



PANGASINAN BANK
A RURAL BANK (EST 1976)

2024 ANNUAL REPORT



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PANGASINAN BANK (A RURAL BANK), INC.

Rizal Avenue, Poblacion, Mangaldan, 2432 Pangasinan

2024 Annual Report

CORPORATE POLICY



A. CORPORATE POLICY

1. Vision, Mission and Core Values

Vision:

As a partner in nation-building, to be recognized as among the leading rural banks of value to customers, shareholders and employees, continuously striving to create more valued products, achieve greater results and make a positive contribution to the life of every individual.

Mission:

- i. To encourage the people to practice the habit of savings and thrift and the judicious use of credit in the communities that it serves;
- ii. To help eradicate usurious practices in the communities it serves;
- iii. To provide quality service to the people of the communities it serves whether they are depositors or borrowers so that they can improve their economic standing;
- iv. To enhance the knowledge, skills and community relations of the employees, so they can become good citizens and uplift their economic well-being;
- v. To encourage the people to be proactive in banking activities so as to spur economic activity in the community, as partners in nation-building.

Core Values:

- Respect
- Excellence
- Responsibility
- Teamwork
- Concern for People



2. Brief History

OF PANGASINAN BANK (A RURAL BANK), INC. Formerly Pangasinan Savings and Loan Bank

In the early part of 1976, a closely-knit circle of friends from San Fabian, Pangasinan informally gathered together and decided to organize the second thrift bank in Pangasinan. The group was composed of Dr. Gregorio T. de Guzman, Jr., a private medical practitioner, Atty. Conrado P. Gubatan, at that time Mayor of San Fabian, Mr. Daniel P. Calimlim, an insurance underwriter also engaged in the poultry business, and Mr. Mauro S. Abalos, an accountant and businessman. They invited Msgr. Oscar A. Aquino, who was then parish priest of San Fabian and a native of Mangaldan to join them. With the support of some relatives, namely, Dr. Letecia L. Quinto and Mr. Alfredo B. Quinto, related by affinity to Dr. Gregorio T. de Guzman, Jr. and Dr. Loreto J. Gubatan, a dentist and brother of Atty. Conrado P. Gubatan, the group managed to deposit Five Hundred Thousand Pesos (P 500,000.00) with the Central Bank and this amount was the minimum paid-up capital required of a thrift bank at that time.

In August of 1976, the first staff of the bank led by Dr. and Mrs. Gregorio T. de Guzman, Jr. underwent a 15-day training at the Central Bank Training Institute. The basic training course was especially designed for employees of savings and loan associations, one of three categories of thrift banks.

With a fully trained staff, the Bank opened on October 3, 1976 on a rented building in Mangaldan, right at the center of business of the town. The Bank's name back then was PANGASINAN SAVINGS AND LOAN ASSOCIATION, INC. The blessing was officiated by the late Msgr. Federico Limon, Archbishop of Lingayen-Dagupan with prospective depositors, hundreds of them, in attendance. The guest of honor was the late Mr. Manuel Santos, the Central Bank Director in charge of savings and loan associations.

At the end of 1976, after three months of operation, the Association has exceeded break even and realized a profit of P 137.00. Since then, the Corporation has been profiting except for the troublesome years that followed the assassination of Ninoy Aquino.

One year after the bank's establishment, due to profitable operation, the Central Bank granted rediscounting privileges and availment of cheap special time deposits (STD) for supervised and non-supervised credit. These privileges expanded the resources of the Bank although most of the time, the Bank did not need loans from the Central Bank due to the rapid increase of deposits from the general public. The Bank has been a pioneer in the financing of cotton industry which flourished in San Fabian and neighboring towns in the eighties. It was in fact one of the biggest financiers of cotton planting in the entire country.

After exactly two years of operation, on October 3, 1978, the Bank opened a Savings Agency, its first branch unit, in San Fabian (which was converted into a full branch in 1990). Then came a rapid succession of branches which were also approved by the Central Bank because of profitable operation and efficient management and strict adherence to all rules and regulations prescribed by the Central Bank. The Malasiqui branch was opened on April 22, 1979, followed by Binmaley branch on June 17, 1979



and the Alaminos Branch on March 3, 1980.

From December 31, 1977 to June 30, 1980, the Bank's stockholders gradually increased the paid-up capital of the Bank using their hard-earned savings, from P 500,000.00 to P 2 million to comply with the minimum capital requirement prescribed by the Central Bank. When the Bank had attained the P 2 million mark, it earned the right to change its corporate name to PANGASINAN SAVINGS AND LOAN BANK, INC. and its new name was registered with the Securities and Exchange Commission.

