizon is the President and CEO of Sun Savings Bank and concurrently the Chairman and President of Project Quest Corp., an investment fund he organized in 1996. He is also Chairman of BPO International and Phoenix One Knowledge Solutions, and serves as Independent Director of the Makati Medical Center.

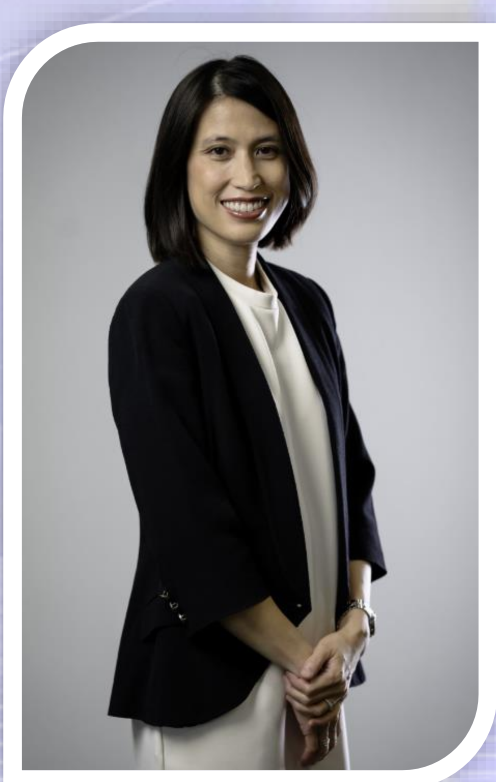
Mr. Dizon is a seasoned banker with 48 years' experience in the banking industry. He has an excellent track record, having served various banks and investment houses in senior management positions. In the year 2001, he was elected as Director of the Philippine National Bank but eventually appointed as Chairman of the Board and served from 2002 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 from 1990 to 1994.

From 1986 to 1990, Mr. Dizon was also the President of AB Capital and Investment Corporation which he helped organized in 1980. AB Capital and Investment Corporation, and its subsidiary Anscor Hagedorn Securities, were the leading Philippine investment house and stock brokerage firms respectively in the 1980s and 1990s. Mr. Dizon was also a director of Cebu Property Holdings, Inc. from 1988 to 1994 and 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 (EVP) &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.



CARISSA ANNA G. DIZON
Director

Ms. Carissa G. Dizon was elected Director last October 21, 2021, after previously serving as Senior Adviser to the Board. As the bank looks to scale its customer base and expand its digital banking offerings, her mix of experience in marketing and technology will be a valuable asset to Sun Savings Bank. She joined Google in 2012 and led product marketing for Hardware, Android, Retail and Chrome OS across Asia Pacific, as well as Strategy & Operations for the marketing function. Most recently she was responsible for Google business strategy in Africa as the Director of Business & Operations for the Next Billion Users team. Prior to Google, Ms. Dizon held marketing leadership roles at Procter & Gamble in Singapore and Nokia in Singapore, Bangkok and Sydney.

Ms. Dizon obtained her bachelor's degree from Yale University and earned a Masters of International Affairs from Columbia University's School of International and Public Affairs.

RENATO S. GONZALEZ, JR.
Director

Mr. Renato S. Gonzalez was appointed as Senior Adviser to Board on April 29, 2021 and elected as Director of the bank last October 21, 2021. He is a graduate of Legal Management in Ateneo De Manila University and has extensive experience in retail, consumer behavior, and retail operations. Prior to joining Sun Savings Bank, he was a Supervisor in Landco Pacific Corporation and Account Officer in All Asia Capital. He is currently the Purchasing and Leasing Manager of Grand Union Supermarket, Inc. His experience and insights in consumer behavior, especially in the broad middle-class market in the Philippine setting is valuable to the Bank as it delves deeper into the consumer space via its mobile app, SME loans, and private sector salary loans.

Mr. Gonzalez is also familiar with retail payments as used by consumers for purchasing goods and services. His exposure to various payment platforms and their take-up by customers will be valuable inputs for the Bank's use of the Instapay and other forthcoming digital platforms.

He has extensive experience and relationships in the real estate industry having been responsible for the expansion of the branch network of Grand Union Supermarkets, Mr. Gonzalez is familiar with the market potentials of sites in NCR plus (Laguna, Batangas, Bulacan, Cavite) which accounts for 60% of the country's GDP.

CATHERINE M. CHEUNG
Independent Director

Ms. Catherine M. Cheung is the newly appointed Independent Director of Sun Savings Bank, Inc. effective August 2022. She is a Certified Public Accountant. She obtained her Bachelor's Degree in Accountancy at the University of San Carlos – Cebu in 1982.

Prior to joining Sun Savings, she was the Senior Vice President and Salary Loans Business Head at CitySavings Bank, leading the core sales activities of the bank in the public-school teachers' loan market.

Ms. Cheung was the First Vice President of UnionBank of the Philippines, and held key leadership posts as Sales Director for Metro Cebu and Team Head for Visayas, and the Regional Service Operations Officer - Cebu. She served at UnionBank for 30 years. Her professional career in sales and operations in the banking industry spans a period of 39 years.

NOEL A. SANTIAGO
Independent Director

Mr. Noel A. Santiago was recently appointed as Independent Director of Sun Savings Bank, Inc. effective February 2023. He is currently the Chief Executive Officer (CEO) of SXI Solutions Exchange, Inc. Philippines and ASEAN.

Mr. Santiago was formerly the Chief Digital Officer of Bank of the Philippine Islands where he led the Digital Transformation, and Payments Strategies of the bank.

Mr. Santiago also served as Member of Board of Directors of various companies including Bancnet, HCX Technologies, and Cartera. He served as the Risk Committee Chairman of Bancnet

He was also a member of the Leadership Committee of the country's two Automated Clearing Houses (ACH) namely Instapay and Pesonet. The committee oversees the delivery of the National Retail Payment System roadmap, a key initiative of the Bangko Sentral ng Pilipinas. He was concurrently the Chairman of the Operations Committee of Instapay ACH.

He has extensive regional experience having worked for two of the largest Asian regional banks, Development Bank of Singapore and United Overseas Bank, based out of Singapore where he was at the forefront in the emergence and evolution of the digital advancements in the banking industry, enabling the development of direct debit payments, multi factor security authentication, and mobile banking payments. He provided the development of position papers in various *Regulatory* discussions on: *Electronic Banking and Payment Services, Basic Banking Act, Multi-Purpose Card Payments, Shared ATM and Payment services to Qualifying Foreign Banks, National Chip Card conversion*

Mr. Santiago is also regularly invited as speaker, and resource person on Industry related conferences, and publications.

He also took up Executive Leadership Programs at INSEAD (Institut Européen d'Administration des Affaires), Harvard Business School Executive Program, and Macquarie Graduate School of Management

He obtained his Bachelor's Degree in History and Political Science at the De La Salle University in 1986.

Board and Management Level Committees

There were no changes in the board level committees of the Bank, this is still constituted the following board committees: Executive Committee, Audit Committee and Management RPT Committee

The Audit Committee
This is composed of three (3) members of the board of directors, who are non-executive directors of which the Chairman, Ms. Catherine M. Cheung, is an Independent Director. Other members were Mr. Renato S. Gonzalez, Jr. and Mr. Catalino S. Abacan.

The Executive Committee

This is composed of three (3) members of the board of directors, two (2) of whom shall be Executive Directors, namely Mr. Augusto S. Gonzalez and Mr. Francisco A. Dizon as the Chairman. Mr. Catalino S. Abacan is also a member of this committee.

IT Committee
In 2022, the Chairman is Mr. Augusto S. Gonzalez, members were Mr. Francisco A. Dizon and Mr. Catalino S. Abacan. Mr. Noel A. Santiago replaced Mr. Gonzalez and the three (3) of them became members thereof in February 2023.

Related Party Transaction (RPT) Management Committee
This is composed by Mr. Francisco A. Dizon as the Chairman, two (2) members were Mr. Augusto S. Gonzalez and Ms. Metchell C. Abarquez, an Accounting Supervisor.

All RPT transactions below the materiality threshold, except DOSRI transactions shall be approved by this 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:
There were no changes in the roles and responsibilities of RPT Committee, they shall continue to evaluate, on an ongoing basis, existing relations between and among businesses and counterparties; evaluate all material RPTs; ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures; report to the board of directors on a regular basis, the status and aggregate exposures to each related party; ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process; and oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs.

Board Qualification

The were no changes in the qualifications for the Board of Directors. This is 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.

Board Composition

Name	Type of Directorship	Stockholdings (No. of Shares)	Years of Service
Francisco A. Dizon	Executive Director	1	11
Augusto S. Gonzalez	Executive Director	1	11
Catalino S. Abacan	Independent Director	1	3
Carissa Anna G. Dizon	Director	1	1
Renato S. Gonzalez, Jr.	Director	1	1
Catherine M. Cheung	Independent Director	1	<1

Board Meeting Attendance

Name	Board				Annual Stockholders and Organizational		Special Stockholders	
	Regular		Special					
	Attendance	%	Attendance	%	Attendance	%	Attendance	%
Francisco A. Dizon	6	100%	3	100%	1	100%	1	100%
Augusto S. Gonzalez	5	83%	3	100%	1	100%	1	100%
Catalino S. Abacan	6	100%	3	100%	1	100%	1	100%
Carissa Anna G. Dizon	5	83%	3	100%	1	100%	1	100%
Renato S. Gonzalez, Jr.	6	100%	3	100%	1	100%	1	100%
Catherine M. Cheung	3*	100%	1*	100%	1	100%	1	100%

**Ms. Cheung was appointed as Independent Director on August 2022 before this, two (2) special board meeting was held on May and June 2022, and three (3) regular board meeting held on February, May, July 2022.*

Committee Meeting Attendance

Name	Audit Committee	
	Attendance	%
Catherine M. Cheung	3	100%
Renato S. Gonzalez, Jr.	3	100%
Catalino S. Abacan	3	100%

Name	IT Committee		Executive Committee	
	Attendance	%	Attendance	%
Augusto S. Gonzalez	6	100%	12	100%
Francisco A. Dizon	6	100%	12	100%
Catalino S. Abacan	6	100%	12	100%

Performance Assessment Program

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

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

Orientation and Education Program

The bank continues to provide onboarding employees with orientation and trainings to be fully equipped with knowledge and skills to his specific job. Likewise, training programs are crafted to keep employees abreast with changes of applicable banking rules and regulations.

Retirement and Succession Policy

Retirement Policy

The bank observed minimum labor requirement for age of retirement which is sixty-five (65) years old but may be extended with board approval. The bank's succession plan also foresees the future retirees for officers holding critical positions to prepare a pool of the employee to fill in the said vacancies.

Succession Policy

Succession management planning process shall be implemented by Sun Savings Bank to establish organizational capability and business continuity. Its outcome is a robust leadership pipeline of current and future talents for the bank.

Board of Directors

The bank still continues its practices on which 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 critical positions, key officers, successor and candidate successor. This covers positions identified to be critical to the success, operational, and business continuity of the organization.

Remuneration policy

The bank continues to provide its highly qualified officers with an industry competitive compensation package to retain, motivate and attract. The salary scales of our officers remain generally based on their position and rank. Result of annual performance evaluation is the primary basis when adjustment is made. Performance bonuses, including a 13th-month pay, in accordance with law, were also granted. 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.

Related Party Transactions (RPT)

The Bank strictly observed conducting RPTs on arm's length basis and transparency. All RPT transactions below the materiality threshold, except DOSRI transactions shall be approved by the RPT Management Committee but subject to confirmation by the Board. Likewise, all transactions that cross the materiality threshold shall be approved by the Board of Directors.

RPT Materiality Thresholds

RPT materiality thresholds were setup and approved by the Board. Deposit operations, except those with special rates approved by at least 2/3 of the RPT Management Committee; regular trade transactions, involving purchases and sales of debt securities traded in an active market; and loans granted to Officers of the Bank under BSP-approved fringe benefit programs were not considered material nor subject to regular Board reporting.

There were no changes in the set-up limits in terms of RPT materiality including those considered as material RPT and those that does not requires approval from RPT Management Committee.

Self-Assessment Function

The Board and Senior Management continue to review these self-assessment functions, policies, and internal control measures and ensures that internal control weaknesses are addressed promptly by following up on recommendations made by the Management.

To ensure compliance with applicable laws, rules and regulations, it shall start with the Board of Directors and Senior Management Team. The Chief Compliance and Risk Officer (CCRO) is the lead senior officer responsible for the administering the compliance program of the Bank.

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.

Both Compliance and Internal Audit reports directly to the Board.

Cash Dividend Declaration

There were no changes in the dividend policy implemented by the bank which is consistent to Securities and Exchange Commission (SEC) rules.

On September 30, 2022, the Board the Board of Directors declared cash dividends in the total amount of Php26.6 million and paid to the stockholders on record on October 10, 2022. The cash dividends were used for the following purposes: Php21,699,500 to be used by the stockholders to pay in full their unpaid subscription of the capital stock of the Bank, thereby bringing up the Paid-Up Capital to PhP341,700,000 by October 2022; and the remaining Php5,000,000 to be retained by the stockholders of record as of August 31,2022.

Corporate Social Responsibility (CSR)

"Banking with a Purpose and a Heart, making a Difference, Committed to Sustainability and Caring for Communities."

With school principal, Mr. Alvin I. Tenchavez receiving the donation at Carmen Central Elementary School. One of the school beneficiaries.

Sun Savings Bank consistently participates in Brigada Eskwela as part of its corporate social responsibility initiatives to show a deep-rooted commitment in making a positive impact in the communities we it serves. The bank's ongoing involvement in this annual event demonstrates that CSR is an integral part of its organizational values and culture.

In 2022 Brigada Eskwela, the bank donated painting materials and wall fans to schools in need. This support helped create a clean and conducive learning environment for students.

Donated 10 wall fans to DepEd Regional Office. Receiving the donation is DepEd Region 7 Director Salustiano T. Jimenez and Chief Education Supervisor, Mr. Tomas T. Pastor.

By contributing painting materials and wall fans, the bank demonstrated its commitment to the education sector and the welfare of students. The act not only improved the physical appearance of schools but also uplifted the morale of teachers and students by providing them with a fresh and vibrant learning space.

Active participation in Brigada Eskwela aligns with the bank's CSR values, as it directly contributes to the building a brighter future and betterment of the communities. By investing in education and supporting initiatives like Brigada Eskwela, the bank is making a positive impact on the lives of students, teachers, and the broader community.

Likewise, it also strengthens its position as a trusted partner in the education sector and reinforces its mission to contribute to the development of a prosperous society.

SSBI DepEd Salary Loan Group Sales Head, Mr. Dwight B. Cuevas, receives the plaque of appreciation from Cabancalan NHS.

Consumer Protection Practices

The Bank continue to adheres to Amended Regulations and Guidelines on Financial Consumer Protection (FCP) Framework to implement Republic Act No.11765 or the Financial Products and Services Consumer Protection Act (FCPA), under BSP Circular 1160 November 28, 2022.

In compliance with BSP C857, Regulations on Financial Consumer Protection, since Sun Savings Bank total assets reached more than Php1Billlion, it created a Consumer Assistance Group with defined roles and responsibilities in handling Financial Consumer complaints. These group composed of the following:

- Branch Consumer Assistance Officer (BCAO) – these are the Branch Managers and Assistant Managers of the Bank's Branches and BLUs
- Head Consumer Assistance Officer (HCAO) – these are the Group Heads of each Unit

The Bank shall adopt capability building, publication of Financial Consumer Protection Assistance Mechanism (FCPAM), Assistance Channels, Timelines, Policies and Procedures pursuant to the requirement of the regulations.

CORPORATE INFORMATION

Organizational Structure

There were no changes in the existing organizational structure of the Bank compared to last year.

