Sun Savings
Bank

2023 ANNUAL REPORT

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ABOUT THE BANK

Sun Savings Bank (the "Bank") is a domestic thrift bank incorporated in the Philippines in June 1997, originally as Urban Corp. Development Bank. Subsequently, in May 2004, the Bank's name was changed to EIB Savings Bank, and in August 2004, it was granted a Certificate of Authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a thrift bank. Under the previous owners, the Bank focused on providing micro-finance loans.

In June 2011, the Bank was sold to a consortium of new investors with extensive experience in banking. The consortium includes Fleetwood Holdings, Inc. (FHI), Project Quest Corporation (PQ), Santos Gonzalez Hijos, and Navion Capital Resources.

At the time of acquisition, Sun Savings Bank operated with modest metrics: one banking office, assets amounting to P 69 million, liabilities of P 1 million, and equity totaling P 68 million. However, under the stewardship of its new owners, the bank embarked on a strategic vision aimed at becoming a leading institution in consumer and SME-focused banking, anticipating the future landscape shaped by FinTech and digital banking innovations.

Sun Savings Bank is advancing its footprint across Cebu Province with strategic expansions, underscoring its dedication to community-focused banking. The bank added new branches and branch-lite units strategically positioned in key cities spanning both North and South Cebu. This expansion initiative marks a significant milestone, boosting the bank's total branch count to seven and reinforcing its commitment to serving diverse communities throughout Metro Cebu and neighboring provinces.

Sun Savings Bank is embracing the future of banking with a strong focus on digital innovation. Today, the bank is enhancing its digital banking capabilities to offer seamless and convenient services to its clientele. This initiative includes improving online banking platforms, introducing mobile banking solutions, and leveraging technology to streamline customer interactions and transactions.

CORPORATE POLICY

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

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

- We consistently uphold our **HEART core values**, which stand for:
  - **H:** Honesty, Integrity
  - **E:** Excellence
  - **A:** Ability and Agility
  - **R:** Respect
  - **T:** Transparency and Teamwork
- These values form a strong foundation for our success and guide our decisions, actions, and relationships. They define our identity and are reflected in every aspect of our operations. By adhering to these core values, we believe we can continue to deliver exceptional financial services to our valued customers and contribute to the growth and prosperity of the communities we serve.

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

PRESIDENT'S REPORT

Francisco A. Dizon
President & CEO

Financial Condition and Results of Operations in 2023

Sun Savings Bank's total assets grew by a remarkable 19.3% in 2023, which was higher than the growth rate of the entire banking industry which was only 7.6%. Thus, in 2023, the bank's total assets reached a record level of ₱3.6 billion. The bank's superior growth rate once again demonstrated its ability to adapt and thrive in a challenging economic environment, as the Bangko Sentral ng Pilipinas (BSP) maintained its reference borrowing and lending rates at their highest levels, in order to bring down the inflation rate to its target range of 2-4%.

The significant growth in total assets was accounted for primarily by the 19% growth of its loan portfolio, which reached a new high of ₱2.8 billion in 2023. The growth in the bank's loan portfolio was complimented by an extraordinary increase of 142.5% of its total deposits amounting to ₱279 million with the Bangko Sentral ng Pilipinas (BSP), from last year's level of ₱115 million only, This meant that the bank improved further its liquidity position in 2023 despite the significant increase in its loan portfolio. This complimentary expansion of its loans and liquid assets, shows the bank's strong capability to continue providing financial support to its borrowers as well as cover unexpected outflows.

The substantial increase in the Bank's loan portfolio and liquidity was funded primarily by the 20.5% growth in total deposit liabilities which reached a new high of ₱2.12 billion by year end 2023. The growth rate in deposits of 20.5% exceeded that of the banking industry which grew by 7% only. The bank has consistently offered rewarding and competitive interest rates combined with a wide range of deposit products with varying maturities to reward and delight its depositors. Simultaneously, the bank's availment of medium-term bank loans with LandBank, DBP, PNB, Robinsons Bank, BPI, RCBC and Multinational Investment Bancorporation, increased by 17.6% to ₱894 million. This growth in total liabilities clearly demonstrated the bank's capacity to expand and grow in the face of economic headwinds.

To further strengthen the capital base of the bank and show their commitment to the bank's growth, the shareholders did not pay any cash dividends but kept in the bank, all the net income generated during the year. This resulted in an 17% increase in total shareholders equity to almost ₱545 million by year end 2023. In turn, the bank's CAR or capital adequacy ratio was at 16.3, way above the BSP requirement of 10.

The audited net income reached a record ₱79 million for the year 2023, marking a 48% increase from the previous year's ₱54 million. Our total interest income rose by 42% from P288 million to P408 million, with the increase principally from earnings on loans. This growth was driven by a 47% increase in interest income from DepEd salary loans, climbing from P263 million to P386 million. Additionally, our interest earnings from BSP placements such as RRP, ODF, and TDF soared, tripling from last year's income of P3.8 million to P14.6 million.

Sun Savings Bank focuses on its growth, which is not just a goal, but a culture. With its innovative loan and deposit products and services being delivered by a dedicated team of professionals, the bank's growth continues at a strong pace. And, the bank is able to deliver on its promise as "The Bank that Rewards" everyone.

2023 initiatives:

- **Digital Transformation**

Sun Savings Bank achieved significant accomplishments and implemented strategic initiatives in 2023, underscoring its commitment to growth, innovation, and excellence.

In 2023, Sun Savings Bank undertook several transformative initiatives aimed at enhancing operational efficiency, security, and customer satisfaction. A pivotal focus was the strengthening of network security through the transition from WatchGuard to Fortinet. This upgrade significantly bolstered our cybersecurity framework, ensuring robust protection against emerging threats.

Furthermore, the implementation of DigiCur marked a milestone in our digital transformation journey, enabling the seamless digitization of customer records and ensuring the bank's full compliance with BSP regulations.

To optimize operational workflows, we automated critical processes such as DepEd Billing, DepEd remittance, and the Management Information System (MIS). This automation not only enhanced operational efficiency but also minimized errors and improved overall service delivery to our valued clients.

Recognizing the importance of robust security measures, we deployed Active Directory for centralized resource and security administration. This measure addressed vulnerabilities in our core database, strengthening our defenses against potential security breaches, including those arising from weak passwords.

In response to evolving market demands, we enhanced the DepEd Loans Portal to introduce innovative products like the 5-year Term Loan tailored for DepEd teachers and personnel. This strategic enhancement expanded our product offerings and reinforced our commitment to meeting the unique financial needs of salary loan borrowers.

Looking forward, we are progressing towards acquiring a cloud-based core banking system (SaaS Model) that will enable rapid integration of new features and services. This initiative is poised to enhance agility and innovation, positioning Sun Savings Bank at the forefront of technological advancement in the banking sector.

In parallel, the implementation of server virtualization has enabled us to optimize IT infrastructure resources cost-effectively. This approach not only supports our web hosting capabilities but also enhances overall operational efficiency and scalability.

- **Expansion and Market Penetration**

Sun Savings Bank has made substantial progress in expanding its market presence and bolstering customer engagement. A standout achievement is the robust growth of our DepEd loan portfolio, which surged by P500 million from P2.296 billion in 2022 to P2.796 billion in 2023. Furthermore, our loan releases exceeded expectations, reaching P3.016 billion in 2023 compared to P2.89 billion the previous year.

Strategic marketing initiatives have been instrumental in driving our expansion efforts. Our effective use of billboards and online advertising has significantly amplified visibility and engagement with our target audience. Additionally, the renovation and expansion of Danao and Carcar Branches (BLUs) have played a pivotal role in fortifying our loan portfolio levels. Notably, Danao stands out as our largest branch, making substantial contributions in salary loans lending.

- **Talent Development**

Sun Savings Bank has appointed a seasoned Senior HR professional renowned for his expertise in organization design, development, and adept management of people relations and engagement.

Looking ahead, the bank is dedicated to advancing several pivotal initiatives in human resources. These include establishing a Strategy Map and Performance Modeling framework, promoting Competency Development across our workforce, implementing robust Succession Planning measures, and introducing structured Career Pathing programs.

FINANCIAL HIGHLIGHTS

2023

Net Income
79.1 M

Total Assets
3.636.3 B

Net Interest Income
260.6 M

Total Liquid Assets
736 M

Total Loans
2,809.6 B

Total Deposits
2,116.9 B

Total Capital
542.3 M

Return on Assets	**2.37%**
Return on Equity	**15.75%**
Net Interest Margin	**8.17%**
NPL Ratio	**3.76%**
MLR	**32.10%**
Capital Adequacy Ratio	**16.84%**

In Million Pesos	2023	2022	2021
Profitability			
Total Interest Income	432.6	305.1	214.5
Total Interest Expense	172.0	103.3	76.0
Net Interest Income	260.6	201.8	138.5
Net Income	79.1	53.6	25.0
Balance Sheet			
Total Assets	3,636.3	3,048.1	2,070.4
Total Liquid Assets	735.6	583.1	529.7
Gross Loans	2,809.6	2,368.2	1,481.9
Provision for Credit Los	61.6	40.1	36.6
General Provision App	11.4	7.0	
Deposits	2,116.9	1,755.7	1,488.9
Total Equity	542.3	462.4	369.1
Key Ratios			
Return on Assets (ROA	2.37%	2.09%	1.22%
Return on Equity (ROE)	15.75%	12.89%	6.77%
Net Interest Margin	8.17%	8.36%	7.29%
NPL Ratio	3.76%	2.79%	3.66%
MLR	32.10%	20.74%	35.86%
Capital Adequacy Ratic	16.84%	16.96%	21.78%

2023: 40
2022: 37
2021: 34

2023: 49
2022: 43
2021: 41

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Overall Risk Management Culture and Philosophy

Overall Risk Management Culture and Philosophy Sun Savings Bank recognizes that like any business, it cannot thrive without taking on risks. Risk-taking is integral to achieving the bank's mission, provided these risks are identified, measured, monitored, and controlled effectively. The bank maintains that risk-taking should align with its risk appetite, supported by robust mitigation strategies.

The Bank's risk management structure is structured around several key components that ensure comprehensive oversight and strategic direction. At the forefront, the Board of Directors (BOD) assumes a critical role in establishing and upholding a robust risk management framework. Their responsibilities extend to approving major bank-wide limits and organizational changes, while also emphasizing ethical standards and nurturing a strong risk-aware culture across the institution. The Audit Committee (Aud Com) oversees the integrity of financial reporting, internal controls, and audits, ensuring the effectiveness of internal control systems. Concurrently, the Information Technology Committee (IT Com) takes charge of supervising IT functions and endorsing strategic plans to manage technological risks effectively.

Furthermore, the Executive Committee (Ex Com) provides pivotal guidance on capital expenditures and diligently monitors their implementation to align with strategic objectives. The Related Party Transactions Committee (RPT Com) reinforces governance by scrutinizing transactions involving related parties to maintain transparency and compliance with regulations. Additionally, the Compliance and Risk Management Unit operates independently, reporting directly to the Board to uphold impartial oversight over risk activities and ensure adherence to regulatory standards. Finally, the Chief Compliance and Risk Officer (CCRO) holds a pivotal role in advancing the bank's Risk Management Framework, reporting functionally to the Board and administratively to the President and CEO. The focus is on refining risk management strategies and fostering a culture of effective risk management across the organization.

Sun Savings Bank encounters a spectrum of risks inherent to its operations, each meticulously managed in accordance with established policies. These risks encompass diverse categories such as credit risk, liquidity risk, operational risk, market risk, technology risk, legal risk, reputation risk, and compliance risk. Each type of risk is systematically addressed through specific policies and procedures tailored to mitigate potential adverse impacts on the bank's financial stability, operational efficiency, and reputation.

Credit Risk

Credit Risk refers to the potential that a borrower or counterparty may fail to meet obligations as per agreements. The bank's lending operations adhere strictly to board-approved policies. These policies include setting approval and exposure limits across loan types, borrowers, industries, and securities. Oversight of these limits rests with the President or Treasurer, the Executive Committee (ExCom), and the Board.

A credit risk rating model assesses borrower capacity and determines loan eligibility and provisions. Non-performing and past due loans are monitored monthly. The bank employs a loan review mechanism to enhance credit quality through compliance assessments, risk rating reviews, and timely corrective actions.

Regulatory compliance, including limits on single borrowers and accommodations for directors, officers, stockholders, and related interests (DOSRI), are strictly observed.

Liquidity Risk

Liquidity Risk pertains to potential earnings or capital impacts from the bank's inability to meet obligations without significant losses. It encompasses managing unplanned funding decreases and market changes affecting asset liquidation.

Sun Savings Bank adheres to stringent liquidity risk management outlined in its Business Continuity and Contingency Manual. Cash flow analysis, forecasting, and compliance monitoring of reserve requirements and liquidity ratios (2% and minimum 20%) are overseen by the Accountant and reported to the Treasurer.