In 1981, the Central Bank required another round of capital build-up with P 5 million as the target for savings and loan associations outside of Metro Manila. But due to the economic crisis that started in 1983, the stockholders were not able to comply immediately with the increase in capital. To remedy the situation, the stockholders channeled all available dividends from the undivided profits to stock dividends and the members of the Board of Directors infused back all their per diem and honoraria.

Despite the economic debacle during the martial law years, Pangasinan Savings and Loan Bank, Inc. maintained a consistent growth in resources and total deposits. In 1980, it was adjudged the First runner-up as Best Savings and Loan Association in the country by the Philippine League of Savings and Loan Associations, with the Central Bank acting as the judge of the contests.

In 1983, Pangasinan Savings and Loan Bank was accredited as a participating or originating bank by the National Home Mortgage Finance Corporation to grant PAG-IBIG housing loans, the only accredited bank in Pangasinan. It was given a continuous automatic revolving line of P 1.5 million. Since then, Pangasinan Savings and Loan Bank Inc. has released about 150 housing loans amounting to about P 15 million. On December 22, 1984, the National Home Mortgage Finance Corporation granted Pangasinan Savings and Loan Bank, Inc. a P 7.4 million new credit line, one of the only 38 banks given accreditation.

From P 500,000, the Bank's resources had reached P 143 million at the end of 1996. The original stockholders had managed to increase the Bank's capital to P 10 million in 1992. But because the Central Bank in 1992 had required all thrift banks operating outside Metro Manila to have a P 20 million capital, the original stockholders invited S & F Realty Corporation owned by Mr. & Mrs. Romualdo C. Siapno to infuse additional capital.

Finally, the P 20 million capital requirement was complied with in 1996 only to be increased by the Central Bank (now the Bangko Sentral ng Pilipinas) to P 40 million. The latest minimum capital requirement for thrift banks is P 52 million at the end of 2000 and P 64 million at the end of year 2001.

The present total capital accounts of Pangasinan Savings and Loan Bank, Inc. is P 44 million, or P 20 million short of the required capital. Knowing their limited capability, the present stockholders decided to downgrade the Bank's category to a rural bank. The group had also in mind the greater privileges now being enjoyed by rural banks like lower reserve requirements and easier branching requirements. The Bank will then be able to open branches in Rosario, La Union where it owns a prime lot and in other towns of Pangasinan, and will be eligible also to offer current accounts to its clients. The new



name of the Bank as approved by the Bangko Sentral ng Pilipinas last January 2001 and by the Securities and Exchange Commission in August 27, 2001 is now PANGASINAN BANK (A RURAL BANK), INC.

In August 2011, the capitalization of the Bank reached P50 million. Since the bank is over capitalized when it downgraded to rural bank, the bank decided to expand its operation to the north, and in March 26, 2007 the bank opened its first branch outside of Pangasinan located at Rosario, La Union.

EARLY YEARS:

1976 - The bank was organized as the second thrift bank in Pangasinan with a minimum paid up capital of P500, 000.00 as a requirement for a thrift bank that time.

August of 1976 - when the first staff of the bank led by Dr. and Mrs. Gregorio T. de Guzman, Jr. underwent a 15-day training at the Central Bank Training Institute.

October 3, 1976 - when the bank first opened and was then was named PANGASINAN SAVINGS AND LOAN ASSOCIATION, INC.

GROWTH YEARS:

December 31, 1977- the Bank's stockholders gradually increased the paid-up capital of the Bank using their hard-earned savings, from P 500,000.00 to P 2 million to comply with the minimum capital requirement prescribed by the Central Bank.

October 3, 1978 - the Bank opened a Savings Agency, its first branch unit, in San Fabian.

April 22, 1979 - opening of Malasiqui branch.

June 17, 1979 - when Binmaley branch was opened.

March 3, 1980 - when Alaminos branch was opened.

1980- it was adjudged the First runner-up as Best Savings and Loan Association in the country by the Philippine League of Savings and Loan Associations, with the Central Bank acting as the judge of the contests.

1981- the Central Bank required another round of capital build-up with P 5 million as the target for savings and loan associations outside of Metro Manila.

1983- as economic crisis was going on, the stockholders were not able to comply immediately with the increase in capital. To remedy the situation, the stockholders channeled all available dividends from the undivided profits to stock dividends and the members of the Board of Directors infused back all their per diem and honoraria.

PSLB was accredited as a participating or originating bank by the National Home Mortgage Finance Corporation to grant PAG-IBIG housing loans, the only accredited bank in Pangasinan. It was given a continuous automatic revolving line of P 1.5 million.



December 22, 1984 - the NHMFC granted PSLB a P 7.4 million new credit line, one of the only 38 banks given accreditation.

1996- the Bank's resources had reached P 143 million from its original resources of P500, 000.00.

January 2001- the BSP approved the new name of the bank.