Key Officers

Name	Designation
Francisco A. Dizon	President & Chief Executive Officer (CEO)
Augusto S. Gonzalez	Executive Vice President (EVP) & Treasurer
Atty. Arsenio A. Alfiler, Jr.	Corporate Secretary
Barry S. Baya	Vice President – Operations Group Head
Bryan E. Bacon	Senior Assistant Vice President (SAVP)-DepEd Loans/Security Officer
Marilou R. Saberon	Assistant Vice President (AVP)-Accounting Head
Andres M. Rosaroso, Jr.	AVP-Digital Transformation Head
Dwight B. Cuevas	Senior Manager-DepEd Sales Head
Lyka M. Pactol	Chief Audit Officer
Brigette M. Fumar	Chief Compliance and Risk 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

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 ever year thereafter/Tax Free)

Consumer Loans

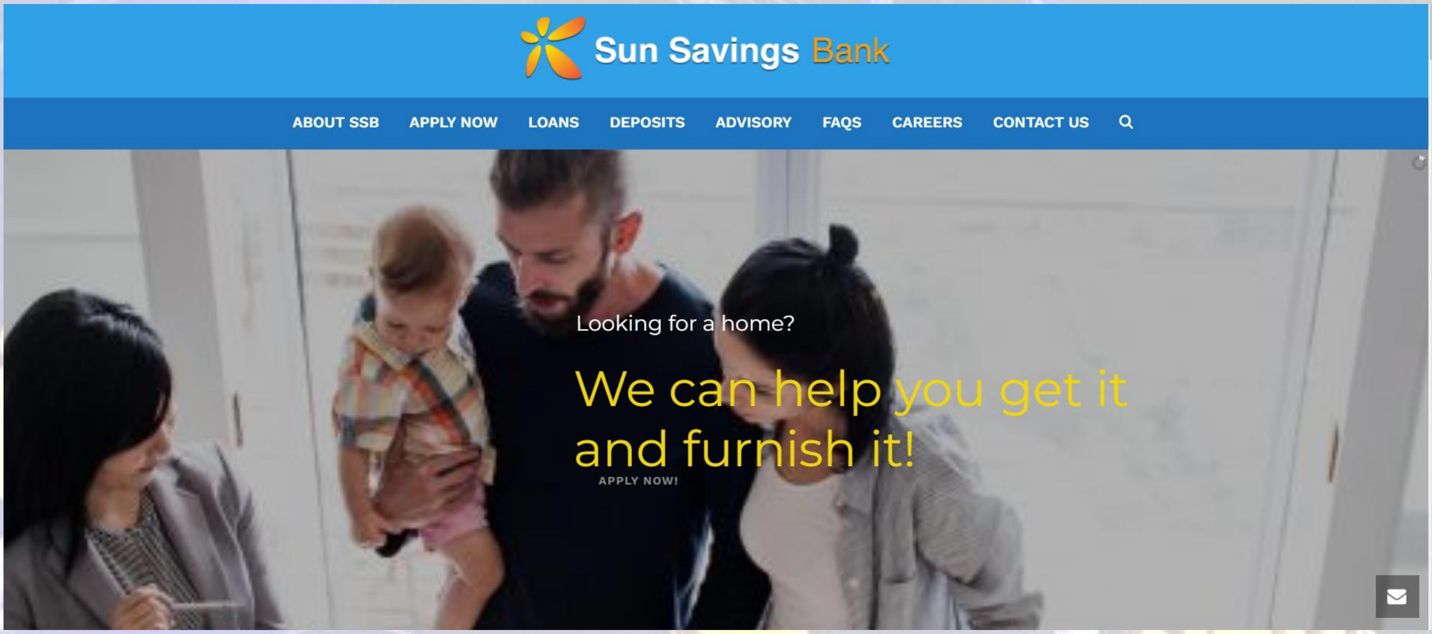
1. Salary Loans
   i. Salary Loan for DepEd Teachers and Employees under the Automatic Payroll Deduction Scheme (APDS)
   ii. Start-up Loans for newly hired teachers and employees of DepEd
   iii. Home Improvement Loan for DepEd employees
   iv. Salary Loans for Private Employees in the BPOs
2. Auto 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)

OUR WEBSITE

www.sunsavings.ph



BRANCH LOCATIONS

Office	Complete Address	Tel Nos.
Cebu City Head Office (Capitol Branch)	Capitol West Building no. 45 Don Gil Garcia corner Escario Street Capitol Site, Cebu City	415-4223
Talisay Branch	Door 8, Rosalie Building, Gaisano Fiesta Mall, Hi-way Tabunok, Talisay City, Cebu	520-8847
Mandaue Branch	Door 6, G/F Perez Building, A.C Cortes Avenue, Mandaue City, Cebu	263-1981
Carcar Branch-Lite Unit (BLU)	A-10 G/F Gaisano Grand Mall, Poblacion II, Awayan, City of Carcar, Cebu	407-0694
Danao Branch-Lite Unit (BLU)	G/F Space 7, Sands Gateway Mall, National Hi-way, Danao City, Cebu	350-9984
Ayala-Solinea Branch-Lite Unit (BLU)	Retail No. 8 G/F Tower 2, Solinea Condominium Complex, corner Cardinal Rosales 2, Luzon Avenues, Cebu Business Park, Brgy. Hipodromo, Cebu City	326-8153
Carbon Cebu City Branch-Lite Unit (BLU)	Plaridel corner Progreso St. Barangay Ermita, Cebu City	254-6882

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

	2022	2021
Authorized Capital Stock	1,000,000,000	1,000,000,000
Subscribed	391,700,000	341,700,000
Paid-Up	391,700,000	320,000,500

Bank's regulatory capital position as at December 2021 and December 2022

	BSP Report		Audited FS	
	2022	2021	2022	2021
Common Stock	391,700,000	320,000,500	391,700,000	320,000,500
Retained Earnings	17,035,659	25,709,265	24,006,729	25,709,265
Undivided Profits	53,097,345	23,429,640	53,573,719	24,996,964
Other Comprehensive Income				
Total Capital	**461,833,004**	**369,139,405**	**469,280,448**	**370,706,729**
Less:				
Deferred Income Tax	11,173,126	10,441,139	11,284,221	10,252,260
DOSRI-Unsecured				
Other intabgibles-Net				
Goodwill				
Unbooked valuation reserves and other capital adjustments[1]				
Other equity investments				
Total Tier 1 Capital	**450,659,878**	**358,698,265**	**457,996,227**	**360,454,469**
Add:				
Unrealized gains on AFS				
General loan loss provision	22,691,671	14,722,754	15,720,600	14,722,754
Total Qualifying Capital	**473,351,549**	**373,421,019**	**473,716,828**	**375,177,223**
Total Credit Risk-Weighted Assets	2,565,323,015	1,552,447,814	2,584,059,855	1,537,925,886
Add: Total Operation Risk Weighted Assets	209,312,294	187,140,490	209,312,294	185,020,039
Total Risk Weighted Assets	**2,774,635,309**	**1,739,588,303**	**2,793,372,149**	**1,722,945,925**
Risk Based Capital Adequacy Ratio				
Total CAR	17.06%	21.47%	16.96%	21.78%
Tier 1 CAR	16.24%	20.62%	16.40%	20.92%

Computation of the Bank's Credit Risk Weighted Assets

		Audited			
		2022		2021	
	Risk	Principal Amount	Risk Weighted Amount	Principal Amount	Risk Weighted Amount
Cash on Hand	0%	22,842,292	-	29,649,856	-
Due from BSP, RRP,AFS, Loans covered by Hold-outs	0%	438,839,795	-	469,751,068	-
COCI	20%	1,948,816	389,763	427,630	85,526
Corporate Private Bonds	20%	16,239,603	3,247,921	16,563,169	3,312,634
REM (mortgaged and current)	50%	40,913,701	20,456,851	41,941,140	20,970,570
MSME (Current)	75%	64,077,219	48,057,914	11,715,123	8,786,342
REM (NPL)	100%	3,192,103	3,192,103		
NPL	150%	39,972,592	59,958,888	26,294,550	39,441,825
ROPA	150%	3,978,989	5,968,483	1,880,000	2,820,000
Other Assets	100%	2,442,787,933	2,442,787,933	1,462,508,989	1,462,508,989
Total Credit Risk Weighted Assets			2,584,059,855		1,537,925,886

Computation of Operational Risk Weighted Assets-2022

		2022 Gross Income			
		2019	2020	2021	Average
A.	**Net interest income**				
A.1	Interest income	222,266,548	198,574,836	214,974,541	
A.2	Interest expense	72,382,781	80,634,948	75,973,146	
A.3	Subtotal (A.1 minus A.2)	**149,883,767**	**117,939,888**	**139,001,395**	
B	**Other non-interest income**				
B.1	Dividend Income				
B.2	Fees and Commissions Income	2,894,087	2,430,655	3,335,700	
B.3	Net Gain/loss on Financial Assets and	-			
	Liabilities Held for Trading	2,628,828	(149,130)	659,398	
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)	5,522,915	2,281,524	3,995,098	
C.	**Gross Income (A.3 plus B.8) (to Part V. Item A.)**	**155,406,682**	**120,221,412**	**142,996,493**	**139,541,529**
D.	Capital Charge multiply by capital charge factor 12%				16,744,984
E.	Adjusted Capital Charge (multiply by 125%)				20,931,229
F.	**Total Operational Risk-weighted Amount (multiply by 10)**				**209,312,294**

Computation of Operational Risk Weighted Assets-2021

		2020 Gross Income (Audited)			
		2018	2019	2020	Average
A.	**Net interest income**				
A.1	Interest income	140,175,940	222,266,548	198,574,837	
A.2	Interest expense	45,665,689	73,630,308	81,156,165	
A.3	Subtotal (A.1 minus A.2)	**94,510,251**	**148,636,240**	**117,418,672**	
B	**Other non-interest income**				
B.1	Dividend Income				
B.2	Fees and Commissions Income	1,045,972	3,398,175	2,734,460	
B.3	Net Gain/loss on Financial Assets and	-	-		
	Liabilities Held for Trading	-	-		
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value Profit or Loss		2,628,828	(332,521)	
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)	1,045,972	6,027,003	2,401,939	
C.	**Gross Income (A.3 plus B.8) (to Part V. Item A.)**	**95,556,224**	**154,663,243**	**119,820,611**	**123,346,692**
D.	Capital Charge multiply by capital charge factor 12%				14,801,603
E.	Adjusted Capital Charge (multiply by 125%)				18,502,004
F.	**Total Operational Risk-weighted Amount (multiply by 10)**				**185,020,039**

The capital requirements as of December 31, 2022 and 2021 are shown below:

	2022	2021
Credit risk weighted assets	2,584,059,855	1,537,925,886
Operational risk weighted assets	209,312,294	185,020,039
Total Risk Weighted Assets	**2,793,372,149**	**1,722,945,925**

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Savings Bank, Inc.
Capitol West Building,
No. 45 Don Gil Garcia Street corner Escario Street,
Capitol Site, Cebu City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Savings Bank, Inc. (the Bank), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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Reports on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 22 and Revenue Regulations 15-2010 in Note 23 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Sun Savings Bank, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang
Partner
CPA Certificate No. 134290
Tax Identification No. 238-044-991
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 134290-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9564633, January 3, 2023, Makati City

April 28, 2023

SUN SAVINGS BANK, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash on Hand	**₱24,791,109**	₱30,077,486
Due from Bangko Sentral ng Pilipinas (Notes 6 and 11)	**157,018,040**	70,513,592
Due from Other Banks (Note 6)	**106,582,627**	27,508,298
Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	**62,929,479**	183,554,395
Investment Securities at Amortized Cost (Note 7)	**231,800,123**	232,330,937
Loans and Receivables (Note 8)	**2,328,154,062**	1,407,750,336
Property and Equipment (Note 9)	**24,690,701**	25,924,138
Deferred Tax Asset - Net (Note 19)	**11,284,221**	10,252,260
Other Assets (Note 10)	**100,802,014**	82,480,878
	₱3,048,052,376	₱2,070,392,320
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Notes 11 and 20)		
Current	**₱6,080,731**	₱6,542,690
Savings	**203,762,202**	220,876,068
Time	**1,545,865,912**	1,261,501,210
	1,755,708,845	1,488,919,968
Bills Payable (Note 12)	**760,590,656**	161,317,383
Income Tax Payable	**5,513,639**	4,289,923
Accrued Expenses and Other Liabilities (Note 13)	**63,878,417**	46,715,074
	2,585,691,557	1,701,242,348
Equity		
Common Stock (Note 15)	**391,700,000**	320,000,500
Surplus	**77,580,448**	50,706,229
Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	**(6,746,224)**	(591,466)
Remeasurement Loss on Retirement Liability (Note 16)	**(173,405)**	(965,291)
	462,360,819	369,149,972
	₱3,048,052,376	₱2,070,392,320

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
INTEREST INCOME		
Loans and receivables (Note 8)	**₱288,623,005**	₱203,339,596
Investment securities (Note 7)	**12,669,894**	7,775,516
Due from Bangko Sentral ng Pilipinas and other banks (Note 6)	**3,819,061**	2,094,450
Others	**1,451,930**	1,269,366
	306,563,890	214,478,928
INTEREST EXPENSE		
Deposit liabilities (Notes 11 and 20)	**72,876,378**	64,127,036
Bills payable (Note 12)	**29,910,994**	11,312,957
Lease liabilities (Note 17)	**490,708**	545,253
	103,278,080	75,985,246
NET INTEREST INCOME	**203,285,810**	138,493,682
Gain (loss) on sale of investment securities at fair value though other comprehensive income (Note 7)	**(6,143,629)**	659,398
Service charges and fees	**3,421,154**	2,180,960
Miscellaneous (Note 18)	**(214,035)**	167,286
TOTAL OPERATING INCOME	**200,349,300**	141,501,326
OPERATING EXPENSES		
Compensation and fringe benefits (Notes 16 and 20)	**42,924,035**	34,642,661
Taxes and licenses	**23,489,493**	16,028,633
Depreciation and amortization (Note 9)	**13,985,252**	11,868,771
Provision for impairment and credit losses (Notes 8 and 10)	**6,878,092**	7,611,312
Collection fees	**6,803,453**	6,187,266
Communication, light and water	**6,206,419**	5,037,416
Security, messengerial and janitorial	**5,197,658**	4,656,217
Professional fees	**5,167,014**	4,686,016
Insurance expense	**3,521,091**	3,054,916
Bancnet outsourcing fees	**1,635,145**	1,311,233
Rent (Note 17)	**1,561,099**	1,363,623
Repairs and maintenance	**1,495,727**	1,078,619
Transportation and travel	**1,426,496**	891,655
Stationeries and supplies used	**910,751**	713,145
Advertising and publicity	**574,559**	358,981
Membership fees and dues	**500,439**	270,219
Miscellaneous (Note 18)	**6,178,639**	5,566,551
	128,455,362	105,327,234
INCOME BEFORE INCOME TAX	**71,893,938**	36,174,092
PROVISION FOR INCOME TAX (Note 19)	**18,320,219**	11,177,128
NET INCOME	**₱53,573,719**	₱24,996,964

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME	**₱53,573,719**	₱24,996,964
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that recycles to the statements of income in subsequent periods:		
Changes in fair value reserves on investments securities at fair value through other comprehensive income (Note 7)	**(6,154,758)**	(961,731)
Item that do not recycle to the statements of income in subsequent periods:		
Remeasurement gains (losses) on retirement plan, net of tax (Note 16)	**791,886**	(1,496,977)
Impact of CREATE	–	25,318
	791,886	(1,471,659)
OTHER COMPREHENSIVE LOSS	**(5,362,872)**	(2,433,390)
TOTAL COMPREHENSIVE INCOME	**₱48,210,847**	₱22,563,574