Operational Risk

Operational Risk involves potential earnings or capital losses from fraud, errors, or service delivery disruptions. It includes risks from inadequate information systems, technology failures, internal control breaches, and unforeseen events.

The bank fosters continuous communication and consistency among business units to manage operational risks effectively. Policies and procedures are rigorously defined to mitigate risks, aligned with operational complexity, product range, and organizational structure. A performance-based compensation scheme ensures operational excellence.

Market Risk

Market Risk focuses on securing returns while managing investment risks. Investment decisions adhere to policies defining volume limits (as a percentage of capital and deposits) and quality thresholds (e.g., credit ratings). ExCom and Board approvals govern investment thresholds, with periodic portfolio reporting and performance against business plans.

Technology Risks

Technology Risks encompass standards and controls ensuring secure, efficient IT operations. A dedicated data center provides offsite backup for core banking systems, supported by maintenance protocols. Strict protocols govern network security, including firewalls and password policies, overseen by Internal Audit and Compliance.

Legal and Reputation Risks

Sun Savings Bank's reputation risk management involves a comprehensive approach aimed at maintaining credibility and trust among stakeholders. This includes defining and promoting clear values and ethical standards throughout the organization to guide employee behavior and uphold a positive reputation. The bank employs rigorous hiring practices to ensure new hires align with these values, minimizing potential risks. Continuous training programs reinforce ethical standards and regulatory compliance, integrating reputation risk management into daily operations. Regular monitoring and compliance audits help identify and address risks early by ensuring adherence to internal policies and regulatory standards. Strong customer relationships, effective crisis management plans, proactive stakeholder engagement, and robust cybersecurity measures further safeguard the bank's reputation, contributing to long-term success and trust within the market.

Compliance Risk

Sun Savings Bank's Compliance Risk management integrates legal, regulatory, and ethical standards across its operations. Annual Compliance Programs, overseen by the Board, ensure the implementation of robust systems and promote awareness among staff.

Bank-wide Governance and Risk Management

The bank's governance ensures comprehensive risk management that is aligned with the complexity of its business and strategic objectives. Policies and limits are effectively communicated across all levels to facilitate robust risk identification and assessment processes.

Anti-Money Laundering (AML) Framework

Sun Savings Bank maintains a robust Anti-Money Laundering (AML) framework, guided by board-approved policies and procedures. This includes rigorous measures such as customer identification, transaction monitoring, comprehensive record-keeping, and ongoing employee training. Continuous monitoring ensures the effectiveness and compliance of the AML program.

In summary, Sun Savings Bank adopts a proactive approach to risk management, integrating strong frameworks to protect assets, preserve reputation, and uphold regulatory compliance. Continuous improvement and adherence to industry best practices ensure resilience and sustainable growth in a dynamic banking environment.

CORPORATE GOVERNANCE

The objectives of the Board of Directors of Sun Savings Bank are to achieve long-term success through the implementation of governance practices that promote continuity, consistency, and effectiveness in the way the Board operates and governs the Bank.

Sun Savings Bank is governed by a Board consisting of seven (7) Directors re-elected by the stockholders on April 28, 2023, for a one-year term. Three (3) members of the Board are independent directors. The responsibility of the Board is to ensure strategic direction, management supervision, and adequate control of the company, with the ultimate goal of increasing the long-term value of the Bank. The Directors hold office with the duty to exercise sound and objective judgment in the best interest of the Bank. Sun Savings Bank upholds the values of honesty and integrity and will continue to enhance this culture guided by the Code of Conduct that defines a commitment to pursue the highest standards of ethical conduct.

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

Board Qualification

In accordance with RA 8791 and the provisions of the Manual of Regulations for Banks (MORB), Sun Savings Bank will evaluate its board of directors according to the minimum qualifications specified in the MORB and pertinent rules and regulations.

Chairman of the Board

The Chairman of the Board plays a crucial role in ensuring the effectiveness of the board in setting and implementing the company's direction and strategy, in line with BSP guidelines on effective governance for banks. His responsibilities include maintaining a trusting relationship with board members and ensuring the board functions efficiently. Specifically, he oversees the following: (1) ensuring the meeting agenda prioritizes strategic matters, including discussions on risk appetites and key governance issues; (2) facilitating a robust decision-making process; (3) encouraging and fostering critical discussions among board members; (4) ensuring that dissenting views are heard and deliberated within the decision-making framework; (5) ensuring that all board members receive accurate, timely, and pertinent information; (6) organizing comprehensive orientation programs for new directors and providing continuous training opportunities for all board members; and (7) conducting an annual performance evaluation of the board of directors.

Board and Management Level Committees

Sun Savings Bank has constituted several board-level committees, namely: the Executive Committee, Audit Committee, IT Committee, and Related Party Transaction (RPT) Management Committee.

Executive Committee

The Executive Committee acts on behalf of the board during the interim periods between board meetings. It exercises the authority delegated by the board for managing and directing the bank's affairs, in accordance with the Bank's By-laws and within the limits set by law and other relevant regulations. The committee's responsibilities encompass significant operational policies and credit exposures, although these decisions require subsequent ratification by the full board.

Chairman:	Francisco A. Dizon
Members:	Augusto S. Gonzalez
	Catalino S. Abacan

The Audit Committee

The audit committee is composed of three (3) members of the board of directors, all of whom are non-executive directors.

The primary functions of the Audit Committee are set forth in Section 133 of the MORB:

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

Audit Committee composition:

Chairman:	Catherine M. Cheung
Members:	Renato S. Gonzalez, Jr.
	Catalino S. Abacan

IT Committee

The IT Committee plays a crucial role in several key areas. It assists in developing and reviewing the bank's IT strategy to ensure alignment with business goals and effective support from IT investments. The committee oversees governance frameworks, ensuring robust policies, procedures, and controls are in place to manage IT risks, including cybersecurity and data privacy. It actively manages IT-related risks and monitors performance through KPIs, ensuring IT systems and projects operate effectively. Compliance with laws and regulations is rigorously maintained, with regular audits and reviews conducted. Additionally, the committee reviews and approves major IT investments and budgets, aligning resources with strategic priorities. It also guides digital transformation initiatives, leveraging new technologies to enhance operational efficiency and customer experience. Finally, the committee provides transparent and accountable reporting to the Board on significant IT projects, risks, and compliance matters.

Audit Committee composition:

Chairman:	Noel A. Santiago
Members:	Francisco A. Dizon Catalino S. Abacan Augusto S. Gonzalez

Related Party Transaction (RPT) Management Committee

Sun Savings Bank adheres to a policy ensuring that related party transactions (RPTs) are conducted transparently and on an arm's length basis, free from abuse and disadvantageous outcomes for the Bank, its depositors, creditors, and stakeholders. The Management RPT Committee oversees and implements effective control systems to manage these transactions.

Transactions below the materiality threshold, excluding Directors, Officers, Stockholders, Related Interests (DOSRI) transactions, are approved by the Management RPT Committee, subject to confirmation by the Board of Directors. Transactions exceeding the materiality threshold require direct Board approval.

Responsibilities of the Management RPT Committee include:

- Continuously evaluating existing relationships among businesses and counterparties to identify related parties, monitor RPTs, and capture changes in counterpart relationships (from non-related to related and vice versa). These details are reflected in relevant reports to the Board and regulatory bodies.
- Evaluating all significant RPTs to ensure they do not favor related parties economically more than transactions with non-related parties under similar circumstances. This evaluation ensures no misappropriation or misapplication of the Bank's corporate resources and identifies potential reputational risks associated with these transactions.
- Ensuring appropriate disclosure and providing information to regulatory and supervisory authorities regarding the Bank's RPT exposures and policies on conflicts of interest. This includes managing conflicts inconsistent with policies and those arising from the Bank's affiliations or transactions with related parties.
- Regularly reporting to the Board of Directors on the status and aggregate exposures to each related party, as well as the total exposures to all related parties.
- Ensuring RPT transactions are included in the Internal Auditor's periodic reviews.
- Verifying the implementation of systems for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Committee composition:

Chairman:	Francisco A. Dizon
Members:	Augusto S. Gonzalez Metchell C. Abarquez, Senior Accounting Head

The Boad of Directors

CATALINO S. ABACAN
Chairman of the Board

Mr. Catalino S. Abacan was appointed as a director of Sun Savings Bank in December 2019, and subsequently elected Chairman of the Board on January 2, 2020. He previously served as an Independent Director on the Board of Robinsons Bank Corporation, a commercial bank within the Gokongwei Group. He held key positions on several committees there, including Chairperson of the Audit Committee, Vice-Chairperson of the Risk Oversight Committee, and Member of the Related Party Committee.

Before joining Sun Savings Bank, Mr. Abacan served as the former President & CEO of City Savings Bank, a thrift bank subsidiary of Union Bank of the Philippines (UBP) and a member of the Aboitiz Group.

Mr. Abacan began his career in 1975 at the Philippine Banking Corporation (PhilBank), starting as a Credit Investigator/Appraiser and progressing to Head of the Credit Investigation & Appraisal Unit. He later moved into Branch Operations as Manager and then became an Area Manager for Manila branches. His final position at PhilBank was Vice-President & Group Head for Operations of Transaction Banking (Loans & International), Foreign Currency Deposit Unit, and Treasury.

In 1994, Mr. Abacan joined Lippo Bank of Indonesia as Vice President for Operations of their Manila Offshore Banking Unit and played a significant role in establishing a Lippo Bank branch in Cambodia.

In 1997, he joined Union Bank of the Philippines (UBP) as VP/Region Service and Operations Head of North Luzon branches. He subsequently held various senior positions at UBP, including VP/Operations Head of UBP Visa Credit Card Unit, Head of Liabilities Products, Branches Operations & Credit Card Operations, and Executive Vice-President of the Channel Management Center until 2014.

In 2013, Mr. Abacan was appointed Vice Chairman of the Board of City Savings Bank, and later became its President/CEO in 2014. He was then transferred as President/CEO of PR Savings Bank in 2018 to oversee its merger with City Savings. After the merger was completed in February 2019, he served as Senior Adviser to the Board of City Savings Bank until his retirement on October 31, 2019.

Mr. Abacan graduated with Latin honors from the University of the East with a degree in Bachelor of Science in Business Administration (BSBA) Major in Accounting, and passed the CPA Board in 1975. He also completed the academic requirements for a Masters in Business Administration at the Ateneo Graduate School of Business in 1978.

FRANCISCO A. DIZON
Director
President & CEO

Mr. Francisco A. Dizon currently serves as the President and CEO of Sun Savings Bank. Concurrently, he holds the positions of Chairman and President at Pacific Northstar Inc. (PNI) and Project Quest Corp., the investment fund organized by PNI. Additionally, Mr. Dizon is Chairman of BPO International and Phoenix One Knowledge Solutions. He also serve as an Independent Director of Makati Medical Center and Semirara Mining and Power Corp.

Mr. Dizon's extensive banking career includes significant leadership roles. In the year 2000, he was elected as a Director of the Philippine National Bank and later appointed Chairman of the Board, serving from 2001 to 2005. Prior to this, he served as the President and CEO of Rizal Commercial Banking Corporation from 1997 to 2000. Before his tenure at RCBC, he was President and CEO of Asian Bank Corporation.

Mr. Dizon also played a pivotal role as Vice-Chairman and President of AB Capital Investment Corporation, which he helped establish in 1980. During the 1980s and 1990s, AB Capital Investment Corporation and its subsidiary Anscor Hagedorn Securities were prominent Philippine investment banks and stock brokerage firms. He was also a director of Ayala Property Ventures Corp in 1987.

Mr. Dizon holds a Master's in Business Administration (MBA) from the Asian Institute of Management and earned his Bachelor’s degree from the Ateneo de Manila University.

AUGUSTO S. GONZALEZ
Director
Executive Vice President & Treasurer

Mr. Augusto Gonzalez holds the positions of Executive Vice President, Treasurer, and Director at Sun Savings Bank. Additionally, he serves as Vice President of PNI and is involved in significant advisory transactions, including the sale of Prudential Bank and Citytrust Banking Corporation. Mr. Gonzalez also holds directorships at Project Quest Corp., Pointwest Technologies, and Phoenix One Knowledge Solutions.

Before joining PNI, Mr. Gonzalez held the role of Senior Manager at AB Capital and Investment Corporation, where he managed various debt and equity underwriting transactions. Prior to that, he worked as a Corporate Finance Analyst at SGV & Company.

Mr. Gonzalez obtained his MBA from Northwestern University and earned his Bachelor’s degree from the Ateneo de Manila University.

The Santos family, of which Mr. Gonzalez is a member, formerly owned Prudential Bank, which was acquired by the Bank of the Philippine Islands (BPI) in 2005. Additionally, the Santos Family co-owned the former Pilipinas Bank building on 111 Paseo de Roxas with BPI; however, the family bought out BPI's share in 2012.

CARISSA ANNA G. DIZON

Director

Ms. Carissa G. Dizon was elected as Director on October 21, 2021, after previously serving as Senior Adviser to the Board. Her extensive experience in marketing and technology will be instrumental as Sun Savings Bank aims to expand its digital banking offerings and scale its customer base.