August 27, 2001- the new name of bank is now PANGASINAN BANK, (A RURAL BANK) INC. approved by BSP and SEC.

2005 – The bank computerized its loan and deposit operations.

March 26, 2007- opening of the first branch outside Pangasinan which is located at Rosario, La Union.

2008 - Pangasinan Bank released its first radio advertisement.

August 19, 2011- the total capitalization advertisement. August 19, 2011- the total capitalization reached P50 million.

January 30, 2015 – an agreement was entered into between the bank and Gate Distribution Enterprise, Inc. regarding the services of ECPAY for the provision of an electronic system infrastructure which includes electronic loading and payment facility. Additional product of the bank.

March 17, 2015 marked the first release of Auto Loan Product of the bank. Its loan concentration rise up to 85% to date.

August 24, 2022 – Amendments of the BSP as to the Minimum Capitalization or Rural Banks from 50 million to 120 million for Rural Banks with 6 to 10 branches including Head Office.

March 16, 2023 – Bank's application with the Bangko Sentral ng Pilipinas regarding the downgrade of Rosario Branch into Branch Lite Unit.

INTERVENING YEARS:

- Recognition of Bank Employees labor union and several completed cycles of CBA negotiations/implementation of DWL increases per DOLE mandate.
- Restructuring of Bank Operations Set-Up and Organizational Plantilla:
 - COO*/General Manager/*Security Officer
 - Sales Manager*
 - Remedial Officer/Pollution Officer
 - Centralized Loan Processing Unit**
 - Credit Risk and Review Unit
 - MIS-IT Section



*Position now vacant

**Loan Bookkeeper/Processors reverted back to branches.

- Renewal of Collective Bargaining Agreement (CBA) between Pangasinan Bank (A Rural Bank), Inc. - PGNBK and the Pangasinan Savings and Loan Bank Employees Union-ALU-TUCP on January 1, 2025 until Dec. 31, 2029.
- September 30, 2022 – PGNBK submits to BSP its Letter of Intent to BSP in compliance with the new capital requirement per Circular No. 1151 by a chosen a track under Rural Bank Strengthening Program.
- December 7, 2022 – PGNBK amended its Letter of Intent submitted to BSP by choosing a track in RBSP but instead applied for a downgrade of Pangasinan Bank (A Rural Bank), Inc. – Rosario Branch into a Branch Lite Unit.
- March 31, 2024 – PGNBK withdraws the BLU application with the BSP and proceeded with the chosen track under Rural Bank Strengthening Program.
- April 23, 2024 – PGNBK has re-applied Track 2 under Rural Bank Strengthening Program.
- June 13, 2024 – BSP has conducted a virtual meeting with the PGNBK and the investor to discuss the chosen track selected.
- July 17, 2024 to date – PGNBK has submitted documents in compliance with the Memo No. M-2022-040.



3. Bank's Business Model and Brand

Pangasinan Bank (A Rural Bank), Inc. is a six-unit bank with Head office located in the agricultural town of Mangaldan, a 1st class municipality in the province of Pangasinan. It has four branches in Pangasinan located in City of Alaminos, Binmaley, Malasiqui, and San Fabian, and one branch in Rosario, La Union. It offers traditional loan and deposit products. Revenues are primarily driven by interest income from loans and supplemented by gains from disposal of ROPA. Funding is sourced mainly from deposits, which account for 79.31 percent of total resources.

These are channeled to loans and due from BSP and other banks comprising 47.36% and 41.56% respectively of total resources. Lending activities are mostly for motor vehicle 84.85%, and trading and commercial 8.15% loans. Other loans are granted to agricultural 2.49%, real estate 2.60% sectors and the rest for salary and consumption 1.91% loans.

The bank faces stiff competition from the increasing number of commercial banks in the area. Further, competition from non-bank financial institutions is also intensifying as the latter offer similar loan products with minimal documentary requirements. To date, the bank has gradually shifted to risk-based lending wherein credit decisions are based primarily on the capacity to pay of the borrowers.



Presented above is the PGNBK brand with the following description:

- P - stands for Pangasinan
- B – stands for Bank
- Established in 1976.
- With color palette of Green and Blue.

The bank's logo signifies an intertwined chain representing unity, confidence, loyalty and partnership among the bank's stakeholders creating an environment of trust.



PANGASINAN BANK (A RURAL BANK), INC.