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 15)	Surplus	Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	Remeasurement Gain (Loss) on Retirement Liability (Note 16)	Total Equity
Balances at January 1, 2022	**₱320,000,500**	**₱50,706,229**	**(₱591,466)**	**(₱965,291)**	**₱369,149,972**
Issuance of common stock (Note 15)	**71,699,500**	**–**	**–**	**–**	**71,699,500**
Total comprehensive income for the year	**–**	**53,573,719**	**(6,154,758)**	**791,886**	**48,210,847**
Declaration of dividends (Notes 15 and 20)	**–**	**(26,699,500)**	**–**	**–**	**(26,699,500)**
Balances at December 31, 2022	**₱391,700,000**	**₱77,580,448**	**(₱6,746,224)**	**(₱173,405)**	**₱462,360,819**
Balances at January 1, 2021	₱312,500,500	₱40,709,265	₱370,265	₱506,368	₱354,086,398
Issuance of common stock (Note 15)	7,500,000	–	–	–	7,500,000
Total comprehensive income for the year	–	24,996,964	(961,731)	(1,471,659)	22,563,574
Declaration of dividends (Notes 15 and 20)	–	(15,000,000)	–	–	(15,000,000)
Balances at December 31, 2021	₱320,000,500	₱50,706,229	(₱591,466)	(₱965,291)	₱369,149,972

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱71,893,938**	₱36,174,092
Adjustments for:		
Depreciation and amortization (Note 9)	**13,985,252**	11,868,771
Provision for impairment and credit losses (Note 8)	**6,878,092**	7,611,312
Loss (gain) on sale of investment securities at fair value through other comprehensive income (Note 7)	**6,143,629**	(659,398)
Amortization of transaction costs on bills payable (Note 12)	**3,334,239**	1,018,975
Retirement expense (Note 16)	**946,045**	398,417
Accretion of interest on lease liability (Note 17)	**490,708**	545,253
Loss on lease modification (Note 17)	**301,759**	–
Loss on sale of chattel mortgage properties (Note 18)	**296,485**	1,401,299
Amortization of premium (discount) on investment securities	**(284,398)**	–
Gain on disposal of property and equipment (Note 9)	**–**	(413,846)
Changes in operating assets and liabilities:		
Decreases (Increases) in:		
Loans and receivables	**(930,788,214)**	27,342,035
Other assets	**(16,222,147)**	(3,688,191)
Increases (Decreases) in:		
Deposit liabilities	**266,788,877**	47,410,857
Accrued expenses and other liabilities	**11,985,581**	(7,531,151)
Net cash generated from (used in) operations	**(564,250,154)**	121,478,425
Income taxes paid (Note 19)	**(18,392,426)**	(9,045,623)
Net cash provided by (used in) operating activities	**(582,642,580)**	112,432,802
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at fair value through other comprehensive income (Note 7)	**–**	(485,851,026)
Property and equipment (Note 9)	**(9,692,252)**	(5,207,830)
Proceeds from disposal of:		
Investment securities at fair value through other comprehensive income (Note 7)	**109,141,741**	201,321,589
Chattel mortgage (Note 18)	**1,110,922**	2,585,000
Net cash provided by (used in) investing activities	**100,560,411**	(287,152,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of bills payable (Note 12)	**815,991,000**	15,000,000
Issuance of capital stocks (Note 15)	**71,699,500**	7,500,000
Payments of:		
Bills payable (Note 12)	**(213,383,488)**	(22,922,723)
Dividends (Note 15)	**(26,699,500)**	(15,000,000)
Lease liabilities (Note 17)	**(5,232,943)**	(5,468,077)
Net cash provided by (used in) financing activities	**642,374,569**	(20,890,800)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**160,292,400**	(195,610,265)

(Forward)

	Years Ended December 31	
	2022	2021
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash on hand	**₱30,077,486**	₱26,070,746
Due from Bangko Sentral ng Pilipinas	**70,513,592**	236,766,014
Due from other banks	**27,508,298**	60,872,881
	128,099,376	323,709,641
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash on hand	**24,791,109**	30,077,486
Due from Bangko Sentral ng Pilipinas (Note 6)	**157,018,040**	70,513,592
Due from other banks (Note 6)	**106,582,627**	27,508,298
	₱288,391,776	₱128,099,376
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received (Note 8)	**₱308,219,945**	₱224,888,856
Interest paid (Note 13)	**97,363,507**	76,563,092

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
NOTES TO FINANCIAL STATEMENTS

1. General Information

Sun Savings Bank, Inc. (the Bank) was incorporated in the Philippines on September 15, 1997 to carry on and engage in the business of thrift banking, with prior approval of the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), and to have and exercise all powers of a thrift bank and a corporation in general, as provided under Republic Act (RA) No. 7906 for thrift banks, under the General Banking Act, as amended, and other applicable laws and the rules and regulations of the BSP.

The Bank's principal place of business is at Capitol West Building, No. 45 Don Gil Garcia Street corner Escario Street, Capitol Site, Cebu City.

Fleetwood Holdings, Inc. (FHI) owns 39.50% of the Bank. The controlling shareholder of FHI is an experienced commercial and investment banker who had previously held various senior positions, including those of president, chairman and chief executive officer (CEO), in different universal banks. Santos Gonzalez Hijos Inc. (SGHI) and Navion Capital Resources Corporation (NCRC) own 25.25% and 5.00%, respectively, of the Bank. The controlling shareholders of SGHI and NCRC have previously been long-term major shareholders of a universal bank established in the 1950s and held a board seat in that universal bank until 2005. Project Quest Corporation (PQC) owns 30.25% of the Bank. PQC is an investment holding company managed by the controlling shareholder of FHI and the controlling shareholder of NCRC.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for investment securities at fair value through other comprehensive income (OCI) which have been measured at fair value. These financial statements are presented in Philippine Peso, the Bank's functional currency, and all values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 14.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of Bank and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2022. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Bank:

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Standards Issued but not yet Effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are listed below. The Bank intends to adopt these standards when they become effective. Unless otherwise stated, adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Bank.

Effective beginning on or after January 1, 2023
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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*

Significant Accounting Policies

Fair Value Measurement
The Bank measures financial assets at fair value through other comprehensive income (FVOCI) at fair value at each reporting date. The fair values of financial instruments measured at amortized cost (or cost) and nonfinancial assets are disclosed in Note 5.

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 under current market conditions (i.e., an exit price) at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participant would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If a financial instrument measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price within the bid-ask price spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Cash and Cash Equivalents</u>
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, due from BSP and due from other banks with original maturities of three (3) months or less from the dates of placements and with insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents wherein withdrawals can be made to meet the Bank’s cash requirements as allowed by the BSP.

Securities purchased under resale agreement (SPURA)
Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA under 'Due from BSP', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank recognizes a financial asset or financial liability in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Bank. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at FVPL, and in equity for assets classified as financial assets at FVOCI. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments
Financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Bank recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income, unless it qualifies for recognition as some other type of asset. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification, Reclassification and Impairment of Financial Assets
Classification and measurement
The classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

SPPI test
As part of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test.

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Bank assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

'Principal' for the purpose of the SPPI test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount). In making the assessment of 'interest', the Bank determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Instruments with cash flows that do not represent such are classified at FVTPL.

Business model test
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Bank's measurement categories are described below:

Financial asset at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of income. Gains and losses are recognized in the statement of income when the financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such assets are recognized in the statement of income under 'Provision for credit and impairment losses - net'.

The Bank classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Loans and receivables', 'Investment securities at amortized cost' and certain financial assets under 'Other assets' as financial assets at amortized cost.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

As of December 31, 2022 and 2021, the Bank has not made such designation.

Financial Assets at FVOCI
Financial assets at FVOCI include debt and equity securities.

a. *Debt Instruments at FVOCI*
   The Bank applies the category of debt instruments measured at FVOCI when both the following conditions are met:
   - The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
   - The contractual terms of the financial asset meet the SPPI test.

   Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in OCI under 'Fair value reserves on investment securities at fair value through other comprehensive income'. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. When the Bank holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

b. *Equity Instruments at FVOCI*
   At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity instruments at FVOCI. Designation at FVOCI is not permitted if the investment in equity instrument is held for trading.

   Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Unrealized gain on financial assets carried at FVOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Unrealized gain on financial assets carried at fair value through OCI' is not reclassified to the statement of income, but is reclassified to 'Surplus'.

   Dividends earned on these investments in equity instruments are recognized in the statement of income when the Bank's right to receive the dividends is established in accordance with PFRS 9, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income, under 'Miscellaneous income'.

   Equity instruments at FVOCI of the Bank include investments in non-marketable equity investments that do not have a quoted market price in an active market, and whose fair market value cannot be reliably measured.

Financial asset measured at FVPL
Financial assets at FVPL are those non-derivative investments which are designated as such or do not qualify to be classified or designated as financial assets at amortize cost investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

As of December 31, 2022 and 2021, the Bank has no financial instruments at FVPL.

Reclassification of financial assets
The Bank can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Bank is required to reclassify as follows:
- From amortized cost or FVOCI to FVPL, if the objective of the business model changes so that the amortized cost or FVOCI criteria are no longer met;
- From FVPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
- From amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVPL or equity financial assets at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced an SICR since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced an SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default event over the expected life of a financial instrument.

Both the 12-month ECL and lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:
- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Financial liabilities at amortized cost
Issued financial instruments or their components which are not designated at FVPL are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity instrument elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This category includes 'Deposit liabilities', 'Bills payable', and other financial liabilities under 'Accrued expenses and other liabilities'.

Derecognition of Financial Instruments
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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

Write-offs
Financial assets are written off either partially or in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modification of financial assets
The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.00% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 the statement of income.

Exchange or modification of financial liabilities
The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability, where the modification of the financial liability is so fundamental, immediate derecognition of the original financial liability (e.g., restructuring a financial liability to include an embedded equity component) and the recognition of a new liability are appropriate. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

<u>Property and Equipment</u>
Property and equipment consisting of furniture, fixtures and equipment, computer and office equipment, and leasehold improvements are stated at cost less accumulated depreciation and amortization, and accumulated impairment losses, if any. The initial cost of property and equipment consists of its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized in the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful life (EUL) of the asset as follows:

	EUL
Leasehold improvements	3 years or over the remaining lease term, whichever is shorter
Furniture, fixtures and equipment	5 years
Office equipment	3 years
Computer equipment	5 years
Transportation equipment	3 years

The EUL and the depreciation and amortization method are reviewed at least at each reporting date to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of income in the year the asset is derecognized.

Right of Use Assets
The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its EUL and the lease term of the assets.

Chattel Mortgage (Other Properties Acquired)
These include chattel mortgage properties acquired in settlement of loans and receivables. These are carried at fair value as at date of reclassification.

The Bank applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the EUL of three (3) years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

If the Bank decides to use an item under chattel mortgage property as property and equipment, the related asset is reclassified to property and equipment. Upon reclassification, the Bank measures a chattel mortgage property that ceases to be classified as other properties acquired at its carrying amount.

Impairment of Property and Equipment and Chattel (Other Property Acquired)
At each reporting date, the Bank assesses whether there is any indication that its property and equipment and chattel may be impaired. When an indicator of impairment exists or when an 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 its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs.

Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) 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 of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell an appropriate valuation model is used.

An impairment loss is charged against the statement of income in the year in which it arises.

At each reporting date, an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as a credit in 'Provision for impairment and credit losses' in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity
Capital stock is measured at par value for all shares issued. 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.

Surplus represents accumulated earnings of the Bank less dividends declared.

Leases
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.

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

Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest 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, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Bank applies the short-term lease recognition exemption to its short-term leases of commercial spaces and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value

assets recognition exemption to leases of various equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as 'Rent' on a straight-line basis over the lease term.

Revenue Recognition

Revenues within the scope of PFRS 15, Revenue from Contracts with Customers

Revenue from contract with customers is recognized upon transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

The following specific recognition criteria must be met before revenue is recognized for contracts within the scope of PFRS 15:

Service charges and fees

Fees earned for the provision of services are recognized once services are rendered. These include charges from usage of ATM, charges for returned checks, charges for below minimum maintaining balance and commission income.

Miscellaneous income

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, transfer of control of property to buyer, and when the collectability of the sales price is reasonably assured.

Revenues outside the scope of PFRS 15

The following specific recognition criteria must be met before revenue is recognized for contracts outside the scope of PFRS 15:

Interest income

For all financial instruments measured at amortized cost, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset is adjusted if the Bank revises its estimates of receipts. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income' in the statement of income.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Dividend income

Dividend income are recognized when the Bank's right to receive payment is established, which is generally when the shareholders approve the dividend declarations.

Expense Recognition
Expenses are recognized when it is probable that decrease in future economic benefits related to the decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses are recognized when incurred.

Interest expense
Interest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

Taxes and licenses
These include all other taxes, local and national, including gross receipts tax (GRT), real estate taxes and licenses and permit fees which are recognized when incurred.

Operating expenses
Operating expenses constitute costs which arise in the normal business operations and are recognized when incurred.

Retirement Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

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

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

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

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Provisions and Contingencies

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'. Provisions are reviewed at each reporting date.

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

Income Taxes

Income tax comprises current and deferred taxes. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items recognized directly in OCI.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from the excess of the MCIT over the RCIT and unused NOLCO can be utilized. Deferred tax assets and liabilities, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current tax and deferred tax relating to items recognized directly in OCI are also recognized in OCI.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Events after the Reporting Period
Any post year-end event that provides additional information about the Bank's position at the reporting date (adjusting events) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

a. *Evaluation of business model in managing financial assets (PFRS 9)*
   The Bank manages its financial assets based on business models that maintain adequate liquidity level and preserve capital requirements, while maintaining a strategic portfolio of financial assets for accrual income consistent with its risk appetite.

   In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank. The Bank also considers the frequency, value, reasons and timing of past sales and expectation of future sales activity in this evaluation.

   In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

   In making this judgment, the Bank considers certain circumstances to assess that an increase in the frequency or value of sale of financial instrument in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sale and why the sale do not reflect a change in the Bank's objective for the business model.

The business model assessment is based on reasonably expected scenarios without taking worst case or stress case scenarios into account. If cash flows, after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities disclosed in the notes to the financial statements cannot be derived from active markets, they are determined using variety of valuation techniques acceptable to the market such as alternative valuation approaches that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 5.

c. *Extension and termination options*
The Bank applies judgment 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 such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

<u>Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

a. *ECL on financial assets*
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of an SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In particular, judgments and estimates by management are required in determining the following:

- segmenting the Bank's credit risk exposures;
- the Bank's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

The related allowance for credit losses of financial assets are disclosed in Note 8.

b. *Recognition of deferred taxes*
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies.

The carrying value of the Bank's deferred tax assets is disclosed in Note 19.

4. Financial Risk Management Policies and Objectives

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including liquidity, credit and market risks. The Bank's risk management objective is to adequately and consistently evaluate, manage, control, and monitor the risk profile of the Bank's statement of financial position to optimize the risk-reward balance and maximize the return on the Bank's capital. The Bank's BOD has overall responsibility for the Bank's risk management system and sets risk management policies across the full range of risks to which the Bank is exposed.

Credit Risk
Credit risk is the risk of financial loss to the Bank if the counterparty to a financial instrument fails to meet its contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. The Bank also monitors credit exposures, and continually assesses the credit worthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into collateral arrangement with counterparties, and limits the duration of exposures.

Maximum exposure to credit risk
The table below provides the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those where carrying values as reflected in the statements of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held and other credit enhancements.

	2022			
	Maximum exposure to credit risk	**Fair value of collateral and credit enhancements**	**Financial effect of collateral or credit enhancements**	**Net exposure to credit risk**
SPURA	**₱41,906,118**	**₱41,906,118**	**₱41,906,118**	**₱–**
Loans receivable				
Car loans	**75,294,245**	**21,535,200**	**11,334,558**	**63,959,687**
Real estate loans	**73,055,347**	**37,551,220**	**20,303,485**	**52,751,862**
SME loans	**11,106,384**	**9,710,200**	**3,803,465**	**7,302,919**

	2021			
	Maximum exposure to credit risk	Fair value of collateral and credit enhancements	Financial effect of collateral or credit enhancements	Net exposure to credit risk
SPURA	₱14,246,187	₱14,246,187	₱14,246,187	₱–
Loans receivable				
Car loans	90,738,587	40,015,000	36,367,109	54,371,478
Real estate loans	87,788,754	41,609,459	41,282,529	46,506,225
SME loans	18,484,428	38,840,800	9,518,274	8,966,154

Collateral and other credit enhancements
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception. The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. The Bank implements certain requirements regarding the acceptability of types of collateral and valuation parameters.