Ms. Dizon joined Google in 2012, where she led product marketing for Hardware, Android, Retail, and Chrome OS across Asia Pacific, and also served in Strategy & Operations for the marketing function. Recently, she held the position of Director of Business & Operations for the Next Billion Users team, overseeing Google's business strategy in Africa. Prior to Google, Ms. Dizon held marketing leadership roles at Procter & Gamble in Singapore and Nokia in Singapore, Bangkok, and Sydney.

Ms. Dizon holds a bachelor's degree from Yale University and a Master of International Affairs from Columbia University's School of International and Public Affairs.

RENATO S. GONZALEZ, JR.

Director

Mr. Renato S. Gonzalez was appointed Senior Adviser to the Board on April 29, 2021, and elected Director of the bank on October 21, 2021. He graduated from Ateneo De Manila University with a degree in Legal Management and brings extensive experience in retail, consumer behavior, and retail operations.

Before joining Sun Savings Bank, Mr. Gonzalez served as a Supervisor at Landco Pacific Corporation and an Account Officer at All Asia Capital. Currently, he holds the position of Purchasing and Leasing Manager at Grand Union Supermarket, Inc. His deep understanding of consumer behavior, particularly in the Philippine middle-class market, is invaluable as the Bank expands its reach through initiatives such as its mobile app, SME loans, and private sector salary loans.

Mr. Gonzalez possesses expertise in retail payments and has experience with various payment platforms used by consumers for purchasing goods and services. His insights will significantly contribute to the Bank's strategies involving Instapay and other upcoming digital platforms.

With substantial experience and established relationships in the real estate industry, Mr. Gonzalez played a pivotal role in expanding the branch network of Grand Union Supermarkets. He is well-versed in the market potential of locations in the NCR Plus areas (Laguna, Batangas, Bulacan, Cavite), which collectively contribute 60% to the country's GDP.

CATHERINE M. CHEUNG

Independent Director

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

Before joining Sun Savings, Ms. Cheung held the position of Senior Vice President and Salary Loans Business Head at City Savings Bank, where she spearheaded the core sales activities targeting the public-school teachers' loan market.

Prior to her tenure at City Savings, Ms. Cheung spent 30 years at Union Bank of the Philippines, where she held significant roles including First Vice President. She served as Sales Director for Metro Cebu, Team Head for Visayas, and Regional Service Operations Officer - Cebu. Her extensive career in sales and operations within the banking industry spans nearly four decades.

NOEL A. SANTIAGO

Independent Director

Mr. Noel A. Santiago assumed the role of Independent Director at Sun Savings Bank, Inc. in February 2023. He previously was the Chief Executive Officer (CEO) of SXI Solutions Exchange, Inc., overseeing operations in the Philippines and ASEAN.

Prior to that, Mr. Santiago held the position of Chief Digital Officer at Bank of the Philippine Islands, where he spearheaded the bank's Digital Transformation and Payments Strategies.

Mr. Santiago has also contributed his expertise as a Member of the Board of Directors for several companies, including Bancnet, HCX Technologies, and Cartera. He notably served as the Risk Committee Chairman at Bancnet.

In addition, Mr. Santiago played a crucial role as a member of the Leadership Committee for the country's Automated Clearing Houses (ACH), namely Instapay and Pesonet. His leadership was instrumental in driving the implementation of the National Retail Payment System roadmap, a significant initiative of the Bangko Sentral ng Pilipinas. Concurrently, he chaired the Operations Committee at Instapay ACH.

With extensive regional experience, Mr. Santiago has held key positions at two of Asia's largest regional banks, Development Bank of Singapore and United Overseas Bank, based in Singapore. His contributions were pivotal in advancing digital innovations in the banking sector, including direct debit payments, multi-factor security authentication, and mobile banking solutions. He has also authored position papers on Electronic Banking and Payment Services, the Basic Banking Act, Multi-Purpose Card Payments, Shared ATM and Payment Services for Qualifying Foreign Banks, and National Chip Card conversion, contributing to regulatory discussions.

Mr. Santiago is a sought-after speaker and resource person at industry conferences and publications, leveraging his deep insights and experience.

He has completed Executive Leadership Programs at INSEAD (Institut Européen d'Administration des Affaires), Harvard Business School Executive Program, and Macquarie Graduate School of Management. Mr. Santiago earned his Bachelor's Degree in History and Political Science from De La Salle University in 1986.

Board Composition

Name	Type of Directorship	Stockholdings (No. of Shares)	Years of Service
Catalino S. Abacan	Independent Director	1	4
Francisco A. Dizon	Executive Director	1	12
Augusto S. Gonzalez	Executive Director	1	12
Carissa Anna G. Dizon	Director	1	2
Renato S. Gonzalez, Jr.	Director	1	2
Catherine M. Cheung	Independent Director	1	2
Noel A. Santiago	Independent Director	1	1

Board Meeting Attendance

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

Board Committee Attendance

Committee Meetings	Audit Committee		Executive Committee		IT Committee	
Directors	Attendance	%	Attendance	%	Attendance	%
Catalino S. Abacan	6	100%	12	100%	5	71%
Francisco A. Dizon			12	100%	7	100%
Augusto S. Gonzalez			12	100%	7	100%
Carissa Anna G. Dizon						
Renato S. Gonzalez, Jr.	6	100%				
Catherine M. Cheung	6	100%				
Noel A. Santiago					7	100%

Performance Assessment Program:

Sun Savings Bank conducts annual evaluations of its Board and Senior Officers to ensure effective fulfillment of their duties and responsibilities. Additionally, bank employees undergo assessments by their direct supervisors, focusing on job performance, responsibilities, and goal achievements.

Orientation and Education Program:

The bank provides comprehensive orientation and ongoing training for new employees to equip them with necessary knowledge and skills for their roles. Training programs are regularly updated to keep employees informed about changes in banking regulations.

Retirement and Succession Policy:

Retirement Policy:

Sun Savings Bank adheres to a retirement age requirement of sixty-five (65) years old, extendable with board approval. The bank's succession plan anticipates the retirement of critical officers by preparing a pool of employees to fill these vacancies.

Succession Policy:

Sun Savings Bank implements a succession management planning process to ensure organizational capability and uninterrupted business continuity. The objective is to develop a robust leadership pipeline comprising current and prospective talents.

Vacancies - Board of Directors:

Vacancies on the board at Sun Savings Bank are filled through established procedures, requiring a vote of at least two-thirds of remaining members. Vacancies resulting from removal, term expiration, or an increase in directors are filled by the bank's shareholders.

Senior Management and Officers:

Critical positions and key officers at Sun Savings Bank, including potential successors, are carefully identified to ensure operational continuity and sustained business success.

Remuneration Policy:

Sun Savings Bank offers competitive compensation packages designed to retain, motivate, and attract highly qualified officers. Salaries are determined based on position, rank, and outcomes of annual performance evaluations. Performance bonuses, including a 13th-month pay, are awarded in compliance with legal regulations. Additionally, directors receive per diems for attending board and committee meetings.

Policy on Related Party Transactions (RPT):

Sun Savings Bank conducts all Related Party Transactions (RPTs) transparently and on an arm's length basis. Transactions below the materiality threshold, except those involving Directors, Officers, Stockholders, and Related Interests (DOSRI), are approved by the RPT Management Committee, subject to board confirmation. Transactions exceeding this threshold require direct board approval.

RPT Materiality Thresholds:

Materiality thresholds for Related Party Transactions are established and approved by the board. Certain transactions such as deposit operations, regular trade transactions, and loans under BSP-approved fringe benefit programs are exempt from regular board reporting.

Self-Assessment Function:

The Board and Senior Management of Sun Savings Bank continually review self-assessment functions, policies, and internal control measures. They promptly address internal control weaknesses by implementing management recommendations.

Compliance and Internal Audit:

Compliance with laws, rules, and regulations at Sun Savings Bank is overseen by the Board of Directors and Senior Management Team. The Chief Compliance and Risk Officer (CCRO) manages the bank's compliance program, while Internal Audit conducts independent reviews and appraisals of procedures and operations, reporting directly to the Board.

Cash Dividend Declaration:

The policy adheres to SEC rules under Section 57 of R.A. No. 8791, which allows dividends to be declared from a corporation’s unrestricted retained earnings and distributed in cash, property, or stock to all shareholders based on their holdings. Cash dividends owed on delinquent stock must first cover unpaid subscription balances and associated expenses, while stock dividends are withheld from delinquent stockholders until their subscriptions are fully paid. Additionally, stock dividends require approval from stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a duly called regular or special meeting.

In accordance with BSP rules outlined in Section 124 of the MORB, the bank will comply with requirements before declaring dividends. The net amount available for dividends is determined by the unrestricted retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of the calendar or fiscal year-end immediately preceding the declaration date.

Following the declaration, the bank will promptly report dividend declarations to the appropriate supervisory department of the Bangko Sentral within ten (10) business days. This ensures compliance with regulatory procedures for the timely reporting of dividend activities.

Corporate Social Responsibility (CSR)

Sun Savings Bank remains dedicated to supporting our communities, particularly in the realm of education. Over the past years, we have actively participated in Brigada Eskwela, an annual initiative that unites teachers, parents, community members, and various organizations to prepare public schools for the upcoming academic year. Sun Savings Bank takes pride in its continued involvement in this program, recognizing the pivotal role of education in nation-building and community advancement.

Our Activities in 2023

Throughout last year, our efforts included:

1. **Donating Painting Materials:** Providing essential painting supplies to beneficiary schools.

2. **Volunteering:** Our employees contributed by cleaning, painting, and repairing school facilities.

3. **Supplying Umbrellas:** Donating umbrellas to benefit schools.

4. **Tree Planting:** Participating in tree planting activities to promote environmental sustainability and create a greener, healthier environment.

Our Impact

In 2023, our initiatives impacted:

- Supported Schools: A total of 40 schools received our support.
- Employee Volunteers: 20 of our employees actively participated.
- Improved Learning Environments: Benefiting approximately 5,000 students with enhanced school facilities.
- Umbrellas Distributed: Providing 100 umbrellas to schools.
- Environmental Efforts: Engaging in tree planting activities to contribute positively to our environment.

Looking Ahead

Moving forward, Sun Savings Bank remains committed to fulfilling our social responsibility, with a particular focus on educational programs. We firmly believe that investing in education is crucial for creating a brighter future for our communities.

Our participation in corporate social responsibility exemplifies Sun Savings Bank's commitment to community development. We are proud of the positive impact we have made and remain dedicated to furthering these efforts.

Consumer Protection Practices

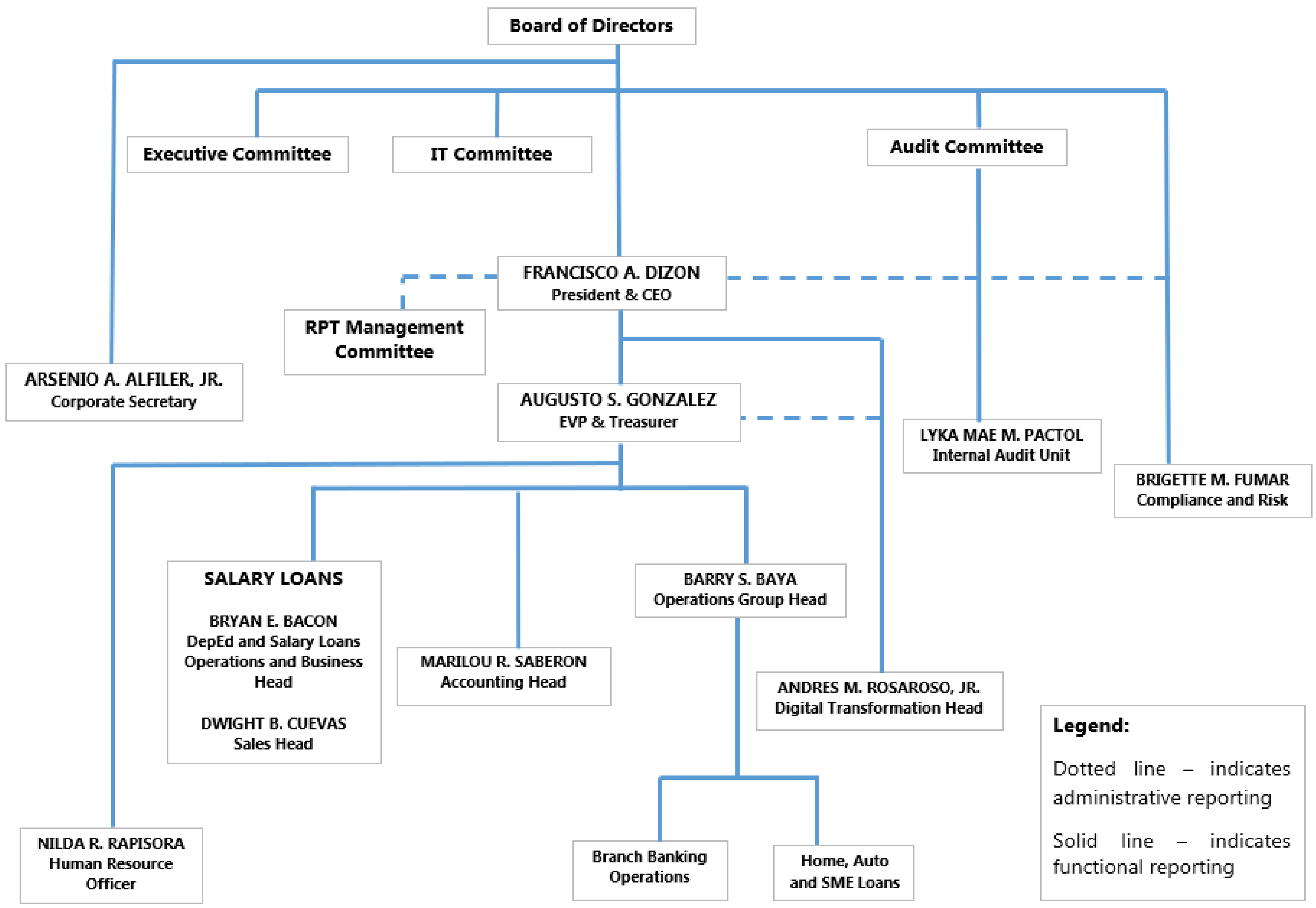
Sun Savings Bank adheres to the Financial Products and Services Consumer Protection Act (FCPA) under Republic Act No. 11765 and BSP Circular 1160, by implementing robust consumer protection practices. The Board of Directors formulates and approves a Consumer Protection Policy to establish principles and strategies that ensure fair treatment and safeguard consumers. Oversight by the board ensures the bank complies with regulatory requirements effectively.