Rizal Avenue, Poblacion, Mangaldan, 2432 Pangasinan

2024 Annual Report

FINANCIAL SUMMARY

**B. FINANCIAL SUMMARY / FINANCIAL HIGHLIGHTS****PANGASINAN BANK (A RURAL BANK), INC.**

Rizal Avenue, Poblacion, Mangaldan, Pangasinan

STATEMENT OF FINANCIAL POSITION

As of December 31, 2024 and 2023

(Amounts in Philippine Pesos)

	Notes	2024	2023
ASSETS			
Cash and Cash Equivalents	2,5	3,241,272	3,172,617
Due from Bangko Sentral ng Pilipinas	2,6	5,351,698	5,418,764
Due from Other Banks	2,7	164,459,000	142,200,416
Loans and Receivables	2,8	190,435,295	208,717,467
Held-to-Maturity Financial Assets	2,9	28,065,351	26,829,841
Bank Premises, Furniture, Fixtures and Equipment	2,10	6,851,092	8,957,618
Investment Properties	2,11	12,570,091	11,079,711
Other Assets	2,12	3,346,448	3,858,105
TOTAL ASSETS		414,320,245	410,234,540
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit Liabilities	2,13	330,297,329	330,257,122
Unearned Income	2,14	1,109,273	3,142,034
Other Liabilities	2,15	2,904,901	2,117,176
Income Tax Payable	2,16	1,091,168	27,488
Total Liabilities		335,402,671	335,543,820
EQUITY			
Paid-in Capital	2,17	50,000,000	50,000,000
Retained Earnings Reserve	2,17	11,477,581	11,280,803
Retained Earnings Free	2,17	17,504,321	12,710,980
Accumulated Other Comprehensive Income	2	(64,327)	698,937
Total Equity		78,917,574	74,690,719
TOTAL LIABILITIES AND EQUITY		414,320,245	410,234,540

This statement should be read in conjunction with the accompanying notes.

**PANGASINAN BANK (A RURAL BANK), INC.**

Rizal Avenue, Poblacion, Mangaldan, Pangasinan

STATEMENT OF INCOME

For the years ended December 31, 2024 and 2023

(Amounts in Philippine Pesos)

	Notes	2024	2023
INTEREST INCOME	18		
Loans and receivables		26,035,999	24,324,393
Held-to-maturity Investments		1,242,496	1,064,951
Deposits with banks		3,634,452	2,725,533
		30,912,947	28,114,877
INTEREST EXPENSE	19		
Deposit Liabilities		3,126,769	1,910,826
		3,126,769	1,910,826
OTHER INCOME	20		
Miscellaneous		11,912,643	6,292,087
TOTAL OPERATING INCOME		39,698,821	32,496,138
OPERATING EXPENSES	21		
Employees' compensation and other benefits		14,675,509	16,251,245
Director's Fees		317,470	290,800
Taxes and Licenses		3,659,255	2,956,474
Other Administrative Expenses		6,891,269	7,520,081
Depreciation/ Amortization		3,234,821	2,033,956
Losses/ Recoveries of Financial Assets		1,919,305	(826,803)
		30,697,630	28,225,753
INCOME BEFORE TAX		9,001,191	4,270,385
PROVISION FOR INCOME TAX	16 & 22	(1,754,735)	(435,453)
PROFIT/(LOSS) FOR THE PERIOD		7,246,457	3,834,931
OTHER COMPREHENSIVE INCOME			
Unrealized market gain on plan assets	2		
TOTAL COMPREHENSIVE INCOME		7,246,457	3,834,931

This statement should be read in conjunction with the accompanying notes.



FINANCIAL CONDITION AND RESULTS OF OPERATION



C. FINANCIAL CONDITION AND RESULTS OF OPERATION

PRESIDENT'S ANNUAL REPORT FOR 2024

Dear Valued Stakeholders,

It is with great pride and gratitude that I present the Annual Report for PANGASINAN BANK (A RURAL BANK), INC. for the year 2024. This year has been a testament to our resilience, growth and commitment to financial inclusion in the rural communities we serve.

Despite economic challenges, our bank has demonstrated strong financial stability. Key highlights include:

- Net Income : Php 9.603 million up by 150.93% from the previous year's Php 3.827 million.
- Total Assets : Php 416.438 million up by 1.60% from the previous year's P 409.862 million.
- Deposits : Php 330.297 million up by .01% from the previous year's Php 330.257 reflecting the trust of our customers.
- Capital Funds : Php 82.427 million up by 11.14% from the previous year's Php 74.164 million.
- Liquid Assets : Php 173.052 million up by 14.76% from the previous year's Php 150.792 million.
- Loan Portfolio : Php 197.240 million slightly lower by 0.10% from the previous year's Php 197.435 million.
- Earnings per share: 19.21 up by 151.11% from the previous year's 7.65
- Past Due Ratio : 7.60% down by 13.24% from the previous year's 8.76%.
- Capital Adequacy Ratio: 19.49% up by 11.37% from the previous year's 17.50%.



Early this year, the BSP has conducted its regular examination with cut-off date December 31, 2023 and I am happy to report that the bank was given a SAFr rating of 3.