For consumer lending, the Bank obtains physical collateral (e.g., chattel properties). As a general policy, the loan value of the collateral is 70.00% of the appraised value.

It is the Bank's policy to dispose assets acquired either through redemption or sale. The proceeds on the sale of foreclosed assets (classified as 'Other Assets' in the statement of financial position) are used to reduce or repay the outstanding claims.

As of December 31, 2022 and 2021, the Bank does not have financial instruments that can be offset under enforceable master netting agreements or similar arrangements.

Concentration of credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Bank considers risk concentration to be present in financial assets when the total exposure to a particular industry or sector exceeds 30.00% of the total financial assets, similar to BSP requirements.

The table below shows the distribution of the Bank's financial assets subject to credit risk exposure by industry sector as of December 31, 2022 and 2021, before taking into account any collateral held or other credit enhancements:

	2022						
	Loans and receivables	**%**	**Other financial assets***	**%**	**Investment Securities**	**%**	**Total**
Personal service activities	**₱2,152,608,604**	**90.90**	**₱–**	**–**	**₱–**	**–**	**2,152,608,604**
Government	**3,653,778**	**0.15**	**226,582,024**	**66.65**	**278,374,999**	**94.49**	**508,610,801**
Financial intermediaries	**62,854**	**0.00**	**108,836,777**	**32.02**	**11,677,458**	**3.96**	**120,577,089**
Personal and household goods	**74,627,875**	**3.15**	**–**	**–**	**–**	**–**	**74,627,875**
Other community, social work activities	**52,984,781**	**2.24**	**–**	**–**	**–**	**–**	**52,984,781**
Auto loans	**41,317,668**	**1.75**	**–**	**–**	**–**	**–**	**41,317,668**
Agriculture, hunting and forestry	**30,017,426**	**1.27**	**–**	**–**	**–**	**–**	**30,017,426**

(Forward)

	2022						
	Loans and receivables	**%**	**Other financial assets***	**%**	**Investment Securities**	**%**	**Total**
Real estate, renting & business activities	**₱270,237**	**0.01**	**₱4,534,751**	**1.33**	**₱4,562,145**	**1.55**	**₱9,367,133**
Transportation and storage	**8,023,477**	**0.34**	–	–	–	–	**8,023,477**
Wholesale and retail	**2,005,023**	**0.08**	–	–	–	–	**2,005,023**
Construction	**1,662,329**	**0.07**	–	–	–	–	**1,662,329**
Education	**307,219**	**0.01**	–	–	–	–	**307,219**
Manufacturing	**671,309**	**0.03**	–	–	–	–	**671,309**
	2,368,212,580	**100.00**	**339,953,552**	**100.00**	**294,614,602**	**100.00**	**3,002,780,734**
Allowance for credit losses	**(40,058,518)**	–	–	–	–	–	**(40,058,518)**
	₱2,328,154,062	**100.00**	**₱339,953,552**	**100.00**	**₱294,614,602**	**100.00**	**₱2,962,722,216**

**Comprised of 'Due from BSP', 'Due from other banks', 'Accounts receivable', 'Security deposits' and 'Short-term investments'.*

	2021						
	Loans and receivables	%	Other financial assets*	%	Investment Securities	%	Total
Personal service activities	₱1,200,383,200	83.11	₱–	–	₱–	–	₱1,200,383,200
Government	1,023,676	0.07	123,497,041	78.37	399,131,870	96.00	523,652,587
Financial intermediaries	107,131	0.01	29,735,719	18.87	16,638,461	4.00	46,481,311
Personal and household goods	88,560,578	6.13	–	–	–	–	88,560,578
Other community, social work activities	59,031,391	4.09	–	–	–	–	59,031,391
Auto loans	40,412,635	2.80	–	–	–	–	40,412,635
Agriculture, hunting and forestry	32,418,586	2.24	–	–	–	–	32,418,586
Real estate, renting & business activities	903,302	0.06	4,341,811	2.76	–	–	5,245,113
Transportation and storage	12,189,004	0.84	–	–	–	–	12,189,004
Wholesale and retail	2,985,725	0.21	–	–	–	–	2,985,725
Construction	3,798,382	0.26	–	–	–	–	3,798,382
Education	1,137,912	0.08	–	–	–	–	1,137,912
Manufacturing	1,035,303	0.07	–	–	–	–	1,035,303
Hotels and restaurants	405,580	0.03	–	–	–	–	405,580
	1,444,392,405	100.00	157,574,571	100.00	415,770,331	100.00	2,017,737,307
Allowance for credit losses	(36,642,069)		–		–		(36,642,069)
	₱1,407,750,336	100.00	₱157,574,571	100.00	₱415,770,331	100.00	₱1,981,095,238

**Comprised of 'Due from BSP', 'Due from other banks', 'Accounts receivable', 'Security deposits' and 'Short-term investments'.*

For loans and receivables under 'Personal services activities', concentration risk is actively managed by the Bank with collections reasonably assured as they are mainly coursed through the Department of Education.

Credit quality per class of financial assets
Due from BSP, due from other banks, financial assets at FVOCI, investment securities at amortized cost, and short-term investments and security deposits presented under 'other assets' are with the government, reputable financial institutions and private entities and are deemed to be of high grade.

The rating categories are further described below.

<u>Loans and receivable</u>

High Grade
This includes unclassified loans which may include technical past-due accounts, which under BSP regulations are not considered as outright past-due.

Standard Grade
This is comprised of loans that have loan classification of miscellaneous exception and loans especially mentioned. Standard grade may also include matured loans subject to renewal. This category is comprised of receivables that are technically past due, with period of default of 1 to 30 days, but are still regarded as good credit quality since the counterparties have the apparent ability to satisfy their obligations in full.

Substandard Grade
These are accounts that are watch listed based on internal credit assessment and accounts that have the tendency to turn past due or non-performing. This includes loans with period of default of 31 to 90 days.

Past Due and Impaired
This comprised of receivables which are classified as non-performing, with period of default of more than 90 days.

Loans with classification of doubtful and loss are included under past-due or individually impaired.

The financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The table below shows the credit quality (classified by staging based on delinquency) per class of loans and receivables (gross of allowance for credit losses and unearned interest and discount) as of December 31, 2022 and 2021:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Salary Loans				
Standard Grade	**₱2,191,885,569**	**₱–**	**₱–**	**₱2,191,885,569**
Substandard Grade	–	**63,422,810**	–	**63,422,810**
Past Due and Impaired	–	–	**47,472,745**	**47,472,745**
	2,191,885,569	**63,422,810**	**47,472,745**	**2,302,781,124**
Car Loans				
Standard Grade	**62,176,557**	–	–	**62,176,557**
Substandard Grade	–	**3,487,341**	–	**3,487,341**
Past Due and Impaired	–	–	**11,689,472**	**11,689,472**
	62,176,557	**3,487,341**	**11,689,472**	**77,353,370**
Real Estate Loans				
Standard Grade	**56,304,176**	–	–	**56,304,176**
Substandard Grade	–	**7,965,923**	–	**7,965,923**
Past Due and Impaired	–	–	**10,360,080**	**10,360,080**
	56,304,176	**7,965,923**	**10,360,080**	**74,630,179**

(Forward)

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
SME Loans				
Standard Grade	**₱11,645,769**	**₱–**	**₱–**	**₱11,645,769**
Substandard Grade	–	–	–	–
Past Due and Impaired	–	–	**745,462**	**745,462**
	11,645,769	–	**745,462**	**12,391,231**
Others				
Standard Grade	–	–	–	–
Substandard Grade	–		–	–
Past Due and Impaired	–	–	**17,927**	**17,927**
	–	–	**17,927**	**17,927**
Accrued Interest Receivables				
Standard Grade	**13,648,799**	–	–	**13,648,799**
Substandard Grade	–	**325,791**	–	**325,791**
Past Due and Impaired	–	–	**243,202**	**243,202**
	13,648,799	**325,791**	**243,202**	**14,217,792**
Total Loans and Receivables				
Standard Grade	**2,335,660,870**	–	–	**2,335,660,870**
Substandard Grade	–	**75,201,865**	–	**75,201,865**
Past Due and Impaired	–	–	**70,528,888**	**70,528,888**
	₱2,335,660,870	**₱75,201,865**	**₱70,528,888**	**₱2,481,391,623**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Salary Loans				
Standard Grade	₱1,219,223,226	₱–	₱–	₱1,219,223,226
Substandard Grade	–	29,838,833	–	29,838,833
Past Due and Impaired	–	–	30,345,165	30,345,165
	1,219,223,226	29,838,833	30,345,165	1,279,407,224
Car Loans				
Standard Grade	70,505,122	–	–	70,505,122
Substandard Grade	–	10,016,494	–	10,016,494
Past Due and Impaired	–	–	13,689,397	13,689,397
	70,505,122	10,016,494	13,689,397	94,211,013
Real Estate Loans				
Standard Grade	74,417,206	–	–	74,417,206
Substandard Grade	–	5,923,469	–	5,923,469
Past Due and Impaired	–	–	8,709,921	8,709,921
	74,417,206	5,923,469	8,709,921	89,050,596
SME Loans				
Standard Grade	11,715,123	–	–	11,715,123
Substandard Grade	–	6,290,965	–	6,290,965
Past Due and Impaired	–	–	985,463	985,463
	11,715,123	6,290,965	985,463	18,991,551
Others				
Standard Grade	256,877	–	–	256,877
Substandard Grade	–	–	–	–
Past Due and Impaired	–	–	20,059	20,059
	256,877	–	20,059	276,936

(Forward)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Accrued Interest Receivables				
Standard Grade	₱15,612,502	₱–	₱–	₱15,612,502
Substandard Grade	–	284,009	–	284,009
Past Due and Impaired	–	–	261,733	261,733
	15,612,502	284,009	261,733	16,158,244
Total Loans and Receivables				
Standard Grade	1,391,730,056	–	–	1,391,730,056
Substandard Grade	–	52,353,770	–	52,353,770
Past Due and Impaired	–	–	54,011,738	54,011,738
	₱1,391,730,056	₱52,353,770	₱54,011,738	₱1,498,095,564

Impairment assessment

Assessment of SICR/Staging assessment

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the instrument. Based on this process, the Bank categorizes its credit exposures into Stage 1, Stage 2 and Stage 3, as described below:

Stage	Category	Description
Stage 1	Credit risk has not increased significantly since initial recognition	12 month expected credit losses: Expected credit loss resulting from potential default of financial instruments occurring over 12 months from the end of reporting period and if current and contractual payments are less than or equal to thirty (30) days past due.
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: Expected credit loss resulting from all potential default of financial instruments occurring over the expected life and if contractual payments are more than thirty (30) days and less than or equal to ninety (90) days past due or if the account is considered "watchlist"
Stage 3		Credit-impaired financial assets

For other credit risk exposures such as due from other banks, due from BSP, and debt securities at amortized cost, the Bank applies the low credit risk simplification. The Bank considers a debt financial asset to have low risk when its credit rating is equivalent to the definition of investment grade. The Bank evaluates whether the debt financial asset, on an individual basis, is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

The Bank determines a material increase in credit risk and estimates the expected credit loss on a forward-looking basis. The measuring factors of the expected credit loss are assumed to have certain relationship with the economic cycle. Through relationship analysis between the macroeconomic variables and the credit risk measuring factors, the forward-looking information is reflected in the expected credit loss estimation.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

Definition of 'default' and 'cure'
The Bank defines a financial instrument as in default based on the following:

- Loans and receivables which are past due for more than 90 days;
- Loans and receivable with non-collection of full amount at maturity;
- Likelihood of non-payment when an account is under litigation;
- There is a breach of any key covenants/agreements that will adversely affect the borrower's capacity to pay;
- Weak financial condition and results of operations that leads to the borrower's inability to generate sufficient cash flow for debt servicing; or
- Restructuring of principal and interest or any concession granted by the Bank relating to the borrower's difficulty.

When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., cured) when it no longer meets any of the default criteria and there is sufficient evidence to support full collection through payments received for at least 6 consecutive payments.

Credit risk at initial recognition
The Bank uses an internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Restructuring
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

Assessment of ECL on a collective basis
The Bank calculates ECL either on an individual or collective basis. The Bank performs collective impairment by grouping financial assets on the basis of similar credit risk characteristics such as industry, collateral type, past-due status and other relevant factors. Accounts with similar attributes (i.e., type of facility) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). These variables have been estimated from historical experience data by using the statistical techniques developed internally by the Bank and have been adjusted to reflect forward-looking information using statistical techniques and experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or within the remaining life of the exposure for Stage 2. The PD for each individual instrument is modelled based on historical data and is adjusted for current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristics of the portfolio, behavior of the accounts and materiality of the portfolio as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. LGD is the amount that may not be recovered in the event of default and is modelled based on historical net cash flow recoveries from collections and the sale of foreclosed assets.

Economic overlays
The Bank incorporates economic overlays into its assessment of SICR and its measurement of ECL. A broad range of economic overlays are considered as economic inputs, such as inflation rates, exchange rates and savings deposit rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank's loans and receivables consists of different portfolios, such as personal salary loans, car loans, real estate loans; and small and medium enterprise (SME) loans. In compliance with PFRS 9, the Bank has developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Market Risk
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments. The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The following table sets forth the sensitivity to a reasonably possible change in the interest rates of the Bank's investments in bonds included under investment securities at FVOCI and bills payable, with all other variables held constant:

	2022		2021	
Changes in interest rates (in basis points)	**+100**	**-100**	+100	-100
Effect on equity				
Investment securities at FVOCI	**(₱2,812,996)**	**₱2,998,820**	(₱7,493,859)	₱7,983,498
Effect on net income				
Bills payable	**(5,180,138)**	**5,290,857**	(675,310)	350,547

As at December 31, 2022 and 2021, the Bank does not hold floating-rate financial assets.

Liquidity Risk
Liquidity risk is the risk that sufficient funds may not be available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquid financial resources to meet obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses that would be detrimental to the Bank's operations.

The Bank maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a liquidity and statutory reserve to BSP equivalent to 3.00% of deposit liabilities in 2022 and 2021, respectively. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid asset to deposit liabilities, set to reflect market conditions.

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Bank based on undiscounted contractual cash flows:

	2022					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial assets						
Cash on hand	**₱24,791,109**	**₱–**	**₱–**	**₱–**	**₱–**	**₱24,791,109**
Due from BSP	**9,111,922**	**148,037,977**	**–**	**–**	**–**	**157,149,899**
Due from other banks	**106,582,627**	**–**	**–**	**–**	**–**	**106,582,627**
Investment securities at FVOCI	**–**	**1,152,506**	**142,594**	**13,385,300**	**78,177,569**	**92,857,969**
Investment securities at amortized cost	**–**	**–**	**562,500**	**7,612,500**	**261,950,000**	**270,125,000**
Loans and receivables	**24,491,272**	**172,756,375**	**172,859,855**	**736,935,497**	**1,584,828,801**	**2,691,871,800**
Other assets*	**–**	**69,563,984**	**–**	**2,254,150**	**4,534,751**	**76,352,885**
	164,976,930	**391,510,842**	**173,564,949**	**760,187,447**	**1,929,491,121**	**3,419,731,289**
Financial liabilities						
Deposit liabilities	**209,842,933**	**191,804,981**	**241,703,870**	**185,096,991**	**1,278,973,338**	**2,107,422,113**
Bills payable	**–**	**14,873,622**	**124,000,359**	**198,644,826**	**506,398,103**	**843,916,910**
Accrued expenses and other liabilities	**–**	**41,554,590**	**–**	**–**	**–**	**41,554,590**
	209,842,933	**248,233,193**	**365,704,229**	**383,741,817**	**1,785,371,441**	**2,992,893,613**
	(₱44,866,003)	**₱143,277,649**	**(₱192,139,280)**	**₱376,445,630**	**₱144,119,680**	**₱426,837,676**

**Includes 'Accounts receivable', 'Security deposits' and 'Short-term investments'*

	2021					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial assets						
Cash on hand	₱30,077,486	₱–	₱–	₱–	₱–	₱30,077,486
Due from BSP	15,267,405	55,246,187	–	–	–	70,513,592
Due from other banks	27,508,298	–	–	–	–	27,508,298
Investment securities at FVOCI	2,511,114	243,630	657,175	5,554,318	229,353,872	238,320,109
Investment securities at amortized cost	–	–	553,933	5,363,230	273,940,199	279,857,362
Loans and receivables	11,194,244	146,371,633	160,013,560	648,878,738	899,737,494	1,866,195,669
Other assets*	–	52,983,449	–	2,227,422	4,341,811	59,552,682
	86,558,547	254,844,899	161,224,668	662,023,708	1,407,373,376	2,572,025,198
Financial liabilities						
Deposit liabilities	227,453,373	146,084,973	247,056,451	246,234,716	832,897,279	1,699,726,792
Bills payable	–	1,948,700	7,654,252	71,423,348	87,820,625	168,846,925
Accrued expenses and other liabilities	–	30,227,330	–	–	–	30,227,330
	227,453,373	178,261,003	254,710,703	317,658,064	920,717,904	1,898,801,047
	(₱140,894,826)	₱76,583,896	(₱93,486,035)	₱344,365,644	₱486,655,472	₱673,224,151

**Includes 'Accounts receivable', 'Security deposits' and 'Short-term investments'*

Offsetting of Financial Assets and Liabilities

The Bank is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The effects of these arrangements to the Bank's financial statements are disclosed in the succeeding tables.