Aligned with BSP Circular 857, Sun Savings Bank, with assets exceeding Php1 billion, has established a Consumer Assistance Group. This group includes Branch Consumer Assistance Officers (BCAOs), consisting of Branch Managers and Assistant Managers, and Head Consumer Assistance Officers (HCAOs), who are Group Heads overseeing these units. The bank will conduct capability building initiatives and publish the Financial Consumer Protection Assistance Mechanism (FCPAM), detailing assistance channels, timelines, policies, and procedures to enhance consumer protection and regulatory compliance.

Sustainable Finance Framework

The Bank's sustainable finance framework integrates environmental, social, and governance (ESG) criteria into its financing activities, aligning with global sustainability standards. It includes setting specific targets for sustainable financing, conducting thorough due diligence to assess ESG risks, and ensuring regular monitoring and reporting on the ESG impact of financed activities. By following this framework, the bank aims to foster long-term sustainable development, while also fulfilling regulatory obligations and meeting stakeholder expectations.

2023 Approved Organizational Structure



CORPORATE INFORMATION

2023 Key Officers

Francisco A. Dizon	President & Chief Executive Officer (CEO)
Augusto S. Gonzalez	Executive Vice President (EVP) & Treasurer
Atty. Arsenio A. Alfiler, Jr.	Corporate Secretary

Operations

Barry S. Baya	VP-Operations Group
Bryan E. Bacon*	VP-APDS Lending
Marilou R. Saberon	SAVP-Head, Accounting Head
Andres M. Rosaroso, Jr.	AVP-Digital Transformation Head
Dwight B. Cuevas	AVP-DepEd Sales Head
Ginalyn C. Neto	SM, Branch Head
Maria Luna M. Yangyang	SM, Branch Head

Compliance and Audit

Brigetter M. Fumar	Chief Compliance & Risk Officer
Lyka M. Pactol	SM, Chief Audit Officer

**Resigned, effective December 15, 2023*

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

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
- Five Years and One Month Time Deposit (Tax Free)

Consumer Loans

1. Salary Loans
    - Salary Loan for DepEd Teachers and Employees under the Automatic Payroll Deduction Scheme (APDS)
    - Start-up Loans for newly hired teachers and employees of DepEd
    - Inflation Assistance Loan for DepEd employees
    - 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)

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

Branch Locations

CAPITAL ADEQUACY STRUCTURE

	2023	2022
Authorized Capital Stock	1,000,000,000	1,000,000,000
Subscribed	391,700,000	391,700,000
Paid-Up	391,700,000	391,700,000

..

1-Deposit for stock subscription of P41.7M, pending approval of the Bank's request to increase the authorized capital stock to hpP1.0B in 2018

Bank's regulatory capital position as at December 2022 and December 2023

	BSP Report		Audited FS	
	2023	**2022**	**2023**	**2022**
Common Stock	391,700,000	391,700,000	391,700,000	391,700,000
Retained Earnings*	60,945,263	17,035,659	59,206,179	17,035,659
Undivided Profits	79,210,860	53,097,345	79,115,673	53,573,719
Other Comprehensive Income	(4,023,027)		(6,075,259)	
Total Capital	**527,833,096**	**461,833,004**	**523,946,592**	**462,309,378**
Less:				
Deferred Income Tax	11,284,221	11,173,126	11,403,199	11,284,221
DOSRI-Unsecured				
Other intabgibles-Net				
Goodwill				
Unbooked valuation reserves and other capital adjustments[1]				
Other equity investments				
Total Tier 1 Capital	**516,548,875**	**450,659,878**	**512,543,393**	**451,025,157**
Add:				
Unrealized gains on AFS				
General loan loss provision**	9,978,521	22,691,671	26,550,173	22,691,671
Total Qualifying Capital	**526,527,396**	**473,351,549**	**539,093,566**	**473,716,828**
Total Credit Risk-Weighted Assets	2,992,838,170	2,565,323,015	2,970,962,469	2,584,059,855
Add: Total Operation Risk Weighted Assets	234,464,502	209,312,294	231,164,655	208,573,913
Total Risk Weighted Assets	**3,227,302,672**	**2,774,635,309**	**3,202,127,124**	**2,792,633,768**
Risk Based Capital Adequacy Ratio				
Total CAR	16.31%	17.06%	16.84%	16.96%
Tier 1 CAR	16.01%	16.24%	16.01%	16.15%
	ok	ok		

[1] based on tha latest examination as approved by the Monetary Board

** Exclude the portion appropriated for general provision*

***Include the General Provision appropriated in the Retained Earnings.*

Computation of the Bank's Credit Risk Weighted Assets

		Audited			
		2023		2022	
	Risk	Principal Amount	Risk Weighted Amount	Principal Amount	Risk Weighted Amount
Cash on Hand	0%	27,744,104	-	22,842,292	-
Due from BSP, RRP,AFS, Loans covered by Hold-outs	0%	619,715,715	-	438,839,795	-
COCI	20%	533,908	106,782	1,948,816	389,763
Corporate Private Bonds	20%	4,743,934	948,787	16,239,603	3,247,921
REM (mortgaged and current)	50%	39,734,367	19,867,184	40,913,701	20,456,851
MSME (Current)	75%	41,108,198	30,831,149	64,077,219	48,057,914
REM (NPL)	100%	6,531,482	6,531,482	3,192,103	3,192,103
NPL	150%	47,223,205	70,834,808	39,972,592	59,958,888
ROPA	150%	3,963,197	5,944,796	3,978,989	5,968,483
Other Assets	100%	2,835,897,482	2,835,897,482	2,442,787,933	2,442,787,933
Total Credit Risk Weighted Assets			2,970,962,469		2,584,059,855

Based on Audited FS

Computation of Operational Risk Weighted Assets-2023

		2023 Gross Income (Audited)			
		2020	**2021**	**2022**	**Average**
A.	**Net interest income**				
A.1	Interest income	198,574,836	214,974,541	305,111,960	
A.2	Interest expense	80,634,948	75,973,146	103,278,080	
A.3	Subtotal (A.1 minus A.2)	**117,939,888**	**139,001,395**	**201,833,880**	
B	**Other non-interest income**				
B.1	Dividend Income				
B.2	Fees and Commissions Income	2,430,655	3,335,700	3,421,154	
B.3	Net Gain/loss on Financial Assets and	-			
	Liabilities Held for Trading	(149,130)	659,398	(6,143,629)	
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)	2,281,524	3,995,098	(2,722,475)	
C.	**Gross Income (A.3 plus B.8) (to Part V. Item A.)**	**120,221,412**	**142,996,493**	**199,111,404**	**154,109,770**
D.	Capital Charge multiply by capital charge factor 12%				18,493,172
E.	Adjusted Capital Charge (multiply by 125%)				23,116,465
F.	**Total Operational Risk-weighted Amount (multiply by 10)**				**231,164,655**

Computation of Operational Risk Weighted Assets-2022

		2022 Gross Income (Audited)			
		2019	**2020**	**2021**	**Average**
A.	**Net interest income**				
A.1	Interest income	222,266,548	198,574,837	214,974,541	
A.2	Interest expense	73,630,308	81,156,165	75,973,146	
A.3	Subtotal (A.1 minus A.2)	**148,636,240**	**117,418,672**	**139,001,395**	
B	**Other non-interest income**				
B.1	Dividend Income				
B.2	Fees and Commissions Income	3,398,175	2,734,460	3,335,700	
B.3	Net Gain/loss on Financial Assets and	-			
	Liabilities Held for Trading	-		659,398	
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value Profit or Loss	2,628,828	(332,521)	(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)	6,027,003	2,401,939	3,662,577	
C.	**Gross Income (A.3 plus B.8) (to Part V. Item A.)**	**154,663,243**	**119,820,611**	**142,663,972**	**139,049,275**
D.	Capital Charge multiply by capital charge factor 12%				16,685,913
E.	Adjusted Capital Charge (multiply by 125%)				20,857,391
F.	**Total Operational Risk-weighted Amount (multiply by 10)**				**208,573,913**

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

	2023	**2022**
Credit risk weighted assets	2,970,962,469	2,584,059,855
Operational risk weighted assets	231,164,655	203,107,199
Total Risk Weighted Assets	**3,202,127,124**	**2,787,167,055**

INDEPENDENT AUDITOR'S REPORT

Sun Savings Bank, Inc.

Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

The following document has been received:

Receiving: ICTD ERMD
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Company Information

SEC Registration No.: A199717240
Company Name: SUN SAVINGS BANK, INC.
Industry Classification: J65932
Company Type: Stock Corporation

Document Information

Document ID: OST10527202482650973
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **SUN SAVINGS BANK, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2023 and 2022 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 Company or to cease operations, or has to realistic alternative but to do so.

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

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

SGV & Co., the independent auditor appointed by the stockholders, has audited the financial statement of the company in accordance with the Philippines Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

CATALINO S. ABACAN
Chairman of the Board

FRANCISCO A. DIZON
President & Chief Executive Officer

AUGUSTO S. GONZALEZ
Executive Vice Pres. & Treasurer

Treasurer

SUBSCRIBED AND SWORN TO, before me this ____ day of APR 26 2024, at CEBU CITY, exhibiting to me their respective identification documents:

NAME	PASSPORT NO	PLACE OF ISSUE	DATE OF ISSUE
Francisco A. Dizon	P9902221B	DFA NCR Central	05/03/2022
Augusto S. Gonzalez	P7930823B	DFA Manila	10/20/2021
Catalino S. Abacan	UMID 0003-3535377-6	RP-SSS	

Doc. No. 210
Page No. 43
Book No. 82
Series of 2024

Notary Public

FRANKLIN S. MANCHING
NOTARY PUBLIC
NOTARIAL COMMISSION NO. 25-08/2-15-0
FOR THE CITY OF CEBU UNDER THE
JURISDICTION OF RTC CEBU
UNTIL DECEMBER 31, 2025
PTR 2183/11-13-2023C.C./24/C.C.
IBP OR367551/11-13-2023/C.C.
ATTORNEY'S ROLL NO. 48755

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A1997-17240

COMPANY NAME

SUN SAVINGS BANK, INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Capitol West Building, No. 45 Don Gil Garcia Street corner Escario Street, Capitol Site, Cebu City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	(032) 254-2940	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11	Any day in April	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Francisco A. Dizon	francdizon@sunsavings.ph	(032) 415-4223	N/A

CONTACT PERSON's ADDRESS

Capitol West Building, No. 45 Don Gil Garcia Street corner Escario Street, Capitol Site, Cebu City

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

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

SGV
Building a better working world

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1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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, 2023 and 2022, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, 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.