Likewise, the bank has partnered with BSP Dagupan office to act as Currency Exchange Center (CEC) by accepting unfit notes or coins and fit coins from the public for exchange or deposit. New loan product was introduced this year, the Travel Assistance Loan which is a special type of personal loan for our depositors who need to fulfill their visa application or show money requirements.

Looking ahead, we aim to introduce new loan products tailored for farmers and small business owners and cooperatives. Likewise, we are looking into offering loans such as the solar mortgage loans and electric bike loans which have positive impact on the environment.

Finally, the Board has declared a 15% cash dividend to all common stockholders and 10% cash dividends to all preferred stockholders on record as of December 31, 2024 which was released on January 17, 2025. Likewise, the BOD has approved the distribution of net profits as provided under Article XI of the Amended By-Laws as follows: 5% equally to the Board of Directors, 5% to the Executive Officers and 5% as profit sharing to all employees as provided for in the CBA.

I extend my deepest gratitude to our board of directors, employees, stakeholders, and customers for their unwavering support. Your trust and collaboration fuel our mission of empowering rural communities through accessible financial services. Together, we will continue to grow and serve as a pillar of economic progress.

ANNE Q. DE GUZMAN
President

**FINANCIAL HIGHLIGHTS (5 YEAR COMPARATIVE)**

	% of Increase (Decrease)	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
FOR THE YEAR (In Millions)						
TOTAL INCOME	25.96%	42.825	33.999	36.251	37.876	37.363
TOTAL EXPENSES	10.11%	33.222	30.172	32.767	33.598	33.005
NET INCOME	150.93%	9.603	3.827	3.484	4.278	4.358
AT YEAR END (In Millions)						
RESOURCES	1.60%	416.438	409.862	422.565	427.759	423.247
LOANS	-0.10%	197.240	197.435	190.013	181.599	156.764
DEPOSITS	0.01%	330.297	330.257	342.522	345.929	338.325
CAPITAL FUNDS	11.14%	82.427	74.164	72.832	73.738	72.599
LIQUID ASSETS (Cash and Other Cash Items, Due From BSP, Due from Other Banks)	14.76%	173.052	150.792	173.146	183.249	202.007
RATIOS						
EARNINGS PER SHARE	151.11%	19.21	7.65	6.97	8.55	8.72
PAST DUE RATIO	-13.24%	7.60%	8.76%	10.89%	11.22%	16.77%
CAPITAL ADEQUACY RATIO (CAR)	11.37%	19.49%	17.50%	16.91%	17.06%	18.39%

Take note that the data was taken from the In-House Financial Statements due to unavailability of the Audited Financial Statements during the making of this report.



STRATEGIC PLAN

PRESENT SITUATION (WHERE WE ARE NOW)

I. EXECUTIVE SUMMARY

This Five-Year Strategic Business Plan of Pangasinan Bank (A Rural Bank), Inc. is a continuing development plan for its sustainability and growth. It represents the statement of commitment of the stockholders, directors and bank management to uphold and carry out the purposes of the Bank to provide credit to its borrowers at a lower interest rate, excellent service to its clients, provide reasonable returns to the shareholders and accomplish its social responsibility to other stakeholders and the community.

The Bank has focus heavily on Motor Vehicle Loan Processing since its inception in 2015. This opened opportunities to capture viable loans from the following sectors: OFW-OCW Sector, Business/Commercial Sector, Consumer Sector, and the Medical Sector. This has improved the credit process in general, following the principle of good credit risk management and fast credit opportunities in the motor industry. Control measures are set up and implemented to prudently evaluate exposures. Additionally, the bank is in the process of developing its *Personal Loan Facility* to cater to medical practitioners (Doctor of Medicine) based on a project basis venture.

The Bank continues to be progressive in its approaches to customer-oriented products and services. Equally important is how the Bank utilize its resources and personnel to create productivity and efficiency in maximizing revenues and minimizing costs without sacrificing excellent customer service.

The Bank aims to further improve its operations by continuous development and enhancement of its policies and procedures and creation of new profitable products. These will lessen audit issues without sacrificing the competitive position of the Bank in marketing its products and services.

The Bank continues to develop its organizational structure thru calculated functional re-engineering of processes and continuously provides its employees with training or seminars to adapt to these innovations. Incentive programs or schemes, as well as the incorporation of penalties for recurring audit findings, are developed to motivate the bank personnel to assist the Bank in attaining its goals and objectives.

Organizational Structure

The Bank's organizational structure consists mainly of departments assigned with their particular responsibilities. These departments consist of the following:

- (a) **Board of Directors** – responsible for the formulation, development, approval and regular review of the credit risk strategy and policy, as well as the oversight



of the Implementation of a comprehensive and effective credit risk management system appropriate for the size, complexity and scope of operations of the Bank. It has the following committees:

1. **Audit Committee (AC)** – it shall address the Bank’s internal control, financial reporting, and the risk management processes. It shall also provide an oversight to both the external and internal auditors.