Financial assets recognized at end of reporting period by type	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the statements of financial position	Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure
	[a]	[b]	[c]	[d]		[e]
December 31, 2022						
Securities held under agreements to resell (Note 6)	**₱41,906,118**	**₱–**	**₱41,906,118**	**₱–**	**₱41,906,118**	**₱–**
December 31, 2021						
Securities held under agreements to resell (Note 6)	₱14,246,187	₱–	₱14,246,187	₱–	₱14,246,187	₱–

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

5. Fair Value of Financial Assets and Financial Liabilities

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments are:

Due from BSP, due from other banks and short-term investments under 'Other assets'
The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Investments in government securities and private bonds
Fair values are based on quoted market prices published in active markets.

Equity securities
Fair values of unquoted equity securities are estimated using the guideline publicly-traded company method, which utilizes publicly available information from publicly-traded comparable companies that are the same or similar to the unlisted company being valued.

Loans and receivables
Fair values of receivable from customers are estimated by discounting expected future cash flows using current market lending. The discount rates used in estimating the fair value of loans and receivables are the incremental lending rates ranging from 6.50% to 34.65% and from 6.50% to 23.13% in 2022 and 2021, respectively.

Deposit liabilities
Fair values of time deposits are estimated using the discounted cash flow methodology, using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable. The discount rates used in estimating the fair value of time deposits as of December 31, 2022 and 2021 range from 1.35% to 7.00% and from 1.25% to 7.00%, respectively.

Financial assets and liabilities at amortized cost except for loans and receivables and deposit liabilities
Carrying value approximates fair value due to either the demand nature or the relatively short-term maturities of these financial instruments.

Bills payable
Fair value is computed using the discounted cash flow methodology. The discount rates used in estimating the fair value of bills payable are from 4.00% to 7.00% and from 4.50% to 6.04% in 2022 and 2021, respectively, which are based on the Bank's incremental borrowing rates.

As at December 31, 2022 and 2021, the carrying values of the Bank's financial assets and financial liabilities approximate their fair values as reflected in the statements of financial position and related notes, except for the following financial instruments:

	2022				
		Fair Value			
	Carrying value	**Quoted prices (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value					
Investment securities at FVOCI					
Government securities	**₱46,574,876**	**₱46,574,876**	**₱–**	**₱–**	**₱46,574,876**
Private bonds	**16,239,603**	**16,239,603**	**–**	**–**	**16,239,603**
Equity securities	**115,000**	**–**	**115,000**	**–**	**115,000**
	₱62,929,479	**₱62,814,479**	**₱115,000**	**₱–**	**₱62,929,479**
Assets for which fair values are disclosed					
Investment securities at amortized cost	**₱231,800,123**	**₱209,467,661**	**₱–**	**₱–**	**₱209,467,661**
Loans and receivables					
Salary loans	**2,165,455,331**	**–**	**–**	**2,257,793,322**	**2,257,793,322**
Car loans	**75,852,985**	**–**	**–**	**76,114,258**	**76,114,258**
Real estate loans	**73,321,839**	**–**	**–**	**77,356,903**	**77,356,903**
SME loans	**11,146,565**	**–**	**–**	**11,223,199**	**11,223,199**
Others	**2,377,342**	**–**	**–**	**2,377,342**	**2,377,342**
	2,328,154,062	**–**	**–**	**2,424,865,024**	**2,424,865,024**
	₱2,559,954,185	**₱209,467,661**	**₱–**	**₱2,424,865,024**	**₱2,634,332,685**
Liabilities for which fair values are disclosed					
Time deposits	**₱1,545,865,912**	**₱–**	**₱–**	**₱1,588,082,538**	**₱1,588,082,538**
Bills payable	**760,590,656**	**–**	**–**	**751,977,414**	**751,977,414**
	₱2,306,456,568	**₱–**	**₱–**	**₱2,340,059,952**	**₱2,340,059,952**

	2021				
		Fair Value			
	Carrying value	Quoted prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Investment securities at FVOCI					
Government securities	₱166,800,933	₱166,800,933	₱–	₱–	₱166,800,933
Private bonds	16,638,461	16,638,461	–	–	16,638,461
Equity securities	115,000	–	115,000	–	115,000
	₱183,554,394	₱183,439,394	₱115,000	₱–	₱183,554,394
Assets for which fair values are disclosed					
Investment securities at amortized cost	₱232,330,937	₱223,546,619	₱–	₱–	₱223,546,619
Loans and receivables					
Salary loans	1,211,033,611	–	–	1,237,370,047	1,237,370,047
Car loans	90,738,587	–	–	93,577,104	93,577,104
Real estate loans	87,225,185	–	–	93,088,247	93,088,247
SME loans	18,484,428	–	–	18,735,348	18,735,348
Others	268,525	–	–	265,524	265,524
	1,407,750,336	–	–	1,443,036,270	1,443,036,270
	₱1,640,081,273	₱223,546,619	₱–	₱1,443,036,270	₱1,666,582,889

(Forward)

		2021			
		Fair Value			
	Carrying value	Quoted prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities for which fair values are disclosed					
Time deposits	₱1,261,466,595	₱–	₱–	₱1,269,923,181	₱1,269,923,181
Bills payable	161,317,383	–	–	162,894,213	162,894,213
	₱1,422,783,978	₱–	₱–	₱1,432,817,394	₱1,432,817,394

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

6. Due from BSP and Other Banks

Due from BSP

	2022	2021
Overnight deposit facility	**₱56,000,000**	₱41,000,000
Term deposit facility	**50,000,000**	–
SPURA	**41,906,118**	14,246,187
Demand deposit account (Note 11)	**8,611,922**	14,767,405
Special deposit account	**500,000**	500,000
	₱157,018,040	₱70,513,592

Annual interest rates on the Bank's 'Due from BSP' are as follows:

	2022	2021
Overnight deposit facility	**1.50% - 5.00%**	1.50%
Term deposit facility	**1.70% - 6.27%**	1,64% - 1.82%
SPURA	**2.00% - 5.50%**	2.00%

Special deposit accounts are non-interest-bearing short term placements. As of December 31, 2022 and 2021, the SPURA is collateralized by government securities with fair values amounting to ₱41.91 million and ₱14.25 million, respectively. The Bank is not permitted to sell or re-pledge the related collateral in the absence of default by the counterparty.

Interest income earned on due from BSP amounted to ₱3.70 million and ₱1.99 million in 2022 and 2021, respectively.

Due from Other Banks
This account consists of:

	2022	2021
Demand deposit	**₱100,054,762**	₱22,564,856
Savings deposit	**6,527,865**	4,943,441
	₱106,582,627	₱27,508,297

Due from other banks bear annual interest rates ranging from 0.05% to 0.30% and from 0.13% to 3.00% in 2022 and 2021, respectively. Interest income on due from other banks amounted to ₱0.12 million and ₱0.10 million in 2022 and 2021, respectively.

7. **Investment Securities**

Investment Securities at FVOCI
This account consists of investment securities at FVOCI as of December 31, 2022 and 2021:

	2022	2021
Government securities	**₱46,574,876**	₱166,800,933
Private bonds	**16,239,603**	16,638,461
Unquoted equity securities	**115,000**	115,000
	₱62,929,479	₱183,554,394

As of December 31, 2022 and 2021, government bonds have effective interest rates ranging from 4.10% to 5.91% with maturities ranging from 2023 to 2031 and from 3.66% to 5.91% with maturities ranging from 2022 to 2031, respectively.

As of December 31, 2022, government bonds with fair value of ₱25.40 million are assigned as collateral for certain borrowings of the Bank (Note 12).

The movements in fair value reserves on debt instruments at FVOCI of the Bank follows:

	2022	2021
Balance at beginning of year	**(₱591,466)**	₱370,265
Movements in fair values during the year	**(12,298,387)**	(302,333)
Net loss (gain) realized in profit or loss	**6,143,629**	(659,398)
Net change during the year	**(6,154,758)**	(961,731)
Balance at end of year	**(₱6,746,224)**	(₱591,466)

Unquoted equity securities
As of December 31, 2022 and 2021, the Bank has equity investments in Bankers Association of the Philippines (BAP) and classified as investment securities at FVOCI with carrying amount of ₱0.12 million. The Bank intends to hold these securities as long-term investments as they relate to participation in banking operations.

Investment securities at amortized cost

As of December 31, 2022 and 2021, this account consists of government securities, which have effective interest rates ranging from 2.74% to 3.77% and maturities ranging from 2026 to 2028.

As of December 31, 2022, investment securities at amortized cost with carrying values and fair values of ₱181.34 million and ₱163.80 million, respectively, are assigned as collateral for certain borrowings of the Bank (Note 12).

Interest Income on Investment Securities
Interest income on investment securities follows:

	2022	2021
Financial assets at FVOCI	**₱5,108,417**	₱3,464,933
Investment securities and amortized cost	**7,561,477**	4,310,583
	₱12,669,894	₱7,775,516

8. Loans and Receivables

This account consists of:

	2022	2021
Loans and receivables		
Salary loans (Note 12)	**₱2,302,781,124**	₱1,279,407,224
Car loans	**77,353,370**	94,211,013
Real estate loans	**74,630,179**	89,050,596
SME loans	**12,391,231**	18,991,551
Others	**17,927**	276,936
	2,467,173,831	1,481,937,320
Net unearned interest and discount	**(113,179,043)**	(53,703,159)
Loans and receivables, net of unearned interest and discount	**2,353,994,788**	1,428,234,161
Accrued interest receivable	**14,217,792**	16,158,244
Loans and receivables, before allowance for credit losses	**2,368,212,580**	1,444,392,405
Allowance for credit losses	**(40,058,518)**	(36,642,069)
	₱2,328,154,062	₱1,407,750,336

Loans and receivables, with terms normally ranging from 1 to 20 years in 2022 and from 2 to 20 years in 2021, earn annual interest rates as follows:

	2022	2021
Salary loans	**4.41% - 41.86%**	5.07% - 41.86%
Car loans	**7.94% - 67.39%**	8.02% - 59.81%
SME loans	**15.65% - 40.92%**	11.32% - 26.41%
Real estate loans	**6.72% - 42.58%**	6.72% - 10.55%
Others	**23.00%**	22.93% - 42.56%

Modification of Loans and Receivables
On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted.

Under Bayanihan 2 Act, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, the Bank in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered financial reliefs to its borrowers as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables and grace period.

Based on the Bank's assessment, the modifications in the contractual cash flows as a result of implementing the above regulatory and Bank-initiated reliefs are not substantial and did not result in the derecognition of the affected financial assets. The resulting modification loss net of accretion in 2020 presented as a reduction to the carrying amount of the financial asset amounted to ₱1.49 million. In 2021, the modification loss on modified loans has been fully accreted.

Interest Income on Loans and Receivables

Interest income on loans and receivables consist of interest income on:

	2022	2021
Salary loans	**₱263,162,367**	₱172,839,180
Car loans	**15,544,964**	20,321,703
Real estate loans	**7,265,495**	7,951,185
SME loans	**2,269,183**	2,133,894
Others	**380,996**	93,634
	₱288,623,005	₱203,339,596

Allowance for Credit Losses

The changes in allowance for credit and impairment losses follow:

	2022	2021
Balance at beginning of year	**₱36,642,069**	₱32,174,852
Movements during the year:		
Provision for credit and impairment losses	**6,530,533**	7,381,533
Write-off	**(3,114,084)**	(2,914,316)
	3,416,449	4,467,217
Balance at end of year	**₱40,058,518**	₱36,642,069

The tables below illustrate the movements of the gross carrying amounts and the allowance for impairment and credit losses of the financial assets for the year ended December 31, 2022 and 2021 (effect of movements in ECL due to transfers between stages are shown in the total column):

	ECL Staging			
Salary Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2022	**₱1,219,223,226**	**₱29,838,833**	**₱30,345,165**	**₱1,279,407,224**
New financial assets purchased or originated	**2,037,191,159**	**61,369,441**	**29,235,801**	**2,127,796,401**
Transfers:				
Transfers to (from) Stage 1	**(4,160,376)**	**1,193,733**	**2,966,643**	–
Transfers to (from) Stage 2	**657,197**	**(2,134,326)**	**1,477,129**	–
Transfers to (from) Stage 3	**(66,553)**	–	**66,553**	–
Movements in outstanding balance	**(1,060,959,084)**	**(26,844,871)**	**(15,304,378)**	**(1,103,108,333)**
Write-offs	–	–	**(1,314,168)**	**(1,314,168)**
Gross carrying amount as at December 31, 2022	**₱2,191,885,569**	**₱63,422,810**	**₱47,472,745**	**₱2,302,781,124**
Allowance for credit losses as at January 1, 2022	**₱7,153,630**	**₱534,966**	**₱19,340,855**	**₱27,029,451**
New financial assets purchased or originated	**12,761,918**	**570,932**	**9,811,250**	**23,144,100**
Transfers:				
Transfers to (from) Stage 1	**(935,315)**	**20,478**	**914,837**	–
Transfers to (from) Stage 2	**4,915**	**(495,249)**	**490,334**	–
Transfers to (from) Stage 3	**(888)**	–	**888**	–
Changes in PDs/LGDs/EADs	**(5,066,001)**	**(25,122)**	**(10,436,320)**	**(15,527,443)**
Write-offs	–	–	**(1,314,168)**	**(1,314,168)**
Allowance for credit losses as at December 31, 2022	**₱13,918,259**	**₱606,005**	**₱18,807,676**	**₱33,331,940**

Salary Loans	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱1,211,271,903	₱9,909,971	₱36,559,842	₱1,257,741,716
New financial assets purchased or originated	916,531,023	–	–	916,531,023
Transfers:				
Transfers to (from) Stage 1	(32,958,800)	23,853,575	9,105,225	–
Transfers to (from) Stage 2	(3,537,287)	3,537,287	–	–
Transfers to (from) Stage 3	(7,213,260)	(63,495)	7,276,755	–
Movements in outstanding balance	(864,870,353)	(7,398,505)	(19,682,341)	(891,951,199)
Write-offs	–	–	(2,914,316)	(2,914,316)
Gross carrying amount as at December 31, 2021	₱1,219,223,226	₱29,838,833	₱30,345,165	₱1,279,407,224
Allowance for credit losses as at January 1, 2021	₱6,804,587	₱92,693	₱16,508,935	₱23,406,215
New financial assets purchased or originated	3,755,803	–	–	3,755,803
Transfers:				
Transfers to (from) Stage 1	(4,242,516)	279,879	3,962,637	–
Transfers to (from) Stage 2	(208,801)	208,801	–	–
Transfers to (from) Stage 3	(4,950,421)	(23,200)	4,973,621	–
Changes in PDs/LGDs/EADs	5,994,978	(23,207)	(3,190,022)	2,781,749
Write-offs	–	–	(2,914,316)	(2,914,316)
Allowance for credit losses as at December 31, 2021	₱7,153,630	₱534,966	₱19,340,855	₱27,029,451