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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079947, January 5, 2024, Makati City

April 26, 2024

SUN SAVINGS BANK, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Cash on Hand	**₱28,278,012**	₱24,791,109
Due from Bangko Sentral ng Pilipinas (Notes 6 and 11)	**329,098,288**	157,018,040
Due from Other Banks (Note 6)	**83,754,682**	106,582,627
Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	**63,154,947**	62,929,479
Investment Securities at Amortized Cost (Note 7)	**231,326,414**	231,800,123
Loans and Receivables (Note 8)	**2,748,024,632**	2,328,154,062
Property and Equipment (Note 9)	**30,403,722**	24,690,701
Deferred Tax Asset - Net (Note 19)`	**17,292,708**	11,284,221
Other Assets (Note 10)	**104,978,993**	100,802,014
	₱3,636,312,398	₱3,048,052,376
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Notes 11 and 20)		
Current	**₱7,051,176**	₱6,080,731
Savings	**202,782,162**	203,762,202
Time	**1,907,115,222**	1,545,865,912
	2,116,948,560	1,755,708,845
Bills Payable (Note 12)	**894,352,800**	760,590,656
Income Tax Payable	**10,720,744**	5,513,639
Accrued Expenses and Other Liabilities (Note 13)	**71,969,432**	63,878,417
	3,093,991,536	2,585,691,557
Equity		
Common Stock (Note 15)	**391,700,000**	391,700,000
Surplus	**156,696,121**	77,580,448
Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	**(3,849,622)**	(6,746,224)
Remeasurement Loss on Retirement Liability (Note 16)	**(2,225,637)**	(173,405)
	542,320,862	462,360,819
	₱3,636,312,398	₱3,048,052,376

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2023	2022
INTEREST INCOME		
Loans and receivables (Note 8)	**₱407,213,619**	₱288,623,005
Investment securities (Note 7)	**10,880,550**	12,669,894
Due from Bangko Sentral ng Pilipinas and other banks (Note 6)	**14,475,551**	3,819,061
Others	**1,590,520**	1,451,930
	434,160,240	306,563,890
INTEREST EXPENSE		
Deposit liabilities (Notes 11 and 20)	**106,603,675**	72,876,378
Bills payable (Note 12)	**64,831,651**	29,910,994
Lease liabilities (Note 17)	**539,015**	490,708
	171,974,341	103,278,080
NET INTEREST INCOME	**262,185,899**	203,285,810
Loss on sale of investment securities at fair value though other comprehensive income (Note 7)	**–**	(6,143,629)
Service charges and fees	**3,359,125**	3,421,154
Miscellaneous (Note 18)	**14,638,701**	(214,035)
TOTAL OPERATING INCOME	**280,183,725**	200,349,300
OPERATING EXPENSES		
Compensation and fringe benefits (Notes 16 and 20)	**44,710,076**	42,924,035
Taxes and licenses	**32,888,450**	23,489,493
Provision for impairment and credit losses (Notes 8 and 10)	**22,116,299**	6,878,092
Depreciation and amortization (Note 9)	**13,902,936**	13,985,252
Collection fees	**7,845,266**	6,803,453
Communication, light and water	**6,071,324**	6,206,419
Security, messengerial and janitorial	**5,959,185**	5,197,658
Professional fees	**5,295,487**	5,167,014
Insurance expense	**4,292,556**	3,521,091
Transportation and travel	**2,296,670**	1,426,496
Advertising and publicity	**1,606,732**	574,559
Bancnet outsourcing fees	**1,572,369**	1,635,145
Rent (Note 17)	**1,450,649**	1,561,099
Stationeries and supplies used	**1,376,031**	910,751
Repairs and maintenance	**964,543**	1,495,727
Membership fees and dues	**385,788**	500,439
Miscellaneous (Note 18)	**17,413,098**	6,178,639
	170,147,459	128,455,362
INCOME BEFORE INCOME TAX	**110,036,266**	71,893,938
PROVISION FOR INCOME TAX (Note 19)	**30,920,593**	18,320,219
NET INCOME	**₱79,115,673**	₱53,573,719

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
NET INCOME	**₱79,115,673**	₱53,573,719
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)	**2,896,602**	(6,154,758)
Item that do not recycle to the statements of income in subsequent periods:		
Remeasurement gains (losses) on retirement plan, net of tax (Note 16)	**(2,052,232)**	791,886
	(2,052,232)	791,886
OTHER COMPREHENSIVE LOSS	**844,370**	(5,362,872)
TOTAL COMPREHENSIVE INCOME	**₱79,960,043**	₱48,210,847

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, 2023	**₱391,700,000**	**₱77,580,448**	**(₱6,746,224)**	**(₱173,405)**	**₱462,360,819**
Issuance of common stock (Note 15)	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**79,115,673**	**2,896,602**	**(2,052,232)**	**79,960,043**
Declaration of dividends (Notes 15 and 20)	**–**	**–**	**–**	**–**	**–**
Balances at December 31, 2023	**₱391,700,000**	**₱156,696,121**	**(₱3,849,622)**	**(2,225,637)**	**₱542,320,862**
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

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱110,036,266**	₱71,893,938
Adjustments for:		
Depreciation and amortization (Note 9)	**13,902,936**	13,985,252
Provision for impairment and credit losses (Note 8)	**22,116,299**	6,878,092
Loss (gain) on sale of investment securities at fair value through other comprehensive income (Note 7)	**–**	6,143,629
Amortization of transaction costs on bills payable (Note 12)	**(82,860)**	3,334,239
Retirement expense (Note 16)	**1,024,969**	946,045
Accretion of interest on lease liability (Note 17)	**539,015**	490,708
Loss on lease modification (Note 17)	**–**	301,759
(Gain) loss on sale of chattel mortgage properties (Note 18)	**(576,923)**	296,485
Amortization of premium (discount) on investment securities	**(568,068)**	(284,398)
Gain on disposal of property and equipment (Note 9)	**–**	–
Changes in operating assets and liabilities:		
Decreases (Increases) in:		
Loans and receivables	**(446,522,152)**	(930,788,214)
Other assets	**(3,673,675)**	(16,222,147)
Increases (Decreases) in:		
Deposit liabilities	**361,239,715**	266,788,877
Accrued expenses and other liabilities	**3,453,272**	11,985,581
Net cash generated from (used in) operations	**60,888,794**	(564,250,154)
Income taxes paid (Note 19)	**(31,267,501)**	(18,392,426)
Net cash provided by (used in) operating activities	**29,621,293**	(582,642,580)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at fair value through other comprehensive income (Note 7)	**(9,000,000)**	–
Property and equipment (Note 9)	**(13,323,212)**	(9,692,252)
Proceeds from disposal of:		
Investment securities at fair value through other comprehensive income (Note 7)	**12,712,911**	109,141,741
Chattel mortgage (Note 18)	**5,161,219**	1,110,922
Net cash provided by (used in) investing activities	**(4,449,082)**	100,560,411
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of bills payable (Note 12)	**488,880,000**	815,991,000
Issuance of capital stocks (Note 15)	**–**	71,699,500
Payments of:		
Bills payable (Note 12)	**(355,200,716)**	(213,383,488)
Dividends (Note 15)	**–**	(26,699,500)
Lease liabilities (Note 17)	**(6,112,289)**	(5,232,943)
Net cash provided by financing activities	**127,566,995**	642,374,569
NET DECREASE IN CASH AND CASH EQUIVALENTS	**152,739,206**	160,292,400

(Forward)

	Years Ended December 31	
	2023	2022
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash on hand	**₱24,791,109**	₱30,077,486
Due from Bangko Sentral ng Pilipinas	**157,018,040**	70,513,592
Due from other banks	**106,582,627**	27,508,298
	288,391,776	128,099,376
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash on hand	**28,278,012**	24,791,109
Due from Bangko Sentral ng Pilipinas (Note 6)	**329,098,288**	157,018,040
Due from other banks (Note 6)	**83,754,682**	106,582,627
	₱441,130,982	₱288,391,776
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received (Note 8)	**₱431,759,786**	₱308,219,945
Interest paid (Note 13)	**167,781,443**	97,363,507

See accompanying 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 Material Accounting Policy Information

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 PFRSs and Philippine Accounting Standards (PAS) which became effective as of January 1, 2023. 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 PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

Future Changes in Accounting Standards

Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements:

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*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of Exchangeability*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Material Accounting Policy Information

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.

Cash and Cash Equivalents

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, 2023 and 2022, 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, 2023 and 2022, 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'.

<u>Derecognition of Financial Instruments</u>
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.

Property and Equipment

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.

<u>Retirement Benefits</u>
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.

	2023			
	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	**₱49,925,969**	**₱49,925,969**	**₱49,925,969**	**₱–**
Loans receivable				
Salary Loans	**2,603,782,675**	**–**	**–**	**2,603,782,675**
Car loans	**56,118,667**	**123,887,700**	**50,256,407**	**5,862,260**
Real estate loans	**57,803,750**	**129,167,908**	**57,803,750**	**–**
SME loans	**14,353,954**	**9,710,200**	**1,751,240**	**12,062,714**
Others	**23,532**	**–**	**–**	**23,532**

	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				
Salary loans	2,324,902,611	–	–	2,324,902,611
Car loans	75,284,245	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
Others	17,612	–	–	17,612

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.

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, 2023 and 2022, before taking into account any collateral held or other credit enhancements:

	2023						
	Loans and receivables	**%**	**Other financial assets***	**%**	**Investment Securities**	**%**	**Total**
Personal service activities	**₱2,653,435,627**	**94.44**	**₱–**	–	**₱–**	–	**₱2,653,435,627**
Government	**2,267,613**	**0.08**	**402,314,817**	**81.61**	**289,622,427**	**98.39**	**694,204,857**
Financial intermediaries	**33,280**	**0.00**	**86,026,866**	**17.45**	–	–	**86,060,146**
Real estate, renting & business activities	**60,067,339**	**2.14**	**4,657,930**	**0.94**	**4,743,934**	**1.61**	**69,469,203**
Personal and household goods	**36,041,982**	**1.28**	–	–	–	–	**36,041,982**
Auto loans	**35,026,211**	**1.25**	–	–	–	–	**35,026,211**
Agriculture, hunting and forestry	**14,174,055**	**0.51**	–	–	–	–	**14,174,055**
Transportation and storage	**3,963,517**	**0.14**	–	–	–	–	**3,963,517**
Construction	**2,020,460**	**0.07**	–	–	–	–	**2,020,460**
Other community, social work activities	**1,116,959**	**0.04**	–	–	–	–	**1,116,959**
Wholesale and retail	**1,103,910**	**0.04**	–	–	–	–	**1,103,910**
Manufacturing	**337,822**	**0.01**	–	–	–	–	**337,822**
	2,809,588,775	**100.00**	**492,999,613**	**100.00**	**294,366,361**	**100.00**	**3,596,954,749**
Allowance for credit losses	**(61,564,143)**	–	–	–	–	–	**(61,564,143)**
	₱2,748,024,632	**100.00**	**₱492,999,613**	**100.00**	**₱294,366,361**	**100.00**	**₱3,535,390,606**

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

	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
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'.

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, 2023 and 2022:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Salary Loans				
Standard Grade	**₱2,636,428,894**	**₱–**	**₱–**	**₱2,636,428,894**
Substandard Grade	**–**	**71,364,414**	**–**	**71,364,414**
Past Due and Impaired	**–**	**–**	**91,779,112**	**91,779,112**
	2,636,428,894	**71,364,414**	**91,779,112**	**2,799,572,420**
Car Loans				
Standard Grade	**44,814,068**	**–**	**–**	**44,814,068**
Substandard Grade	**–**	**2,800,885**	**–**	**2,800,885**
Past Due and Impaired	**–**	**–**	**9,056,019**	**9,056,019**
	44,814,068	**2,800,885**	**9,056,019**	**56,670,972**
Real Estate Loans				
Standard Grade	**35,645,422**	**–**	**–**	**35,645,422**
Substandard Grade	**–**	**11,765,334**	**–**	**11,765,334**
Past Due and Impaired	**–**	**–**	**12,535,746**	**12,535,746**
	35,645,422	**11,765,334**	**12,535,746**	**59,946,502**
SME Loans				
Standard Grade	**14,697,701**	**–**	**–**	**14,697,701**
Substandard Grade	**–**	**–**	**–**	**–**
Past Due and Impaired	**–**	**–**	**745,462**	**745,462**
	14,697,701	**–**	**745,462**	**15,443,163**
Others				
Standard Grade	**–**	**–**	**–**	**–**
Substandard Grade	**–**		**–**	**–**
Past Due and Impaired	**–**	**–**	**32,912**	**32,912**
	–	**–**	**32,912**	**32,912**
Accrued interest receivables				
Standard Grade	**15,596,599**	**–**	**–**	**15,596,599**
Substandard Grade	**–**	**310,222**	**–**	**310,222**
Past Due and Impaired	**–**	**–**	**369,922**	**369,922**
	15,596,599	**310,222**	**369,922**	**16,276,743**
Total Loans and Receivables				
Standard Grade	**2,747,182,684**	**–**	**–**	**2,747,182,684**
Substandard Grade	**–**	**86,240,855**	**–**	**86,240,855**
Past Due and Impaired	**–**	**–**	**114,519,174**	**114,519,174**
	₱2,747,182,684	**₱86,240,855**	**₱114,519,174**	**₱2,947,942,713**

	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
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

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	Category	Description
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.