Executive Committee is subdivided into:

2. **Credit Committee (CC)** – shall formulate loan policies, principles and procedures to be recommended to the BOD, prior to their implementation.
3. **Management Committee (ManCom)**-shall formulate management, operational and administrative policies, and procedures.

- (b) **Senior Management** – responsible for ensuring that the credit risk-policies and procedures of the bank are aligned and properly implemented as approved by the BOD. It shall also be responsible for the enforcement and enhancement of the Bank’s operations administrative guidelines.

- (c) Administration Department – consist of the following sub-department:

1. **Asset Management Department** – responsible for the administration of such assets, including, but not limited to, accounting of acquired asset and disposals. Also responsible for the maintenance, improvement and investment of the bank’s assets inclusive of ROPAs.
2. **Accounting Department** – shall ensure the timely submission of all prudential reports to BSP, PDIC, BIR, SEC and other supervising agencies (SSS, PHIC, HDMF, NSO, etc.). Ensure the correct, proper, and timely recording/booking of all pertinent transactions.
3. **Management Information Systems-Information Technology (MIS=IT) Department**- responsible for the monitoring and implementation of an information system and equipment used for decision-making, coordination, control, analysis, and visualization of information flow within the bank.
4. **Credit Department** – Evaluates, validates and recommends to approving authorities all credit proposals from branches/offices.
5. **Credit Investigation & Appraisal Unit (CIAU)** – shall take the lead in connection with assessment, inspection, credit investigation and appraisal of all loan collaterals, acquired assets and other bank’s real properties.
6. **Human Resource Department** – is responsible in hiring, maintaining and updating of employees’ records and other related employee-management activities. The unit in-charge of making sure that the succession plan of the bank is well in place at all times, by providing the required trainings of potential successors. Management of employee benefits is likewise prioritized.

- (d) Operations Department – sectionized into the following branch set-up:

1. **Cash Section** – shall monitor the movement and balancing of cash flow of the bank, derived from accepting deposits, loan transactions, capital investments and expenditures. Maintenance of approved Cash-In-Vault (CIV) levels shall be observed at all times.



2. **Accounting Section** – shall ensure the timely accounting and proper recording of all financial transactions of its offices and observe adequate internal control procedures.
 3. **Loan Section** – shall ensure proper recording and monitoring of loan repayments and updates.
- (e) **Compliance Department** – responsible for the Bangko Sentral and other related government agency compliance's issues of the Bank. Ensure that all regulatory requirements of supervising entities are being practiced within the whole organizational structure. An independent function and reporting directly to the Audit Committee.
- (f) **Audit Department** - perform examinations, audits, and investigations of all financial records, operations, activities, and affairs of the bank. It shall have full access to all the bank's records, properties, and personnel relevant to the subject under review. It shall appraise policies, plans, procedures and records. It is an independent body & reports directly to the Audit Committee.
- (g) **Credit Risk Review Officer (CRRO)** – is responsible for providing an independent evaluation of the credit quality and the management of credit risk. The primary task of a credit risk officer is to monitor, identify risk to protect the bank from credit losses. An independent function and reporting directly to the Audit Committee.
- (h) **Legal Secretary** – coordinates with the Legal Counsel of the Bank concerning litigation and foreclosure proceedings of loans and such other legal undertakings.
- (i) **Remedial Management Unit (RMU)** – manages the collection and recovery of all impaired/hardened/delinquent motor vehicle accounts, real estate mortgage loans and delinquent sales contract.

II. CURRENT PRODUCTS AND SERVICES

Pangasinan Bank, Inc. has the following bank services and products to offer:

A. Deposits

1. **Savings Deposit** – this is a regular savings deposit offered to clients. The minimum and opening balance is P500.00. It is evidenced by a passbook. Interest rate is at 0.50% p.a., per latest approval of the BOD.
2. **Super Savings Deposit** – this is a premium interest-bearing savings deposit withdrawable upon accomplishment of withdrawal slip and presentation of passbook. It earns an interest rate of .75% for deposits 10K up to 600k and 1% for deposits over 600k per latest approval of the BOD, which is adjusted based on market rates.
3. **Basic Deposit Account** – refers to interest or non-interest-bearing account designed to promote financial inclusion (as per BSP Circular 992 Series of 2018).