Car Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2022	**₱70,505,122**	**₱10,016,494**	**₱13,689,397**	**₱94,211,013**
New financial assets purchased or originated	**33,776,338**	**1,189,835**	**–**	**34,966,173**
Transfers:				
Transfers to (from) Stage 1	**(4,143,437)**	**1,350,398**	**2,793,039**	**–**
Transfers to (from) Stage 2	**319,779**	**(2,419,405)**	**2,099,626**	**–**
Transfers to (from) Stage 3	**(32,245)**	**118,352**	**(86,107)**	**–**
Movements in outstanding balance	**(38,249,000)**	**(6,768,333)**	**(5,006,567)**	**(50,023,900)**
Write-offs	**–**	**–**	**(1,799,916)**	**(1,799,916)**
Gross carrying amount as at December 31, 2022	**₱62,176,557**	**₱3,487,341**	**₱11,689,472**	**₱77,353,370**
Allowance for credit losses as at January 1, 2022	**₱677,647**	**₱1,094,213**	**₱5,272,084**	**₱7,043,944**
New financial assets purchased or originated	**428,483**	**18,415**	**–**	**446,898**
Transfers:				
Transfers to (from) Stage 1	**(627,643)**	**54,367**	**573,276**	**–**
Transfers to (from) Stage 2	**2,627**	**(541,987)**	**539,360**	**–**
Transfers to (from) Stage 3	**(7)**	**1,271**	**(1,264)**	**–**
Changes in PDs/LGDs/EADs	**337,055**	**(538,784)**	**(1,211,554)**	**(1,413,283)**
Write-offs	**–**	**–**	**(1,799,916)**	**(1,799,916)**
Allowance for credit losses as at December 31, 2022	**₱818,162**	**₱87,495**	**₱3,371,986**	**₱4,277,643**

Car Loans	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱102,552,139	₱13,718,125	₱7,792,445	₱124,062,709
New financial assets purchased or originated	36,300,966	–	–	36,300,966
Transfers:				
Transfers to (from) Stage 1	1,054,950	(913,095)	(141,855)	–
Transfers to (from) Stage 2	(7,960,938)	7,960,938	–	–
Transfers to (from) Stage 3	(1,913,019)	(6,560,260)	8,473,279	–
Movements in outstanding balance	(59,528,976)	(4,189,214)	(2,434,472)	(66,152,662)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2021	₱70,505,122	₱10,016,494	₱13,689,397	₱94,211,013
Allowance for credit losses as at January 1, 2021	₱1,410,356	₱733,759	₱3,925,919	₱6,070,034
New financial assets purchased or originated	332,792	–	–	332,792
Transfers:				
Transfers to (from) Stage 1	61,778	(60,268)	(1,510)	–
Transfers to (from) Stage 2	(957,041)	957,041	–	–
Transfers to (from) Stage 3	(388,524)	(2,112,737)	2,501,261	–
Changes in PDs/LGDs/EADs	218,286	1,576,418	(1,153,586)	641,118
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2021	₱677,647	₱1,094,213	₱5,272,084	₱7,043,944

Real Estate Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2022	**₱74,417,206**	**₱5,923,469**	**₱8,709,921**	**₱89,050,596**
New financial assets purchased or originated	**1,587,463**	**750,998**	**–**	**2,338,461**
Transfers:				
Transfers to (from) Stage 1	**(9,724,801)**	**6,288,771**	**3,436,030**	**–**
Transfers to (from) Stage 2	**2,480,056**	**(4,576,280)**	**2,096,224**	**–**
Transfers to (from) Stage 3	**(1,725,300)**	**–**	**1,725,300**	**–**
Movements in outstanding balance	**(10,730,448)**	**(421,035)**	**(5,607,395)**	**(16,758,878)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2022	**₱56,304,176**	**₱7,965,923**	**₱10,360,080**	**₱74,630,179**
Allowance for credit losses as at January 1, 2022	**₱1,649,091**	**₱127,003**	**₱186,818**	**₱1,962,912**
New financial assets purchased or originated	**28,173**	**12,214**	**–**	**40,387**
Transfers:				
Transfers to (from) Stage 1	**(171,551)**	**111,272**	**60,279**	**–**
Transfers to (from) Stage 2	**43,844**	**(81,010)**	**37,166**	**–**
Transfers to (from) Stage 3	**(30,582)**	**–**	**30,582**	**–**
Changes in PDs/LGDs/EADs	**(523,063)**	**(29,588)**	**(134,321)**	**(686,972)**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2022	**₱995,912**	**₱139,891**	**₱180,524**	**₱1,316,327**

Real Estate Loans	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱88,210,728	₱5,716,210	₱5,106,848	₱99,033,786
New financial assets purchased or originated	7,948,080	–	–	7,948,080
Transfers:				
Transfers to (from) Stage 1	1,352,351	(428,789)	(923,562)	–
Transfers to (from) Stage 2	(5,923,469)	5,923,469	–	–
Transfers to (from) Stage 3	(3,601,557)	(5,108,365)	8,709,922	–
Movements in outstanding balance	(13,568,927)	(179,056)	(4,183,287)	(17,931,270)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2021	₱74,417,206	₱5,923,469	₱8,709,921	₱89,050,596
Allowance for credit losses as at January 1, 2021	₱1,785,396	₱116,039	₱100,937	₱2,002,372
New financial assets purchased or originated	176,329	–	–	176,329
Transfers:				
Transfers to (from) Stage 1	29,979	(9,483)	(20,496)	–
Transfers to (from) Stage 2	(127,003)	127,003	–	–
Transfers to (from) Stage 3	(77,226)	(109,592)	186,818	–
Changes in PDs/LGDs/EADs	(138,384)	3,036	(80,441)	(215,789)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2021	₱1,649,091	₱127,003	₱186,818	₱1,962,912

SME Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2022	**₱11,715,123**	**₱6,290,965**	**₱985,463**	**₱18,991,551**
New financial assets purchased or originated	**4,855,812**	**–**	**–**	**4,855,812**
Transfers:				
Transfers to (from) Stage 1	**–**	**–**	**–**	**–**
Transfers to (from) Stage 2	**4,044,957**	**(4,044,957)**	**–**	**–**
Transfers to (from) Stage 3	**–**	**–**	**–**	**–**
Movements in outstanding balance	**(8,970,123)**	**(2,246,008)**	**(240,001)**	**(11,456,132)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2022	**₱11,645,769**	**₱–**	**₱745,462**	**₱12,391,231**
Allowance for credit losses as at January 1, 2022	**₱257,011**	**₱132,091**	**₱21,176**	**₱410,278**
New financial assets purchased or originated	**83,846**	**–**	**–**	**83,846**
Transfers:				
Transfers to (from) Stage 1	**–**	**–**	**–**	**–**
Transfers to (from) Stage 2	**68,416**	**(68,416)**	**–**	**–**
Transfers to (from) Stage 3	**–**	**–**	**–**	**–**
Changes in PDs/LGDs/EADs	**(208,650)**	**(63,675)**	**731,686**	**459,361**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2022	**₱200,623**	**₱–**	**₱752,862**	**₱953,485**

SME Loans	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱14,268,295	₱–	₱1,246,801	₱15,515,096
New financial assets purchased or originated	7,948,080	–	–	7,948,080
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	(6,290,965)	6,290,965	–	–
Transfers to (from) Stage 3	–	–	–	–
Movements in outstanding balance	(4,210,287)	–	(261,338)	(4,471,625)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2021	₱11,715,123	₱6,290,965	₱985,463	₱18,991,551
Allowance for credit losses as at January 1, 2021	₱286,179	₱–	₱25,531	₱311,710
New financial assets purchased or originated	188,352	–	–	188,352
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	(132,091)	132,091	–	–
Transfers to (from) Stage 3	–	–	–	–
Changes in PDs/LGDs/EADs	(85,429)	–	(4,355)	(89,784)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2021	₱257,011	₱132,091	₱21,176	₱410,278

Others	**ECL Staging** **Stage 1** **12-month ECL**	 **Stage 2** **Lifetime ECL**	 **Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2022	**₱256,877**	**₱–**	**₱20,059**	**₱276,936**
New financial assets purchased or originated	**–**	**–**	**–**	**–**
Transfers:				
Transfers to (from) Stage 1	**–**	**–**	**–**	**–**
Transfers to (from) Stage 2	**–**	**–**	**–**	**–**
Transfers to (from) Stage 3	**–**	**–**	**–**	**–**
Movements in outstanding balance	**(256,877)**	**–**	**(2,132)**	**(259,009)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2022	**₱–**	**₱–**	**₱17,927**	**₱17,927**
Allowance for credit losses as at January 1, 2022	**₱5,580**	**₱–**	**₱430**	**₱6,010**
New financial assets purchased or originated	**–**	**–**	**–**	**–**
Transfers:				
Transfers to (from) Stage 1	**–**	**–**	**–**	**–**
Transfers to (from) Stage 2	**–**	**–**	**–**	**–**
Transfers to (from) Stage 3	**–**	**–**	**–**	**–**
Changes in PDs/LGDs/EADs	**(5,580)**	**–**	**(114)**	**(5,694)**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2022	**₱–**	**₱–**	**₱316**	**₱316**

Others	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱767,952	₱–	₱–	₱767,952
New financial assets purchased or originated	112,000	–	–	112,000
Transfers:				
Transfers to (from) Stage 1	(20,059)	20,059	–	–
Transfers to (from) Stage 2	–	(20,059)	20,059	–
Transfers to (from) Stage 3	–	–	–	–
Movements in outstanding balance	(603,016)	–	–	(603,016)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2021	₱256,877	₱–	₱20,059	₱276,936
Allowance for credit losses as at January 1, 2021	₱16,473	₱–	₱–	₱16,473
New financial assets purchased or originated	2,385	–	–	2,385
Transfers:				
Transfers to (from) Stage 1	(430)	430	–	–
Transfers to (from) Stage 2	–	(430)	430	–
Transfers to (from) Stage 3	–	–	–	–
Changes in PDs/LGDs/EADs	(12,848)	–	–	(12,848)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2021	₱5,580	₱–	₱430	₱6,010

Accrued Interest Receivable	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2022	**₱15,612,502**	**₱284,009**	**₱261,733**	**₱16,158,244**
New financial assets purchased or originated	**9,932,856**	**279,587**	**76,001**	**10,288,444**
Transfers:				
Transfers to (from) Stage 1	**(92,835)**	**44,995**	**47,840**	**–**
Transfers to (from) Stage 2	**46,771**	**(56,056)**	**9,285**	**–**
Transfers to (from) Stage 3	**(1,396)**	**118,352**	**(116,956)**	**–**
Movements in outstanding balance	**(11,849,099)**	**(345,096)**	**(34,701)**	**(12,228,896)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2022	**₱13,648,799**	**₱325,791**	**₱243,202**	**₱14,217,792**
Allowance for credit losses as at January 1, 2022	**₱36,759**	**₱7,983**	**₱144,732**	**₱189,474**
New financial assets purchased or originated	**66,873**	**2,534**	**29,911**	**99,318**
Transfers:				
Transfers to (from) Stage 1	**(6,225)**	**1,500**	**4,725**	**–**
Transfers to (from) Stage 2	**756**	**(1,512)**	**756**	**–**
Transfers to (from) Stage 3	**16**	**–**	**(16)**	**–**
Changes in PDs/LGDs/EADs	**(18,969)**	**(6,454)**	**(84,562)**	**(109,985)**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2022	**₱79,210**	**₱4,051**	**₱95,546**	**₱178,807**

Accrued Interest Receivable	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱24,387,538	₱775,006	₱1,405,630	₱26,568,174
New financial assets purchased or originated	4,069,495	–	–	4,069,495
Transfers:				
Transfers to (from) Stage 1	(131,335)	109,693	21,642	–
Transfers to (from) Stage 2	(140,396)	140,396	–	–
Transfers to (from) Stage 3	(40,017)	(59,614)	99,631	–
Movements in outstanding balance	(12,532,783)	(681,472)	(1,265,170)	(14,479,425)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2021	₱15,612,502	₱284,009	₱261,733	₱16,158,244
Allowance for credit losses as at January 1, 2021	₱132,556	₱44,120	₱191,372	₱368,048
New financial assets purchased or originated	17,947	–	–	17,947
Transfers:				
Transfers to (from) Stage 1	(18,376)	785	17,591	–
Transfers to (from) Stage 2	(6,557)	6,557	–	–
Transfers to (from) Stage 3	(23,462)	(16,388)	39,850	–
Changes in PDs/LGDs/EADs	(65,349)	(27,091)	(104,081)	(196,521)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2021	₱36,759	₱7,983	₱144,732	₱189,474

Total Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2022	**₱1,391,730,056**	**₱52,353,770**	**₱54,011,738**	**₱1,498,095,564**
New financial assets purchased or originated	**2,087,343,628**	**63,589,861**	**29,311,802**	**2,180,245,291**
Transfers:				
Transfers to (from) Stage 1	**(18,121,449)**	**8,877,897**	**9,243,552**	**–**
Transfers to (from) Stage 2	**7,548,760**	**(13,231,024)**	**5,682,264**	**–**
Transfers to (from) Stage 3	**(1,825,494)**	**236,704**	**1,588,790**	**–**
Movements in outstanding balance	**(1,131,014,631)**	**(36,625,343)**	**(26,195,174)**	**(1,193,835,148)**
Write-offs	**–**	**–**	**(3,114,084)**	**(3,114,084)**
Gross carrying amount as at December 31, 2022	**₱2,335,660,870**	**₱75,201,865**	**₱70,528,888**	**₱2,481,391,623**
Allowance for credit losses as at January 1, 2022	**₱9,779,718**	**₱1,896,256**	**₱24,966,095**	**₱36,642,069**
New financial assets purchased or originated	**13,369,293**	**604,095**	**9,841,161**	**23,814,549**
Transfers:				
Transfers to (from) Stage 1	**(1,740,734)**	**187,617**	**1,553,117**	**–**
Transfers to (from) Stage 2	**120,558**	**(1,188,174)**	**1,067,616**	**–**
Transfers to (from) Stage 3	**29,716**	**1,271**	**(30,987)**	**–**
Changes in PDs/LGDs/EADs	**(5,546,385)**	**(663,623)**	**(11,074,008)**	**(17,284,016)**
Write-offs	**–**	**–**	**(3,114,084)**	**(3,114,084)**
Allowance for credit losses as at December 31, 2022	**₱16,012,166**	**₱837,442**	**₱23,208,910**	**₱40,058,518**

Total Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Gross carrying amount as at January 1, 2021	₱1,441,458,555	₱30,119,312	₱52,111,566	₱1,523,689,433
New financial assets purchased or originated	972,909,644	−	−	972,909,644
Transfers:				
Transfers to (from) Stage 1	(30,702,893)	22,641,443	8,061,450	−
Transfers to (from) Stage 2	(23,853,055)	23,832,996	20,059	−
Transfers to (from) Stage 3	(12,767,853)	(11,791,734)	24,559,587	−
Movements in outstanding balance	(955,314,342)	(12,448,247)	(27,826,608)	(995,589,197)
Write-offs	−	−	(2,914,316)	(2,914,316)
Gross carrying amount as at December 31, 2021	₱1,391,730,056	₱52,353,770	₱54,011,738	₱1,498,095,564
Allowance for credit losses as at January 1, 2021	₱10,435,547	₱986,611	₱20,752,694	₱32,174,852
New financial assets purchased or originated	4,473,608	−	−	4,473,608
Transfers:				
Transfers to (from) Stage 1	(4,169,565)	211,343	3,958,222	−
Transfers to (from) Stage 2	(1,431,493)	1,431,063	430	−
Transfers to (from) Stage 3	(5,439,633)	(2,261,917)	7,701,550	−
Changes in PDs/LGDs/EADs	5,911,254	1,529,156	(4,532,485)	2,907,925
Write-offs	−	−	(2,914,316)	(2,914,316)
Allowance for credit losses as at December 31, 2021	₱9,779,718	₱1,896,256	₱24,966,095	₱36,642,069