<u>Market Risk</u>
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:

	2023		2022	
Changes in interest rates (in basis points)	**+100**	**-100**	+100	-100
Effect on equity				
Investment securities at FVOCI	**(₱2,731,068)**	**₱2,732,437**	(₱2,812,996)	₱2,998,820
Effect on net income				
Bills payable	**(3,288,566)**	**3,351,617**	(5,180,138)	5,290,857

As at December 31, 2023 and 2022, 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 2023 and 2022, 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:

	2023					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial assets						
Cash on hand	**₱28,278,012**	**₱–**	**₱–**	**₱–**	**₱–**	**₱28,278,012**
Due from BSP	**23,213,055**	**306,375,715**	**–**	**–**	**–**	**329,588,770**
Due from other banks	**63,536,015**	**–**	**–**	**20,218,667**	**–**	**83,754,682**
Investment securities at FVOCI	**–**	**1,152,506**	**–**	**10,100,000**	**75,767,544**	**87,020,050**
Investment securities at amortized cost	**–**	**–**	**575,000**	**7,736,250**	**254,110,625**	**262,421,875**
Loans and receivables	**193,142,551**	**88,424,984**	**152,377,579**	**361,150,013**	**2,667,215,467**	**3,462,310,594**
Other assets*	**–**	**73,216,529**	**–**	**2,272,184**	**4,657,930**	**80,146,643**
	308,169,633	**469,169,734**	**152,952,579**	**401,477,114**	**3,001,751,566**	**4,333,520,626**
Financial liabilities						
Deposit liabilities	**209,833,338**	**354,930,941**	**346,374,978**	**392,637,788**	**1,043,973,284**	**2,347,750,329**
Bills payable	**–**	**391,527,365**	**25,934,963**	**88,384,212**	**520,924,156**	**1,026,770,696**
Accrued expenses and other liabilities	**–**	**33,918,557**	**–**	**–**	**–**	**33,918,557**
	209,833,338	**780,376,863**	**372,309,941**	**481,022,000**	**1,564,897,440**	**3,408,439,582**
	₱98,336,295	**(₱311,207,129)**	**(₱219,357,362)**	**(₱79,544,886)**	**₱1,436,854,126**	**₱925,081,044**

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

	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'*

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**		**Net exposure**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
December 31, 2023						
Securities held under agreements to resell (Note 6)	**₱49,925,969**	**₱–**	**₱49,925,969**	**₱–**	**₱49,925,969**	**₱–**
December 31, 2022						
Securities held under agreements to resell (Note 6)	₱41,906,118	₱–	₱41,906,118	₱–	₱41,906,118	₱–

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 45.64% and from 6.50% to 34.65% in 2023 and 2022, 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, 2023 and 2022 range from 1.50% to 7.00% and from 1.35% 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 10.00% and from 4.00% to 7.00% in 2023 and 2022, respectively, which are based on the Bank's incremental borrowing rates.

As at December 31, 2023 and 2022, 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:

	2023				
		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	₱58,296,013	₱58,296,013	₱–	₱–	₱58,296,013
Private bonds	4,743,934	4,743,934	–	–	4,743,934
Equity securities	115,000	–	115,000	–	115,000
	₱63,154,947	₱63,039,947	₱115,000	₱–	₱63,154,947

(Forward)

	2023				
		Fair Value			
	Carrying value	Quoted prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed					
Investment securities at amortized cost	**₱231,326,414**	**₱215,830,998**	**₱–**	**₱–**	**₱215,830,998**
Loans and receivables					
Salary loans	**2,616,465,069**	**–**	**–**	**2,694,785,119**	**2,694,785,119**
Car loans	**56,619,292**	**–**	**–**	**56,062,328**	**56,062,328**
Real estate loans	**58,153,626**	**–**	**–**	**61,193,671**	**61,193,671**
SME loans	**14,432,175**	**–**	**–**	**14,813,163**	**14,813,163**
Others	**2,354,470**	**–**	**–**	**2,354,294**	**2,354,294**
	2,748,024,632	**–**	**–**	**2,829,208,575**	**2,829,208,575**
	₱2,979,351,046	**₱215,830,998**	**₱–**	**₱2,829,208,575**	**₱3,045,039,573**
Liabilities for which fair values are disclosed					
Time deposits	**₱1,907,115,222**	**₱–**	**₱–**	**₱1,925,153,311**	**₱1,925,153,311**
Bills payable	**894,352,800**	**–**	**–**	**906,253,371**	**906,253,371**
	₱2,801,468,022	**₱–**	**₱–**	**₱2,831,406,682**	**₱2,831,406,682**

	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

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

<u>Due from BSP</u>

	2023	2022
Overnight deposit facility	**₱142,000,000**	₱56,000,000
Term deposit facility	**113,959,264**	50,000,000
SPURA	**49,925,969**	41,906,118
Demand deposit account (Note 11)	**22,713,055**	8,611,922
Special deposit account	**500,000**	500,000
	₱329,098,288	₱157,018,040

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

	2023	2022
Overnight deposit facility	**5.00% - 6.00%**	1.50% - 5.00%
Term deposit facility	**6.30% - 6.70%**	1.70% - 6.27%
SPURA	**5.50% - 6.45%**	2.00% - 5.50%

Special deposit accounts are non-interest-bearing short term placements. As of December 31, 2023 and 2022, the SPURA is collateralized by government securities with fair values amounting to ₱49.93 million and ₱41.91 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 ₱14.04 million and ₱3.70 million in 2023 and 2022, respectively.

Due from Other Banks
This account consists of:

	2023	2022
Demand deposit	**₱57,302,360**	₱100,054,762
Time deposit	**20,218,667**	–
Savings deposit	**6,233,655**	6,527,865
	₱83,754,682	₱106,582,627

Due from other banks bear annual interest rates ranging from 0.05% to 5.00% and from 0.05% to 0.30% in 2023 and 2022, respectively. Interest income on due from other banks amounted to ₱0.43 million and ₱0.12 million in 2023 and 2022, respectively.

7. Investment Securities

Investment Securities at FVOCI
This account consists of investment securities at FVOCI as of December 31, 2023 and 2022:

	2023	2022
Government securities	**₱58,296,013**	₱46,574,876
Private bonds	**4,743,934**	16,239,603
Unquoted equity securities	**115,000**	115,000
	₱63,154,947	₱62,929,479

As of December 31, 2023 and 2022, government bonds have effective interest rates ranging from 4.00% to 5.30% with maturities ranging from 2024 to 2031 and from 4.10% to 5.91% with maturities ranging from 2023 to 2031, respectively.

As of December 31, 2023, there are no government bonds assigned as collateral for borrowings of the Bank. 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:

	2023	2022
Balance at beginning of year	**(₱6,746,224)**	(₱591,466)
Movements in fair values during the year	**2,896,602**	(12,298,387)
Net loss realized in profit or loss	**–**	6,143,629
Net change during the year	**2,896,602**	(6,154,758)
Balance at end of year	**(₱3,849,622)**	(₱6,746,224)

Unquoted equity securities
As of December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023, there are no government bonds assigned as collateral for borrowings of the Bank (Note 12). 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:

	2023	2022
Financial assets at FVOCI	**₱3,179,259**	₱5,108,417
Investment securities and amortized cost	**7,701,291**	7,561,477
	₱10,880,550	₱12,669,894

8. Loans and Receivables

This account consists of:

	2023	2022
Loans and receivables		
Salary loans (Note 12)	**₱2,799,572,420**	₱2,302,781,124
Car loans	**56,670,972**	77,353,370
Real estate loans	**59,946,503**	74,630,179
SME loans	**15,443,163**	12,391,231
Others	**32,912**	17,927
	2,931,665,970	2,467,173,831
Net unearned interest and discount	**(138,353,938)**	(113,179,043)
Loans and receivables, net of unearned interest and discount	**2,793,312,032**	2,353,994,788
Accrued interest receivable	**16,276,743**	14,217,792
Loans and receivables, before allowance for credit losses	**2,809,588,775**	2,368,212,580
Allowance for credit losses	**(61,564,143)**	(40,058,518)
	₱2,748,024,632	₱2,328,154,062

Loans and receivables, with terms normally ranging from less than 1 year to 20 years in 2023 and from 1 to 20 years in 2022, earn annual interest rates as follows:

	2023	2022
Salary loans	**5.07% - 41.86%**	4.41% - 41.86%
Car loans	**7.94% - 57.21%**	7.94% - 67.39%
SME loans	**16.65% - 47.28%**	15.65% - 40.92%
Real estate loans	**6.75% - 10.50%**	6.72% - 42.58%
Others	**22.99% - 42.57%**	23.00%

Interest Income on Loans and Receivables

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

	2023	2022
Salary loans	**₱386,627,290**	₱263,162,367
Car loans	**11,209,388**	15,544,964
Real estate loans	**6,632,205**	7,265,495
SME loans	**2,587,650**	2,269,183
Others	**157,086**	380,996
	₱407,213,619	₱288,623,005

Allowance for Credit Losses

The changes in allowance for credit and impairment losses follow:

	2023	2022
Balance at beginning of year	**₱40,058,518**	₱36,642,069
Movements during the year:		
Provision for credit and impairment losses	**21,505,625**	6,530,533
Write-off	**–**	(3,114,084)
	21,505,625	3,416,449
Balance at end of year	**₱61,564,143**	₱40,058,518

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, 2023 and 2022 (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, 2023	**₱2,191,885,569**	**₱63,422,810**	**₱47,472,745**	**₱2,302,781,124**
New financial assets purchased or originated	**2,147,871,972**	**56,064,134**	**30,882,984**	**2,234,819,090**
Transfers:				
Transfers to (from) Stage 1	**(1,207,830)**	**1,207,830**	**–**	**–**
Transfers to (from) Stage 2	**10,761,825**	**(10,772,801)**	**10,976**	**–**
Transfers to (from) Stage 3	**25,176,725**	**7,602,937**	**(32,779,662)**	**–**
Movements in outstanding balance	**(1,738,059,367)**	**(46,160,496)**	**46,192,069**	**(1,738,027,794)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2023	**₱2,636,428,894**	**₱71,364,414**	**₱91,779,112**	**₱2,799,572,420**
Allowance for credit losses as at January 1, 2023	**₱13,918,259**	**₱606,005**	**₱18,807,676**	**₱33,331,940**
New financial assets purchased or originated	**3,610,258**	**88,549**	**12,142,475**	**15,841,282**
Transfers:				
Transfers to (from) Stage 1	**(9,516)**	**9,516**	**–**	**–**
Transfers to (from) Stage 2	**116,898**	**(116,928)**	**30**	**–**
Transfers to (from) Stage 3	**11,435,061**	**4,448,757**	**(15,883,818)**	**–**
Changes in PDs/LGDs/EADs	**(22,200,638)**	**(4,786,997)**	**34,145,158**	**7,157,523**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2023	**₱6,870,322**	**₱248,902**	**₱49,211,521**	**₱56,330,745**

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, 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

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, 2023	**₱62,176,557**	**₱3,487,341**	**₱11,689,472**	**₱77,353,370**
New financial assets purchased or originated	**12,387,532**	**–**	**–**	**12,387,532**
Transfers:				
Transfers to (from) Stage 1	**–**	**–**	**–**	**–**
Transfers to (from) Stage 2	**1,959,525**	**(1,959,525)**	**–**	**–**
Transfers to (from) Stage 3	**1,725,336**	**1,155,576**	**(2,880,912)**	**–**
Movements in outstanding balance	**(33,434,882)**	**117,493**	**247,459**	**(33,069,930)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2023	**₱44,814,068**	**₱2,800,885**	**₱9,056,019**	**₱56,670,972**
Allowance for credit losses as at January 1, 2023	**₱818,162**	**₱87,495**	**₱3,371,986**	**₱4,277,643**
New financial assets purchased or originated	**2,694**	**–**	**–**	**2,694**
Transfers:				
Transfers to (from) Stage 1	**–**	**–**	**–**	**–**
Transfers to (from) Stage 2	**2,729**	**(2,729)**	**–**	**–**
Transfers to (from) Stage 3	**418,187**	**285,315**	**(703,502)**	**–**
Changes in PDs/LGDs/EADs	**(1,104,488)**	**(352,951)**	**(479,377)**	**(1,936,816)**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2023	**₱137,284**	**₱17,130**	**₱2,189,107**	**₱2,343,521**

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

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, 2023	**₱56,304,176**	**₱7,965,923**	**₱10,360,080**	**₱74,630,179**
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers to (from) Stage 1	**(1,759,052)**	**1,425,376**	**333,676**	–
Transfers to (from) Stage 2	**8,186,703**	**(8,186,703)**	–	–
Transfers to (from) Stage 3	**5,076,866**	**1,523,409**	**(6,600,275)**	–
Movements in outstanding balance	**(32,163,270)**	**9,037,329**	**8,442,265**	**(14,683,676)**
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	**₱35,645,423**	**₱11,765,334**	**₱12,535,746**	**₱59,946,503**
Allowance for credit losses as at January 1, 2023	**₱995,912**	**₱139,891**	**₱180,524**	**₱1,316,327**
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers to (from) Stage 1	**(25,923)**	**21,183**	**4,740**	–
Transfers to (from) Stage 2	**121,369**	**(121,369)**	–	–
Transfers to (from) Stage 3	**446,825**	**146,468**	**(593,293)**	–
Changes in PDs/LGDs/EADs	**(1,009,849)**	**(11,604)**	**1,577,198**	**555,745**
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	**₱528,334**	**₱174,569**	**₱1,169,169**	**₱1,872,072**