**B. Loan Products**

1. **REAL ESTATE LOAN** – A credit to finance the acquisition of lot, erection and or improvement of residential units and down-payment to acquire a residential lot
2. **CONSUMPTION LOAN** – a credit to purchase household appliance or equipment's for personal use, or meet expenses for educational, medical or emergency needs of the clients/borrowers and their immediate family, purchase of vehicle, processing/placement fee for application of working/migrating abroad.
3. **COMMERCIAL LOAN** – a credit extended to small and medium enterprises engaged in any business activity in the industry, agri-business and/or services, whether single proprietorship, cooperative, partnership or corporation. This loan type will soon be renamed to SME LOANS.
4. **AGRICULTURAL LOAN** – loans granted to borrowers, whether beneficiaries of agrarian reform or not, to finance activities relating to agriculture, and for processing, marketing, storage, and distribution of products resulting from the activities of tillers, tenants-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers' cooperatives and compact farms, including contracted poultry houses.
5. **AGRARIAN REFORM LOAN** – a credit extended to production and other types of loans granted to beneficiaries of agrarian reform for the following purposes:
 - a. Acquisition of work animals, farm equipment's and machinery, seeds, fertilizers, poultry, livestock, feeds and other similar items;
 - b. Acquisition of lands authorized under existing laws;
 - c. Construction and/or acquisition of facilities for production, processing, storage, and marketing.
6. **MOTOR VEHICLE LOAN** – financing of an automobile, brand new, imported or locally assembled motor vehicle, brand new selected imported cars, and acquisition of acceptable used vehicles. Launched in 2015, the bank has pursued aggressively its credit exposures to the OFW, consumer, business, and medical sectors.
7. **HOLD-OUT ON DEPOSIT LOANS (Back-to-back 1:1 Loan)**– an all-purpose loan to meet short term funding needs, secured by a hold-out on peso deposit.
8. **SHOW MONEY LOAN** – travel assistance loan is a special type of loan for tourist, immigrants and students who need to fulfill their visa application or show money requirements. This is also known as Bank Certificate or Proof of Funds Loan.

- C. **ATM Services** – the bank has partnered with RCBC for its mobile ATM facility (called “ATM GO” . It's an automated teller service catering to BancNet member bank's clients, including as a payment portal outlet for the government's Social Amelioration Program (SAP). All six (6) branches of the bank are now equipped with an ATM facility device earning fees from its transactions.

D. Other Products

1. ECPay - ECPay provides online payment services, transfer of funds and earn fees from these transactions.

OBJECTIVES/DIRECTION (WHERE WE ARE GOING)**A. PROFILES OF TARGET MARKET**

**Updated Segments, Size and Trends****Table 1 – Classification of Loans by Industry or Sector**

INDUSTRY/SECTOR	AMOUNT * (In Million Pesos) As of Dec. 31, 2023)
Agricultural and Agrarian Loans	6.02
Commercial and Business Activities	13.93
Consumption Loans	4.30
Real Estate Loan	6.10
Auto Loans	166.56
Other Loans	.53
TOTAL	197.44

B. VISION, MISSION AND CORE VALUES

The Vision and Mission of the Bank spells out from its commitment to provide credits to the countryside:

Vision

- As partner in nation-building, to be recognized as among the leading rural banks of value to customers, shareholders and employees, continuously striving to create more valued products, achieve greater results and make a positive contribution to the life of every individual.

Mission Statement

- To encourage the people to practice the habit of savings and thrift and the judicious use of credit in the communities that it serves;
- To help eradicate usurious practices in the communities it serves;
- To provide quality service to the people of the communities it serves whether they are depositors or borrowers so that they can improve their economic standing.
- To enhance the knowledge, skills and community relations of the employees, so they can become good citizens and uplift their economic well-being;
- To encourage the people to be proactive in banking activities so as to spur economic activity in the community, as partners in nation-building.

Core Values

***Respect, Excellence, Responsibility,
Teamwork, Concern for people***

**C. SWOT ANALYSIS**

The Board of Directors and Senior Officers of the Bank had conducted SWOT Analysis and identified several factors affecting the Bank. From the data and information generated and shown on Table 2 below, the Bank will be doing a lot of efforts to put the Bank in healthy financial position.

While there may be no problem on the integrity of the board members and officers, foremost to the concerns of the directors and senior management is the improvement of its risk-based lending operations, consistent collection efforts, and innovation of products to realize a steady generation of income and deposits.

Table 2 – SWOT Analysis Grid (Bank-wide)

S.W.O.T. GRID		
STRENGTHS	1. Well established legacy of banking in the community for 45 years (since 1976); 2. Competent and well-respected incorporators, directors, and stockholders; 3. Strategic location due to rural sector access; 4. Competitive loan processing system; 5. Competitive interest rates; 6. Higher interest rate provision that of other bank; 7. Simplified loan application process while maintaining BSP compliance/credit risk profile.	Internal Environment
WEAKNESSES	1. Slow pace of alignment to digital/online or mobile banking platforms; 2. Limited developed products and services as compared to other financial institutions; 4. Increasing administrative expenses.	
OPPORTUNITIES	1. Located in the heart of financial businesses; 2. Growing business activities in the areas; 3. Increased chance of the digitization of core banking system and partnership with IT providers.	External Environment
THREATS	1. Location is surrounded by competing commercial banks, rural banks and non-bank financial institutions 2. Failure to consider the opportunities of new banking processes and technology may lead to lower competitive edge.	