9. Property and Equipment

The composition of and movements in this account follow:

	2022						
	Furniture, Fixtures and Equipment	**Leasehold Improvement**	**Office Equipment**	**Computer Equipment**	**Transportation Equipment**	**Right-of-Use Asset**	**Total**
Cost							
Balances at beginning of year	**₱2,569,928**	**₱15,522,642**	**₱2,358,374**	**₱26,338,522**	**₱2,065,600**	**₱17,563,975**	**₱66,419,041**
Additions	**299,171**	**1,210,078**	**596,932**	**7,586,071**	**–**	**2,246,901**	**11,939,153**
Disposals/Adjustments	**–**	**–**	**–**	**–**	**–**	**(530,569)**	**(530,569)**
Balances at end of year	**2,869,099**	**16,732,720**	**2,955,306**	**33,924,593**	**2,065,600**	**19,280,307**	**77,827,625**
Accumulated Depreciation and Amortization							
Balances at beginning of year	**2,231,007**	**9,133,758**	**2,042,334**	**18,345,678**	**1,606,577**	**7,135,549**	**40,494,903**
Depreciation and amortization	**347,929**	**4,286,332**	**193,364**	**3,436,932**	**459,023**	**5,261,672**	**13,985,252**
Disposals/Adjustments	**–**	**–**	**–**	**–**	**–**	**(1,343,231)**	**(1,343,231)**
Balances at end of year	**2,578,936**	**13,420,090**	**2,235,698**	**21,782,610**	**2,065,600**	**11,053,990**	**53,136,924**
Net Book Values	**₱290,163**	**₱3,312,630**	**₱719,608**	**₱12,141,983**	**₱–**	**₱8,226,317**	**₱24,690,701**

	2021						
	Furniture, Fixtures and Equipment	Leasehold Improvement	Office Equipment	Computer Equipment	Transportation Equipment	Right-of-Use Asset	Total
Cost							
Balances at beginning of year	₱2,516,051	₱19,456,721	₱2,194,329	₱23,219,586	₱2,855,088	₱16,142,488	₱66,384,263
Additions	164,789	1,597,696	193,837	3,251,508	–	1,913,440	7,121,270
Disposals/Adjustments	(110,912)	(5,531,775)	(29,792)	(132,572)	(789,488)	(491,953)	(7,086,492)
Balances at end of year	2,569,928	15,522,642	2,358,374	26,338,522	2,065,600	17,563,975	66,419,041
Accumulated Depreciation and Amortization							
Balances at beginning of year	1,927,310	11,366,529	1,916,203	15,531,963	1,698,305	3,266,162	35,706,472
Depreciation and amortization	414,609	3,299,004	155,923	2,946,287	691,608	4,361,340	11,868,771
Disposals/Adjustments	(110,912)	(5,531,775)	(29,792)	(132,572)	(783,336)	(491,953)	(7,080,340)
Balances at end of year	2,231,007	9,133,758	2,042,334	18,345,678	1,606,577	7,135,549	40,494,903
Net Book Values	₱338,921	₱6,388,884	₱316,040	₱7,992,844	₱459,023	₱10,428,426	₱25,924,138

10. **Other Assets**

	2022	2021
Financial assets		
Accounts receivable - others	**₱69,563,984**	₱52,983,449
Security deposits	**4,534,751**	4,341,811
Short-term investment	**2,254,150**	2,227,422
	76,352,885	59,552,682
Non-financial assets		
Advance interest	**16,746,997**	20,322,707
Chattel mortgage	**3,978,989**	1,880,000
Prepaid documentary stamp taxes	**2,604,921**	–
Prepaid supplies	**732,721**	688,635
Prepaid expenses	**378,026**	29,379
Others	**7,475**	7,475
	24,449,129	22,928,196
	₱100,802,014	₱82,480,878

Accounts receivable - others represent amounts due from DepEd for loan collections at year-end, creditable withholding tax, Bancnet intraday settlements, travel advances made by the Bank to its employees.

Short-term investment refers to time deposit with a local thrift bank and corporate security with interest rates of 1.00% in 2022 and 2021, with original term of twelve (12) months.

Advance interest pertains to unamortized prepaid interest on time deposits with interest rates ranging from 3.50% to 7.00% and from 1.25% to 4.05% in 2022 and 2021, respectively, and terms ranging from one to five years.

Allowance for impairment losses on chattel mortgage amounted to ₱0.58 million and ₱0.23 million as of December 31, 2022 and 2021, respectively. In 2022 and 2021, provision for impairment losses recognized in the statement of income amounted to ₱0.35 million and ₱0.23 million, respectively.

Others include subscriptions for electricity and telecommunication services.

11. **Deposit Liabilities**

BSP Circular No. 1092 prescribes 3.00% reserve requirement on deposit liabilities for thrift banks.

As of December 31, 2022 and 2021, demand deposit account with BSP amounting to ₱8.61 million and ₱14.77 million, respectively, were set aside as reserves for deposit liabilities (Note 6).

On May 27, 2020, BSP issued Circular No. 1087 on alternative compliance with required reserve requirements for banks. One of the alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities shall be allowed are MSME loan granted, renewed or restructured after March 15, 2020.

As of December 31, 2022 and 2021, the Bank is in compliance with the reserve requirements.

Deposit liabilities bear annual interest rates ranging from 1.05% to 7.00% in 2022 and 2021.

Interest expense on deposit liabilities consists of:

	2022	2021
Time	**₱70,817,651**	₱62,412,619
Savings	**1,814,349**	1,528,627
Current	**244,378**	185,790
	₱72,876,378	₱64,127,036

12. **Bills Payable**

This account consists of borrowings from:

	2022	2021
Local banks	**₱760,590,656**	₱112,491,049
Others	**–**	48,826,334
	₱760,590,656	₱161,317,383

The movement of the Bank's bills payable follows:

	2022	2021
Balance at beginning of the year	**₱161,317,383**	₱170,259,081
Amortization of transaction costs	**(3,334,239)**	(1,018,975)
Availments of bills payable	**815,991,000**	15,000,000
Payments made	**(213,383,488)**	(22,922,723)
Balance at end of the year	**₱760,590,656**	₱161,317,383

The Bank's borrowings' tenors and annual interest rates (gross of Philippine withholding tax) as of December 31, 2022 and 2021 are presented as follows:

	2022	2021
Tenor	**6 months to 10 years**	10 months to 10 years
Annual interest rates	**4.00% - 7.00%**	4.50% - 6.04%

Interest expense on bills payable amounted to ₱29.91 million and ₱11.31 million in 2022 and 2021, respectively.

These borrowings are secured by salary loans presented under loans and receivables, with fair values of ₱695.81 million and as ₱138.04 million of December 31, 2022 and 2021, respectively (Note 8).

As of December 31, 2022, certain borrowings with carrying amount of ₱157.64 million are secured by financial assets at FVOCI with fair values of ₱25.40 million and investment securities at amortized cost with carrying values and fair values of ₱181.34 million and ₱163.80 million, respectively (Note 7).

Under the Credit Facilities Agreement with Security Bank Corporation, Philippine National Bank, and Multinational Investment Bancorporation, the Bank shall maintain the following ratios, the compliance of which shall be monitored annually through the submission of the 'Certificate of No Default and Compliance' in accordance with Section 7.01(m) of the Agreement:
(i) NPL coverage ratio that is compliant with BSP requirement as applicable to the Bank;
(ii) Capital adequacy ratio of not less than fifteen percent (15.00%);
(iii) NPL ratio of not more than six percent (6.00%); and
(iv) Non-performing asset (NPA) ratio of not more than five percent (5.00%).

As of December 31, 2022 and 2021, the Bank is in compliance with the above ratios as required by the Credit Facilities Agreement.

13. Accrued Expenses and Other Liabilities

This account consists of:

	2022	2021
Financial liabilities		
Accounts payable	**₱21,717,165**	₱17,015,183
Accrued expenses	**19,837,425**	10,366,636
Accrued interest payable	**6,061,788**	2,845,511
	47,616,378	30,227,330
Non-financial liabilities		
Lease liabilities (Note 17)	**9,005,852**	10,386,765
Retirement liability (Note 16)	**4,298,829**	4,408,631
Withholding and other taxes payable	**1,500,034**	1,113,713
Others	**1,457,324**	578,635
	16,262,039	16,487,744
	₱63,878,417	₱46,715,074

Accounts payable includes documentary stamps payable, payable to Bancnet for ATM withdrawals and advance payments from borrowers for processing of chattel mortgages and notarial fees. Accrued expenses include accruals of Philippine Deposit Insurance Corporation assessment fees, professional fees, utilities and BSP penalties for non-compliance with Agri-Agra credits under R.A. No. 10000. Accrued interest payable pertains to interest accrued from time deposits and bills payable.

14. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2022			2021		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash on hand	**₱24,791,109**	**₱–**	**₱24,791,109**	₱30,077,486	₱–	₱30,077,486
Due from BSP	**157,018,040**	**–**	**157,018,040**	70,513,592	–	70,513,592
Due from other banks	**106,582,627**	**–**	**106,582,627**	27,508,298	–	27,508,298
Investment securities at FVOCI	**11,667,458**	**51,262,021**	**62,929,479**	4,006,605	179,547,790	183,554,395
Investment securities at amortized cost	**–**	**231,800,123**	**231,800,123**		232,330,937	232,330,937
Loans and receivables						
Salary loans	**102,140,794**	**2,200,640,330**	**2,302,781,124**	131,614,620	1,147,792,604	1,279,407,224
Car loans	**13,196,454**	**64,156,916**	**77,353,370**	70,610,581	23,600,432	94,211,013
Real estate loans	**168,945**	**74,461,234**	**74,630,179**	74,417,206	14,633,390	89,050,596
SME loans	**8,346,274**	**4,044,957**	**12,391,231**	11,715,123	7,276,428	18,991,551
Others	**17,927**	**–**	**17,927**	256,877	20,059	276,936
Accrued interest receivable	**14,217,792**	**–**	**14,217,792**	616,793	15,541,451	16,158,244
Other assets	**71,818,134**	**4,534,751**	**76,352,885**	59,552,682	–	59,552,682
Subtotal	**509,965,554**	**2,630,900,332**	**3,140,865,886**	480,889,863	1,620,743,091	2,101,632,954
Nonfinancial Assets						
Property and equipment	**5,357,366**	**72,470,259**	**77,827,625**	2,814,933	63,604,108	66,419,041
Other assets	**19,737,419**	**4,711,710**	**24,449,129**	20,359,562	2,568,634	22,928,196
Deferred tax asset	**–**	**11,284,221**	**11,284,221**	–	10,252,260	10,252,260
Subtotal	**25,094,785**	**88,466,190**	**113,560,975**	23,174,495	76,425,002	99,599,497
	₱535,060,339	**₱2,719,366,522**	**₱3,254,426,861**	₱504,064,358	₱1,697,168,093	₱2,201,232,451
Less:						
Accumulated depreciation			**(₱53,136,924)**			(₱40,494,903)
Net unearned interest discount			**(113,179,043)**			(53,703,159)
Allowance for credit losses			**(40,058,518)**			(36,642,069)
Total assets			**₱3,048,052,376**			₱2,070,392,320
Financial liabilities						
Deposit liabilities	**₱795,045,705**	**₱960,663,140**	**₱1,755,708,845**	₱817,864,122	₱671,055,846	₱1,488,919,968
Bills payable	**300,114,459**	**460,476,197**	**760,590,656**	123,453,955	37,863,428	161,317,383
Accrued expenses and other liabilities	**47,616,378**	**–**	**47,616,378**	30,227,330	–	30,227,330
Subtotal	**1,142,776,542**	**1,421,139,337**	**2,563,915,879**	971,545,407	708,919,274	1,680,464,681
Nonfinancial liabilities						
Income tax payable	**5,513,639**	**–**	**5,513,639**	4,289,923	–	4,289,923
Accrued expenses and other liabilities	**7,385,570**	**8,876,469**	**16,262,039**	12,079,113	4,408,631	16,487,744
Subtotal	**12,899,209**	**8,876,469**	**21,775,678**	16,369,036	4,408,631	20,777,667
Total liabilities	**₱1,155,675,751**	**₱1,430,015,806**	**₱2,585,691,557**	₱987,914,443	₱713,327,905	₱1,701,242,348

15. Equity

The Bank's capital stock as of December 31, 2022 and 2021 consists of:

	2022		2021	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized capital				
Preferred stock - 100 par value	**2,000,000**	**₱200,000,000**	2,000,000	₱200,000,000
Common stock - 100 par value	**8,000,000**	**800,000,000**	8,000,000	800,000,000
	10,000,000	**₱1,000,000,000**	10,000,000	₱1,000,000,000
Common stock issued and outstanding				
Balances at beginning of year	**3,200,005**	**₱320,000,500**	3,125,005	₱312,500,500
Issuance of shares	**716,995**	**71,699,500**	75,000	7,500,000
Balances at end of year	**3,917,000**	**₱391,700,000**	3,200,005	₱320,000,500

Preferred Stock

The Bank's preferred stock has the following features: (a) cumulative and (b) nonparticipating. Dividends shall be declared from the surplus or undivided profits of the Bank, including stock dividends from paid-in surplus, at such time and in such amounts as the BOD may determine. As of December 31, 2022 and 2021, there is no outstanding preferred stock.

Dividend Declaration and Capital Infusion

On June 25, 2021, the Board of Directors declared cash dividends of ₱4.80 per share or a total of ₱15.00 million payable not later than July 15, 2021 which cash dividends will be used for the following purposes: ₱7.50 million to pay for a portion of the unpaid subscription of the stockholders, thereby bringing up the paid-up capital to ₱320.00 million in 2021, and the remaining ₱7.50 million to the stockholders of record as of May 31, 2021.

On September 30, 2022, the Board of Directors declared cash dividends of ₱8.34 per share or a total of ₱26.70 million payable not later than October 31, 2022. The cash dividends will be used for the following purposes: ₱21.70 million to pay for a portion of the unpaid subscriptions of the stockholders and the remaining ₱5.0 million to the stockholders of record as of August 31, 2022. On October 28, 2022, the Bank issued additional 50,000 shares to existing stockholders for ₱50.00 million, thereby bringing up the paid-up capital to ₱391.70 million in 2022.

Surplus reserves

In compliance with BSP Circular 1011under Section 11 (c), in cases when the computed allowance for credit losses on Stage 1 accounts is less than the required one percent (1%) general provision, the deficiency shall be recognized by appropriating the surplus reserves. As of December 31, 2022 and 2021, the Bank appropriated ₱6.97 million and ₱3.00 million, respectively, from its free surplus to comply with the general loan loss provision required BSP.

Capital Management

BSP sets and monitors capital requirements for the Bank. In implementing current capital requirement, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

The Bank's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the Bank's capital management in 2022 and 2021.

Regulatory 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) as reported to the BSP, which is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital adequacy ratio (CAR) of the Bank with quasi-banking operations, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00%. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Risk-weighted assets consist of total assets less cash on hand, amounts 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 determined by the Monetary Board (MB) of the BSP. Under BSP Circular No. 360, effective July 1, 2003, the CAR is to be inclusive of a market risk charge.

On May 13, 2010, the BSP issued Circular No. 688, *Revised Risk-Based Capital Adequacy Framework For Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks*. The framework is a simplified version of Basel II in view of the simple operations of these covered banks.

The following table sets the regulatory capital, as reported to BSP, as of December 31, 2022 and 2021 (amounts in millions except for ratio):

	2022	2021
Tier 1 Capital	**450.66**	358.69
Tier 2 Capital	**22.69**	14.74
Total Qualifying Capital	**473.35**	373.43
Risk weighted assets	**2,774.64**	1,739.58
Tier 1 capital ratio	**16.24%**	20.62%
Total capital ratio	**17.06%**	21.47%

Regulatory capital consists of Tier 1 capital, which comprises share capital and surplus including current year profit. Certain adjustments are made in PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 capital, which includes general loan loss provision (limited to 1.00% of credit risk weighted assets).