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

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, 2023	**₱11,645,769**	**₱–**	**₱745,462**	**₱12,391,231**
New financial assets purchased or originated	**9,477,152**	–	–	**9,477,152**
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	–	–	–	–
Transfers to (from) Stage 3	–	–	–	–
Movements in outstanding balance	**(6,425,220)**	–	–	**(6,425,220)**
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	**₱14,697,701**	**₱–**	**₱745,462**	**₱15,443,163**
Allowance for credit losses as at January 1, 2023	**₱200,623**	**₱–**	**₱752,862**	**₱953,485**
New financial assets purchased or originated	**302,571**	–	–	**302,571**
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	–	–	–	–
Transfers to (from) Stage 3	–	–	–	–
Changes in PDs/LGDs/EADs	**(39,235)**	–	**(543,581)**	**(582,816)**
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	**₱463,959**	**₱–**	**₱209,281**	**₱673,240**

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

Others	**ECL Staging Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2023	**₱–**	**₱–**	**₱17,927**	**₱17,927**
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	–	–	**14,985**	**14,985**
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	**₱–**	**₱–**	**₱32,912**	**₱32,912**
Allowance for credit losses as at January 1, 2023	**₱–**	**₱–**	**₱316**	**₱316**
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	–	–	**9,560**	**9,560**
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	**₱–**	**₱–**	**₱9,876**	**₱9,876**

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

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, 2023	**₱13,648,799**	**₱325,791**	**₱243,202**	**₱14,217,792**
New financial assets purchased or originated	**12,865,287**	**310,222**	**369,922**	**13,545,431**
Transfers:				
Transfers to (from) Stage 1	**(136)**	**133**	**3**	**–**
Transfers to (from) Stage 2	**838**	**(838)**	**–**	**–**
Transfers to (from) Stage 3	**77,099**	**9,935**	**(87,034)**	**–**
Movements in outstanding balance	**(10,995,288)**	**(335,021)**	**(156,171)**	**(11,486,480)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 20223	**₱15,596,599**	**₱310,222**	**₱369,922**	**₱16,276,743**
Allowance for credit losses as at January 1, 2023	**₱79,210**	**₱4,051**	**₱95,546**	**₱178,807**
New financial assets purchased or originated	**39,713**	**2,221**	**292,755**	**334,689**
Transfers:				
Transfers to (from) Stage 1	**(11,693)**	**11,523**	**170**	**–**
Transfers to (from) Stage 2	**62,123**	**(62,123)**	**–**	**–**
Transfers to (from) Stage 3	**77,099**	**9,935**	**(87,034)**	**–**
Changes in PDs/LGDs/EADs	**(206,739)**	**36,614**	**(8,682)**	**(178,807)**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2023	**₱39,713**	**₱2,221**	**₱292,755**	**₱334,689**

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

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, 2023	**₱2,335,660,870**	**₱75,201,865**	**₱70,528,888**	**₱2,481,391,623**
New financial assets purchased or originated	**2,182,601,942**	**56,374,356**	**31,252,906**	**2,270,229,204**
Transfers:				
Transfers to (from) Stage 1	**(2,967,018)**	**2,633,339**	**333,679**	**–**
Transfers to (from) Stage 2	**20,908,891**	**(20,919,867)**	**10,976**	**–**
Transfers to (from) Stage 3	**32,056,026**	**10,291,856**	**(42,347,882)**	**–**
Movements in outstanding balance	**(1,821,078,027)**	**(37,340,694)**	**54,740,607**	**(1,803,678,114)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2023	**₱2,747,182,684**	**₱86,240,855**	**₱114,519,174**	**₱2,947,942,713**
Allowance for credit losses as at January 1, 2023	**₱16,012,166**	**₱837,442**	**₱23,208,910**	**₱40,058,518**
New financial assets purchased or originated	**3,955,235**	**90,770**	**12,435,230**	**16,481,235**
Transfers:				
Transfers to (from) Stage 1	**(47,132)**	**42,222**	**4,910**	**–**
Transfers to (from) Stage 2	**303,120**	**(303,150)**	**30**	**–**
Transfers to (from) Stage 3	**12,377,172**	**4,890,476**	**(17,267,648)**	**–**
Changes in PDs/LGDs/EADs	**(24,560,949)**	**(5,114,938)**	**34,700,277**	**5,024,390**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2023	**₱8,039,612**	**₱442,822**	**₱53,081,709**	**₱61,564,143**

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

9. Property and Equipment

The composition of and movements in this account follow:

	2023						
	Furniture, Fixtures and Equipment	**Leasehold Improvement**	**Office Equipment**	**Computer Equipment**	**Transportation Equipment**	**Right-of-Use Asset**	**Total**
Cost							
Balances at beginning of year	**₱2,869,099**	**₱16,732,720**	**₱2,955,306**	**₱33,924,593**	**₱2,065,600**	**₱19,280,307**	**₱77,827,625**
Additions	**355,074**	**2,383,494**	**394,193**	**6,568,394**	**3,622,057**	**6,845,061**	**20,168,273**
Disposals/Adjustments	**–**	**–**	**–**	**–**	**–**	**(3,967,186)**	**(3,967,186)**
Balances at end of year	**3,224,173**	**19,116,214**	**3,349,499**	**40,492,987**	**5,687,657**	**22,158,182**	**94,028,712**
Accumulated Depreciation and Amortization							
Balances at beginning of year	**2,578,936**	**13,420,090**	**2,235,698**	**21,782,610**	**2,065,600**	**11,053,990**	**53,136,924**
Depreciation and amortization	**247,598**	**2,582,342**	**277,487**	**4,677,337**	**754,260**	**5,363,912**	**13,902,936**
Disposals/Adjustments	**–**	**(28,562)**	**–**	**–**	**580,878**	**(3,967,186)**	**(3,414,870)**
Balances at end of year	**2,826,534**	**15,973,870**	**2,513,185**	**26,459,947**	**3,400,738**	**12,450,716**	**63,624,990**
Net Book Values	**₱397,639**	**₱3,142,344**	**₱836,314**	**₱14,033,040**	**₱2,286,919**	**₱9,707,466**	**₱30,403,722**

	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

10. **Other Assets**

	2023	2022
Financial assets		
Accounts receivable - others	**₱73,216,529**	₱69,563,984
Security deposits	**4,657,930**	4,534,751
Short-term investment	**2,272,184**	2,254,150
	80,146,643	76,352,885
Non-financial assets		
Advance interest	**16,013,944**	16,746,997
Chattel mortgage	**3,963,197**	3,978,989
Prepaid documentary stamp taxes	**3,232,718**	2,604,921
Prepaid expenses	**1,019,070**	378,026
Prepaid supplies	**595,946**	732,721
Others	**7,475**	7,475
	24,832,350	24,449,129
	₱104,978,993	₱100,802,014

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 1.50% and 1.00% in 2023 and 2022, 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% in 2023 and 2022, respectively, and terms ranging from one to five years.

Allowance for impairment losses on chattel mortgage amounted to ₱0.12 million and ₱0.58 million as of December 31, 2023 and 2022, respectively. In 2023 and 2022, provision for impairment losses recognized in the statement of income amounted to ₱0.61 million and ₱0.35 million, respectively.

Gain (loss) on sale of chattel mortgage properties amounted to ₱0.58 million and (₱0.30 million) for the years ended December 31, 2023 and 2022, respectively, and are presented as part of ‘Miscellaneous’ in the statements of income.

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. On June 23, 2023, the Bangko Sentral ng Pilipinas issued BSP Circular No. 1175, reducing the reserve requirement ratios of thrift banks to 2.00%.

As of December 31, 2023 and 2022, demand deposit account with BSP amounting to ₱22.71 million and ₱8.61 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, 2023 and 2022, the Bank is in compliance with the reserve requirements.

Deposit liabilities bear annual interest rates ranging from 1.00% to 7.50% in 2023 and 1.05% to 7.00% 2022.

Interest expense on deposit liabilities consists of:

	2023	2022
Time	**₱104,430,645**	₱70,817,651
Savings	**2,005,585**	1,814,349
Current	**167,445**	244,378
	₱106,603,675	₱72,876,378

12. **Bills Payable**

This account consists of borrowings from:

	2023	2022
Local banks	**₱844,352,800**	₱760,590,656
Others	**50,000,000**	–
	₱894,352,800	₱760,590,656

The movement of the Bank's bills payable follows:

	2023	2022
Balance at beginning of the year	**₱760,590,656**	₱161,317,383
Amortization of transaction costs	**82,860**	(3,334,239)
Availments of bills payable	**488,880,000**	815,991,000
Payments made	**(355,200,716)**	(213,383,488)
Balance at end of the year	**₱894,352,800**	₱760,590,656

The Bank's borrowings' tenors and annual interest rates (gross of Philippine withholding tax) as of December 31, 2023 and 2022 are presented as follows:

	2023	2022
Tenor	**1 month to 10 years**	6 months to 10 years
Annual interest rates	**4.00% - 9.98%**	4.00% - 7.00%

Interest expense on bills payable amounted to ₱64.83 million and ₱29.91 million in 2023 and 2022, respectively.

These borrowings are secured by salary loans presented under loans and receivables, with fair values of ₱1.32 billion and ₱695.81 million of December 31, 2023 and 2022, respectively (Note 8).

As of December 31, 2023, there are no government bonds assigned as collateral for the borrowings of the Bank. 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).

13. Accrued Expenses and Other Liabilities

This account consists of:

	2023	2022
Financial liabilities		
Accounts payable	**₱11,933,799**	₱21,717,165
Accrued expenses	**21,984,758**	19,837,425
Accrued interest payable	**17,749,145**	6,061,788
	51,667,702	47,616,378
Non-financial liabilities		
Lease liabilities (Note 17)	**10,277,639**	9,005,852
Retirement liability (Note 16)	**7,036,515**	4,298,829
Withholding and other taxes payable	**1,769,835**	1,500,034
Others	**1,217,741**	1,457,324
	20,301,730	16,262,039
	₱71,969,432	₱63,878,417

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. 11901. 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:

	2023			2022		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash on hand	**₱28,278,012**	**₱–**	**₱28,278,012**	₱24,791,109	₱–	₱24,791,109
Due from BSP	**329,098,288**	**–**	**329,098,288**	157,018,040	–	157,018,040
Due from other banks	**83,754,682**	**–**	**83,754,682**	106,582,627	–	106,582,627
Investment securities at FVOCI	**8,772,128**	**54,382,819**	**63,154,947**	11,667,458	51,262,021	62,929,479
Investment securities at amortized cost	**–**	**231,326,414**	**231,326,414**	–	231,800,123	231,800,123
Loans and receivables						
Salary loans	**212,337,380**	**2,587,235,040**	**2,799,572,420**	102,140,794	2,200,640,330	2,302,781,124
Car loans	**18,301,690**	**38,369,282**	**56,670,972**	13,196,454	64,156,916	77,353,370
Real estate loans	**19,790,673**	**40,155,830**	**59,946,503**	168,945	74,461,234	74,630,179
SME loans	**13,987,847**	**1,455,316**	**15,443,163**	8,346,274	4,044,957	12,391,231
Others	**32,912**	**–**	**32,912**	17,927	–	17,927
Accrued interest receivable	**16,276,743**	**–**	**16,276,743**	14,217,792	–	14,217,792
Other assets	**75,488,713**	**4,657,930**	**80,146,643**	71,818,134	4,534,751	76,352,885
Subtotal	**806,119,068**	**2,957,582,631**	**3,763,701,699**	509,965,554	2,630,900,332	3,140,865,886

(Forward)

	2023			2022		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Nonfinancial Assets						
Property and equipment	**₱6,867,886**	**₱87,160,826**	**₱94,028,712**	₱5,357,366	₱72,470,259	₱77,827,625
Other assets	**20,273,207**	**4,559,143**	**24,832,350**	19,737,419	4,711,710	24,449,129
Deferred tax asset	**–**	**17,292,708**	**17,292,708**	–	11,284,221	11,284,221
Subtotal	**27,141,093**	**109,012,677**	**136,153,770**	25,094,785	88,466,190	113,560,975
	₱833,260,161	**₱3,066,595,308**	**₱3,899,855,469**	₱535,060,339	₱2,719,366,522	₱3,254,426,861
Less:						
Accumulated depreciation			**(₱63,624,990)**			(₱53,136,924)
Net unearned interest discount			**(138,353,938)**			(113,179,043)
Allowance for credit losses			**(61,564,143)**			(40,058,518)
Total assets			**₱3,636,312,398**			₱3,048,052,376
Financial liabilities						
Deposit liabilities	**₱1,230,736,922**	**₱886,211,638**	**₱2,116,948,560**	₱795,045,705	₱960,663,140	₱1,755,708,845
Bills payable	**454,755,882**	**439,596,918**	**894,352,800**	300,114,459	460,476,197	760,590,656
Accrued expenses and other liabilities	**51,667,703**	**–**	**51,667,703**	47,616,378	–	47,616,378
Subtotal	**1,737,160,507**	**1,325,808,556**	**3,062,969,063**	1,142,776,542	1,421,139,337	2,563,915,879
Nonfinancial liabilities						
Income tax payable	**10,720,744**	**–**	**10,720,744**	5,513,639	–	5,513,639
Accrued expenses and other liabilities	**9,033,476**	**11,268,253**	**20,301,729**	7,385,570	8,876,469	16,262,039
Subtotal	**19,754,220**	**11,268,253**	**31,022,473**	12,899,209	8,876,469	21,775,678
Total liabilities	**₱1,756,914,727**	**₱1,337,076,809**	**₱3,093,991,536**	₱1,155,675,751	₱1,430,015,806	₱2,585,691,557

15. **Equity**

The Bank's capital stock as of December 31, 2023 and 2022 consists of:

	2023		2022	
	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	**3,917,000**	**₱391,700,000**	3,200,005	₱320,000,500
Issuance of shares	–	–	716,995	71,699,500
Balances at end of year	**3,917,000**	**₱391,700,000**	3,917,000	₱391,700,000

<u>Preferred Stock</u>
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, 2023 and 2022, there is no outstanding preferred stock.