In 2022 and 2021, the Bank met and complied with the CAR requirement set by the BSP.

Minimum Liquidity Ratio (MLR)
On March 15, 2019, the BSP issued Circular No.1035 which provides the minimum liquidity ratio for stand-alone thrift banks, rural banks, cooperative banks and quasi-banks. Banks are required to maintain a prudent MLR of 20.00%, a liquidity ratio which is expressed as a percentage of the Bank's eligible stock of liquid assets to its qualifying liabilities.

On April 7, 2020, the BSP issued Memorandum M-2020-020, which provides the minimum liquidity ratio (MLR) for stand-alone thrift banks, rural banks, and cooperative banks, as set out in Section 145 of the Manual of Regulations for Banks, is hereby reduced from 20 percent (20.00%) to 16 percent (16.00%).

As of December 31, 2022 and 2021, the MLR of the Bank as reported to the BSP is 20.74% and 35.86%, respectively.

16. Retirement Benefits

The Bank accrues retirement benefits in accordance with Republic Act (RA) No. 7641, *Retirement Pay Law*, which requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Future contributions will be made once a retirement plan is established. The Bank's retirement plan provides a retirement benefit equal to one-half month's salary for every year of service, with six months or more of service considered as one year. The present value of the defined benefit obligation and the related service cost were measured using the projected unit credit method. As of December 31, 2022 and 2021, the Bank does not have a retirement plan. The date of the latest actuarial valuation is December 31, 2022.

The cost of defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension for the defined benefit plans as of December 31 are shown below:

	2022	2021
Discount rate	**7.26%**	5.17%
Salary increase rate	**5.00%**	5.00%

Changes in the defined benefit liability in 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	**₱4,408,631**	₱2,014,244
Net benefit cost in statements of income*		
Current service cost	**718,119**	318,250
Net interest	**227,926**	80,167
	946,045	398,417
Remeasurements in OCI		
Actuarial changes arising from:		
Experience adjustments	**1,140,281**	149,417
Changes in demographic assumptions	**(1,355,327)**	2,576,733
Changes in financial assumptions	**(840,801)**	(730,180)
	(1,055,847)	1,995,970
Balance at end of year	**₱4,298,829**	₱4,408,631

**Presented under 'Compensation and fringe benefits' in the statements of income*

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2022 and 2021, assuming all other assumptions were held constant. There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

	Increase (Decrease)	
	2022	2021
Discount rates		
+1.00%	**(₱318,318)**	(₱500,035)
-1.00%	**367,757**	602,205
Future salary increases		
+1.00%	**373,482**	597,027
-1.00%	**(327,576)**	(505,159)

The average duration of the defined benefit obligation as of December 31, 2022 and 2021 is 8.00 years and 12.50 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
Within 1 year	**₱311,657**	₱244,025
More than 1 year to 5 years	**4,748,661**	1,657,486
More than 5 years to 10 years	**802,779**	1,841,935

17. **Lease Agreement**

The Bank entered into various lease contracts for the premises occupied by its branches. These contracts have an average term of one to five years, with renewal option included in the contracts. There are no restrictions placed upon the Bank by entering to these leases. Lease payments for Mandaue, Talisay, and Capitol branches are subject to 3.00% to 10.00% escalation rates.

The following are the amounts recognized in the statement of income:

	2022	2021
Depreciation expense of right-of-use assets (Note 9)	**₱5,261,672**	₱4,361,340
Interest expense on lease liabilities	**490,708**	545,253
Expenses relating to short-term leases (included in 'Rent')	**1,561,099**	1,363,623
	₱7,313,479	₱6,270,216

The rollforward analysis of lease liabilities as of December 31, 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	**₱10,386,765**	₱13,396,149
Additions	**2,246,901**	1,913,440
Lease modifications	**1,114,421**	–
Interest expense	**490,708**	545,253
Payments	**(5,232,943)**	(5,468,077)
	₱9,005,852	₱10,386,765

Future minimum lease payments under non-cancellable leases follow:

	2022	2021
Within one year	**₱4,727,156**	₱4,619,221
Beyond one year but not more than five years	**4,717,670**	7,653,465
	₱9,444,826	₱12,272,686

18. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	2022	2021
Loss on sale of chattel mortgage properties (Note 10)	**(₱296,485)**	(₱1,401,299)
Commissions	**–**	806,207
Gain on disposal of property and equipment	**–**	413,846
Others	**82,450**	348,532
	(₱214,035)	₱167,286

Commissions include those income earned for services rendered on referral fees for insurance on car loans and handling of collection items and chattel mortgages.

Miscellaneous Expenses
This account consists of:

	2022	2021
Fines, penalties and other charges	**₱1,730,547**	₱2,497,550
Representation and entertainment (Note 19)	**1,232,802**	249,061
Supervision and examination fees	**652,885**	607,638
Loss on lease modification	**301,759**	–
Banking fees	**100,346**	42,213
Trust fees	**–**	82,377
Others	**2,160,300**	2,087,712
	₱6,178,639	₱5,566,551

Others include expenditures made by the Bank for its household agents, medicine supplies, employees' identification cards and accessories.

19. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (included in 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of GRT and documentary stamp tax.

Income taxes include corporate income tax 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.

On March 26, 2021, Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was approved into law. CREATE provides that regular corporate income tax (RCIT) rate shall be reduced from 30.00% to 25.00% for domestic and foreign corporations effective July 1, 2020. Moreover, interest expense allowed as a deductible expense shall be reduced by 20% of interest income subject to final tax under the CREATE Act, while by 33% prior to the CREATE Act.

The regulations also provide for MCIT of 1.00% from July 1, 2020 to June 30, 2023, before reverting to 2.00% on modified gross income. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next 5 consecutive taxable years, pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020.

Current tax regulations also provide for the ceiling on the amount of EAR expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses amounted to ₱1.23 million and ₱0.25 million in 2022 and 2021, respectively.

Provision for (benefit from) income tax consists of:

	2022	2021
Current		
Regular	**₱16,425,988**	₱9,033,058
Final	**3,190,154**	2,016,939
	19,616,142	11,049,997
Deferred	**(1,295,923)**	127,131
	₱18,320,219	₱11,177,128

Components of deferred tax asset - net are as follows:

	2022	2021
Deferred tax assets on:		
Allowance for credit losses	**₱10,014,630**	₱9,160,517
Retirement liability	**1,074,707**	1,102,158
PFRS 16 adjustment	**194,884**	–
	11,284,221	10,262,675
Deferred tax liability on:		
PFRS 16 adjustment	–	10,415
	₱11,284,221	₱10,252,260

In 2022 and 2021, provision for deferred tax on retirement liability pertaining to 'Remeasurement gain on retirement liability' charged directly to OCI amounted to ₱0.26 million and ₱0.50 million, respectively.

The reconciliation between the statutory income tax and effective income tax follow:

	2022	2021
Statutory income tax at 25.00%	**₱17,973,485**	₱9,043,523
Income tax effects of:		
Nondeductible expenses	**1,288,370**	1,136,145
Tax-paid income	**(932,085)**	(450,553)
Movements in temporary differences	**(9,551)**	2,129,563
Impact of CREATE	–	(681,550)
	₱18,320,219	₱11,177,128

20. **Related Party Transactions**

In the ordinary course of business, the Bank has various transactions with its affiliates and with certain directors, officers, stockholders and related interests (DOSRI). Transactions with such parties are made in the ordinary course of business and on substantially same terms as those prevailing at the time for comparable transactions with other parties. Current 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 the book value of their investments in the Bank. In the aggregate, loans to respective DOSRI generally should not exceed to the lower of the Bank's total regulatory capital or 15.00% of the total loan portfolio. As of December 31, 2022 and 2021, the balance of outstanding loans to DOSRI amounted to ₱0.12 million and ₱0.04 million, respectively. Generally, the related party transactions are settled in cash.

The deposit liabilities and related interest expense in respect of related party transactions included in the financial statements follow:

	Volume/Outstanding balance		
Category	**2022**	**2021**	**Terms and Conditions/Nature**
Time	**₱337,605,128**	₱453,876,232	Time deposits with annual fixed interest rates ranging from 1.35% to 7.00% per annum in 2022 and 1.05% to 7.00% per annum in 2021 with remaining maturities from less than 1 year to 5 years in both years.
Deposits	**105,363,887**	122,217,805	
Withdrawals	**(246,357,777)**	(131,167,589)	
Interest expense	**24,722,786**	7,065,650	Interest on time deposits
Savings	**36,028,309**	74,898,501	Due upon demand; 1.00% per annum
Deposits	**286,701,218**	142,474,999	
Withdrawals	**(325,867,336)**	(103,455,580)	
Interest expense	**295,926**	416,152	Interest on savings deposits
Dividends	**26,699,500**	15,000,000	Dividends paid in 2022 and 2021

The compensation of key management personnel presented under 'Compensation and fringe benefits' in the statements of income amounted to ₱8.80 million and ₱7.41 million in 2022 and 2021, respectively. These pertain to short-term benefits of key management personnel.

In 2022 and 2021, total post-employment benefit expense (income) of the key management personnel amounted to (₱0.04 million) and ₱0.90 million, which includes defined benefit expense (income) charged to profit or loss amounting to ₱0.32 million and ₱0.15 million for 2022 and 2021, respectively, and to other comprehensive income amounting to (₱0.36 million) and ₱0.75 million for 2022 and 2021, respectively.

21. **Approval for the Release of the Financial Statements**

The accompanying financial statements of the Bank were authorized and approved for issue by the BOD on April 28, 2023.

22. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Presented below is the supplementary information required by BSP under Appendix 55 of Section 174 of the MORB to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Bank:

	2022	2021
Return on average equity	**12.89%**	6.91%
Return on average assets	**2.09%**	1.22%
Net interest margin on average earning assets	**8.58%**	7.30%

Description of capital instruments issued
As of December 31, 2022 and 2021, the Bank has two classes of authorized capital stock, which are preferred and common stocks. As of December 31, 2022 and 2021, the Bank has issued and outstanding common stock. There is no outstanding preferred stock as of December 31, 2022 and 2021.

Significant credit exposures
The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are managed and controlled.

	2022		2021	
	Amount	**%**	Amount	%
Personal service activities	**₱2,141,842,709**	**90.99**	₱1,185,607,424	83.01
Personal and household goods	**74,361,398**	**3.16**	88,319,294	6.18
Other community, social work activities	**52,696,979**	**2.24**	58,550,716	4.10
Auto loans	**41,021,430**	**1.74**	40,058,242	2.81
Agriculture, hunting and forestry	**29,867,153**	**1.27**	32,284,307	2.26
Transportation and storage	**7,984,244**	**0.34**	12,122,225	0.85
Wholesale and retail	**1,987,156**	**0.08**	2,951,390	0.21
Construction	**1,638,743**	**0.07**	3,756,542	0.26
Government	**1,383,697**	**0.06**	1,012,791	0.07
Real Estate, renting & business activities	**239,059**	**0.01**	898,399	0.06
Education	**305,780**	**0.01**	1,134,168	0.08
Manufacturing	**666,440**	**0.03**	1,026,905	0.07
Hotel and restaurants	**–**	**0.00**	404,627	0.03
Financial intermediaries	**–**	**0.00**	107,131	0.01
	₱2,353,994,788	**100.00**	₱1,428,234,161	100.00

For loans and receivables under ‘Personal services activities’, concentration risk is actively managed by the Bank with collections reasonably assured as they are coursed through the Department of Education.

Loans per security
Information on the amounts of secured and unsecured loans and receivables (gross of unearned interests and discounts and allowance for credit losses) follows:

	2022		2021	
	Amount	**%**	Amount	%
Secured portion				
Chattel mortgage	**₱83,314,092**	**3.38**	₱93,371,829	6.30
Real estate mortgage	**72,669,625**	**2.94**	89,035,611	6.01
Deposit hold-out	**3,500,000**	**0.14**	112,000	0.01
Others	**139,627**	**0.01**	9,673,795	0.65
Unsecured portion	**2,307,550,487**	**93.53**	1,289,744,085	87.03
	₱2,467,173,831	**100.00**	₱1,481,937,320	100.00

Under banking regulations, prior to January 1, 2018, non-performing loans (NPLs) shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears. In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches 10.00% of the total receivable balance. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.

With the issuance of BSP Circular 941, *Amendments to the Regulations on Past Due and Non-Performing Loans* effective January 1, 2018, loans 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 interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As of December 31, 2022 and 2021, secured and unsecured NPLs of the Bank follow:

	2022	2021
Secured	**₱22,034,566**	₱22,384,330
Unsecured	**48,251,120**	31,365,671
	₱70,285,686	₱53,750,001

Status of loans
Information on the amounts of performing and non-performing loans (NPLs) and receivables (gross of allowance for impairment and credit losses) of the Bank are as follows:

	2022			2021		
	Performing	**Non-Performing**	**Total**	Performing	Non-Performing	Total
Loans and discounts						
Chattel mortgage	**₱71,624,621**	**₱11,689,471**	**₱83,314,092**	₱80,521,616	₱13,689,397	₱94,211,013
Real estate mortgage	**62,324,530**	**10,345,095**	**72,669,625**	80,340,675	8,709,922	89,050,597
Deposit hold-out	**3,500,000**	**–**	**3,500,000**	112,000	–	112,000
Others	**2,259,438,994**	**48,251,120**	**2,307,690,114**	1,267,213,028	31,330,623	1,298,543,651
	₱2,396,888,145	**₱70,285,686**	**₱2,467,173,831**	₱1,428,187,319	₱53,729,942	₱1,481,917,261

Secured liability and assets pledged as security
The Bank has bills payable secured by salary loans presented under loans and receivables, with carrying value of ₱668.73 million and ₱188.75 million as of December 31, 2022 and 2021, respectively.

As of December 31, 2022, bills payable with carrying amount of ₱157.64 million are secured by financial assets at FVOCI and investment securities at amortized cost with carrying values of ₱25.40 million and ₱181.34 million, respectively.

Related party loans
As required by the BSP, the Bank discloses loan transactions with its and affiliates and investees and with certain DOSRI. Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. DOSRI pertains to loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular. The succeeding table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	2022	2021
Total outstanding DOSRI/Related party loans	**₱0.12 million**	₱0.04 million
Percent of DOSRI/Related party loans to total loan portfolio	**0.0047%**	0.0025%
Percent of unsecured DOSRI/Related party loans to total DOSRI/Related party loans	**–**	–
Percent of past due DOSRI/Related party loans to total DOSRI/Related party loans	**–**	–
Percent of non-performing DOSRI/Related party loans to total DOSRI/Related party loans	**–**	–

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi–bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

Commitments and contingencies
As of December 31, 2022 and 2021, the Bank does not have any contingencies and commitments.

23. Supplementary Information Required Under Revenue Regulations 15-2010

In addition to the disclosures mandated by PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

The Bank paid the following types of taxes in 2022:

Taxes and Licenses

National	
Gross receipts tax	₱15,728,875
Documentary stamps tax	6,216,962
Local	
Other local taxes	1,543,656
	₱23,489,493

Withholding Taxes
Details of total remittances of withholding taxes for 2022 are as follows:

	Total remittances	Balance
Withholding taxes on compensation and benefits	₱2,837,386	₱356,327
Final withholding taxes on interest on deposits	2,927,499	248,930
Expanded withholding taxes	4,474,721	894,777
	₱10,239,606	₱1,500,034

Tax Cases and Assessments
As of December 31, 2022, the Bank has no deficiency tax assessments and tax cases, litigation, and/or prosecution in courts or bodies outside the BIR.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Savings Bank, Inc.
Capitol West Building, No.
45 Don Gil Garcia Street corner Escario Street,
Capitol Site, Cebu City

We have audited the financial statements of Sun Savings Bank, Inc. (the Bank) as of and for the years ended December 31, 2022 and 2021, on which we have rendered the attached report dated April 28, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total of four (4) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang
Partner
CPA Certificate No. 134290
Tax Identification No. 238-044-991
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 134290-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9564633, January 3, 2023, Makati City

April 28, 2023