<u>Dividend Declaration and Capital Infusion</u>
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.

The Bank did not declare cash dividends for the year 2023 nor were there share issuances.

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, 2023 and 2022, the Bank appropriated ₱11.40 million and ₱6.97 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 2023 and 2022.

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, 2023 and 2022 (amounts in millions except for ratio):

	2023	2022
Tier 1/CET 1 Capital	**516.55**	450.66
Tier 2 Capital	**9.98**	22.69
Total Qualifying Capital	**526.53**	473.35
Risk weighted assets	**2,992.84**	2,774.64
Tier 1/CET 1 capital ratio	**16.01%**	16.24%
Total capital ratio	**16.31%**	17.06%

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 2023 and 2022, 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 reduced the minimum liquidity ratio (MLR) for stand-alone thrift banks, rural banks, and cooperative banks from 20 percent (20.00%) to 16 percent (16.00%), as stipulated in Section 145 of the Manual of Regulations for Banks. The reduction to a 16% MLR was implemented as part of the pandemic relief response but ceased by December 2022. In 2023, the MLR reverted back to 20.00%.

As of December 31, 2023 and 2022, the MLR of the Bank as reported to the BSP is 32.10% and 20.74%, 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, 2023 and 2022, the Bank does not have a retirement plan. The date of the latest actuarial valuation is December 31, 2023.

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:

	2023	2022
Discount rate	**6.12%**	7.26%
Salary increase rate	**6.00%**	5.00%

Changes in the defined benefit liability in 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	**₱4,298,829**	₱4,408,631
Net benefit cost in statements of income*		
Current service cost	**712,874**	718,119
Net interest	**312,095**	227,926
Benefits paid	**(793,989)**	–
	230,980	946,045
(Forward)		
Remeasurements in OCI		
Actuarial changes arising from:		
Experience adjustments	**₱1,214,287**	₱1,140,281
Changes in demographic assumptions	**232,517**	(1,355,327)
Changes in financial assumptions	**1,059,902**	(840,801)
	2,506,706	(1,055,847)
Balance at end of year	**₱7,036,515**	₱4,298,829

**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, 2023 and 2022, 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)	
	2023	2022
Discount rates		
+1.00%	**(₱533,450)**	(₱318,318)
-1.00%	**624,558**	368,757
Future salary increases		
+1.00%	**619,000**	373,482
-1.00%	**(538,708)**	(327,576)

The average duration of the defined benefit obligation as of December 31, 2023 and 2022 is 8.20 years and 8.00 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2023 and 2022:

	2023	2022
Within 1 year	**₱375,190**	₱311,657
More than 1 year to 5 years	**5,567,736**	4,748,661
More than 5 years to 10 years	**892,275**	802,779

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:

	2023	2022
Depreciation expense of right-of-use assets (Note 9)	**₱5,363,912**	₱5,261,672
Interest expense on lease liabilities	**539,015**	490,708
Expenses relating to short-term leases (included in 'Rent')	**1,450,649**	1,561,099
	₱7,353,576	₱7,313,479

The rollforward analysis of lease liabilities as of December 31, 2023 and 2022 follows:

	2023	2022
Balance at beginning of year	**₱9,005,852**	₱10,386,765
Additions	**6,845,061**	2,246,901
Interest expense	**539,015**	490,708
Payments	**(6,112,289)**	(5,232,943)
Lease modifications	**–**	1,114,421
	₱10,277,639	₱9,005,852

Future minimum lease payments under non-cancellable leases follow:

	2023	2022
Within one year	**₱6,129,823**	₱4,727,156
Beyond one year but not more than five years	**4,938,639**	4,717,670
	₱11,068,462	₱9,444,826

18. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	2023	2022
Gain (loss) on sale of chattel mortgage properties (Note 10)	**₱576,923**	(₱296,485)
Others	**14,061,778**	82,450
	₱14,638,701	(₱214,035)

In 2023, other miscellaneous income includes the reversal of provisions.

Miscellaneous Expenses
This account consists of:

	2023	2022
Fines, penalties and other charges	**1,901,373**	₱1,730,547
Supervision and examination fees	**861,237**	652,885
Banking fees	**137,186**	100,346
Arrangement fees	**25,000**	−
Representation and entertainment (Note 19)	**10,246**	1,232,802
Loss on lease modification	−	301,759
Others	**14,478,056**	2,160,300
	₱17,413,098	₱6,178,639

Others include expenditures made by the Bank for its household agents, medicine supplies, employees' identification cards and accessories, Christmas giveaways and year end outing expenses.

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 ₱0.01 million and ₱1.23 million in 2023 and 2022, respectively.

Provision for (benefit from) income tax consists of:

	2023	2022
Current		
Regular	**₱31,356,442**	₱16,425,988
Final	**5,118,164**	3,190,154
	36,474,606	19,616,142
Deferred	**(5,554,013)**	(1,295,923)
	₱30,920,593	₱18,320,219

Components of deferred tax asset - net are as follows:

	2023	2022
Deferred tax assets on:		
Allowance for credit losses	**₱15,391,036**	₱10,014,630
Retirement liability	**1,759,129**	1,074,707
PFRS 16 adjustment	**142,543**	194,884
	₱17,292,708	₱11,284,221

In 2023 and 2022, provision for deferred tax on retirement liability pertaining to 'Remeasurement gain on retirement liability' charged directly to OCI amounted to ₱0.46 million and ₱0.26 million, respectively.

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

	2023	2022
Statutory income tax at 25.00%	**₱27,509,067**	₱17,973,485
Income tax effects of:		
Nondeductible expenses	**4,185,913**	1,288,370
Tax-paid income	**(1,267,805)**	(932,085)
Movements in temporary differences	**493,418**	(9,551)
	₱30,920,593	₱18,320,219

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, 2023 and 2022, the balance of outstanding loans to DOSRI amounted to ₱0.17 million and ₱0.12 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	**2023**	**2022**	**Terms and Conditions/Nature**
Time	**₱467,963,873**	₱337,605,128	Time deposits with annual fixed interest rates ranging from 1.50% to 7.50% per annum in 2023 and 1.35% to 7.00% per annum in 2022 with remaining maturities from less than 1 year to 5 years in both years.
Deposits	**245,111,117**	105,363,887	
Withdrawals	**(127,481,093)**	(246,357,777)	
Interest expense	**12,728,721**	24,722,786	Interest on time deposits
Savings	**18,134,631**	36,028,309	Due upon demand; 1.00% per annum
Deposits	**221,615,469**	286,701,218	
Withdrawals	**(239,844,122)**	(325,867,336)	
Interest expense	**334,975**	295,926	Interest on savings deposits
Dividends	**–**	26,699,500	Dividends paid during the year

The compensation of key management personnel presented under 'Compensation and fringe benefits' in the statements of income amounted to ₱11.76 million and ₱8.80 million in 2023 and 2022, respectively. These pertain to short-term benefits of key management personnel.

In 2023 and 2022, total post-employment benefit expense (income) of the key management personnel amounted to (₱1.58 million) and (₱0.04 million), which includes defined benefit expense (income) charged to profit or loss amounting to ₱0.46 million and ₱0.32 million for 2023 and 2022, respectively, and to other comprehensive income amounting to (₱1.12 million) and (₱0.36 million) for 2023 and 2022, 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 26, 2024.

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:

	2023	2022
Return on average equity	**15.75%**	12.89%
Return on average assets	**2.37%**	2.09%
Net interest margin on average earning assets	**8.39%**	8.58%

Description of capital instruments issued
As of December 31, 2023 and 2022, the Bank has two classes of authorized capital stock, which are preferred and common stocks. As of December 31, 2023, and 2022, there has been no issuance of common stock. There is no outstanding preferred stock as of December 31, 2023 and 2022.

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.

	2023		2022	
	Amount	**%**	Amount	%
Personal service activities	**₱2,640,567,575**	**94.53**	₱2,146,483,124	91.18
Real Estate, renting & business activities	**59,675,822**	**2.14**	74,600,457	3.17
Personal and household goods	**35,743,326**	**1.28**	52,725,010	2.24
Auto loans	**34,770,136**	**1.24**	41,021,430	1.74
Agriculture, hunting and forestry	**14,112,252**	**0.51**	25,169,361	1.07
Transportation and storage	**3,938,319**	**0.14**	8,013,589	0.34
Construction	**2,009,472**	**0.07**	1,638,743	0.07
Other community, social work activities	**1,114,536**	**0.04**	1,383,697	0.06
Wholesale and retail	**1,045,891**	**0.04**	1,987,156	0.09
Manufacturing	**334,703**	**0.01**	666,440	0.03
Education	–	–	305,781	0.01
	₱2,793,312,032	**100.00**	₱2,353,994,788	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:

	2023		2022	
	Amount	**%**	Amount	%
Secured portion				
Real estate mortgage	**₱58,378,955**	**1.99**	₱83,314,092	3.38
Chattel mortgage	**53,310,136**	**1.82**	72,669,625	2.94
Deposit hold-out	**2,080,036**	**0.07**	3,500,000	0.14
Others	–	–	139,627	0.01
Unsecured portion	**2,817,896,843**	**96.12**	2,307,550,487	93.53
	₱2,931,665,970	**100.00**	₱2,467,173,831	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, 2023 and 2022, secured and unsecured NPLs of the Bank follow:

	2023	2022
Secured	**₱21,591,765**	₱22,034,566
Unsecured	**92,557,487**	48,251,120
	₱114,149,252	₱70,285,686

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:

	2023			2022		
	Performing	**Non-Performing**	**Total**	Performing	Non-Performing	Total
Loans and discounts						
Chattel mortgage	**₱42,881,626**	**₱10,428,510**	**₱53,310,136**	₱71,624,621	₱11,689,471	₱83,314,092
Real estate mortgage	**47,215,700**	**11,163,255**	**58,378,955**	62,324,530	10,345,095	72,669,625
Deposit hold-out	**2,080,036**	–	**2,080,036**	3,500,000	–	3,500,000
Others	**2,725,339,356**	**92,557,487**	**2,817,896,843**	2,259,438,994	48,251,120	2,307,690,114
	₱2,817,516,718	**₱114,149,252**	**₱2,931,665,970**	₱2,396,888,145	₱70,285,686	₱2,467,173,831

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 ₱1.08 billion and ₱668.73 million as of December 31, 2023 and 2022, respectively.

As of December 31, 2023, there are no government bonds assigned as collateral for the borrowings of the Bank. 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.

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:

	2023	2022
Total outstanding DOSRI/Related party loans	**₱0.17 million**	₱0.12 million
Percent of DOSRI/Related party loans to total loan portfolio	**0.0058%**	0.0047%
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, 2023 and 2022, 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 2023:

Taxes and Licenses

National	
Gross receipts tax	₱22,825,096
Documentary stamps tax	6,660,398
Local	
Other local taxes	3,402,956
	₱32,888,450

Withholding Taxes
Details of total remittances of withholding taxes for 2023 are as follows:

	Total remittances	Balance
Withholding taxes on compensation and benefits	₱4,008,384	₱585,380
Final withholding taxes on interest on deposits	5,654,003	655,785
Expanded withholding taxes	9,459,404	528,670
	₱19,121,791	₱1,769,835

Tax Cases and Assessments
As of December 31, 2023, 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, 2023 and 2022, on which we have rendered the attached report dated April 26, 2024.

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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079947, January 5, 2024, Makati City

April 26, 2024