The Bank's primary lending product of Motor Vehicle Loans has provided the biggest chunk in its lending portfolio. It is now aggressively competing with other banks, be it rural, savings or commercial, and even with private lending companies.

Likewise, the management is in-process of reestablishing the set-up of Union Bank's i2i platform. i2i is a platform that enables institutions across the country-from cities, towns to rural



and remote areas-to expand their capabilities while offering additional financial services. Rural banks, cooperatives, and other financial institutions are currently live on the platform. i2i enables payments and remittance, real-time fund transfer, and bill payments for customers of member institutions. The platform is Peso Net and InstaPay enabled (BSP Compliance).

D. GOALS OR KEY RESULT AREAS (KRA)

1. Loan Portfolio

**Table 4 – Projected Loan Portfolio By Status (In Million Pesos)
Comparative with Actual Figures as of Dec. 31, 2023**

LOAN AS TO STATUS	2021 (9/30/21)	2022	2023	2024	2025	2026
Current Loan	141.62	169.31	180.15	255.22	293.50	337.52
Past Due Loan	26.19	20.70	17.29	17.69	23.48	27.00
Past Due Auto	10.59	12.79	11.40	12.76	14.67	16.87
Past Due Auto Ratio	7.51%	7.86%	6.83%	5%	5%	5%
Bank wide PD Ratio	15.61%	10.89%	8.76%	8%	8%	8%

Conservatively, the Bank's portfolio is expected to increase to 193 million by the end of 2021. A maximum 15% annual increment criteria is being eyed.

Bank wide past due loans ratio shall be aggressively maintained at not more than 8% or lower for the next 3 to 5 years.

2. Deposit Generation

The Bank projected an annual increase between 3% to 5% in deposit levels with an interest rate of .25% per annum. Table 5 below shows the projected movements of deposit levels from 2021 to 2024.

Table 5 –Projected Movements of Outstanding Deposits Based on 3% Increment

TYPE OF DEPOSITS	In Millions					
	2021 (As of Sept. 30, 2021)	2022	2023	2024	2025	2026
Savings Deposit						
Number of Accounts	5,233	5,281	5,326	5,565	5,613	5,711
Outstanding Balance	338.74	342.52	330.26	370.14	381.24	392.68

3. Human Resource Development

Projected Hiring and Salary



The Bank has projected minimal hiring of new/replacement employees. Functions shall be assessed with multitasking and productivity criteria among the existing personnel

The Bank projected an annual increase in salaries and fringe benefits by 5%.

Table 6 – Projected Manpower Costs and Expenses

Particulars	In Millions		
	(9/30/2021)	2022	2023
Compensation and Benefits	7.0	9.46	9.85
Directors Fees	.32	.30	.29
Fringe Benefits	1.8	2.9	2.81
Others (SSS/Medical)	.93	1.42	1.71
TOTAL	10.05	14.08	14.66

Manpower Development Program

To prepare the qualified employee-candidate for a higher role with greater responsibility, the Manpower Development Program is being envisioned to prepare them to continuously improve their craft, knowledge, and skills and familiarize them with the basic supervisory management concept of running the bank.

This program will hopefully enable them to make accurate operational decisions-with an immediate and relevant impact on the company's competitiveness, profitability, and growth. They will be given priority in enlistment to appropriate seminars (virtual, zoom, face-to-face) that are related to their intended placement/assignment.

4. Market-Interest Rate Management

Interest rates are decided upon by the Board of Directors after the recommendation of the President and/or Credit Committee. Interest rates shall be determined through survey with peer banks or cost of funds plus acceptable margin. The Bank projected that the following loan interest rates for the next five years for both secured and unsecured loans as follows:

Table 7 – Present Interest Rates on Loans (Per Annum except*)

Type of Loan	3M or less	Above 3M	Sample Range for 5 yrs. (Add on Interest for Marketing Purposes)	Interest Spread
REM - Secured	16% + 3%	12% + 3%		
Auto Loans			37% to 52%	
Loans vs. Deposits				2%

Interest rates are set by the Board Directors based on competition offered by peer banks.



The projected cost of funds of the Bank as presented in percentage is shown below:

Table 8 - Projected Cost of Funds

Sources of Funds	Average Interest Rate per Year		
	2021	2022	2023
Regular Savings Deposit	.50%	.25%	.25%
Special Savings Deposit	.75%	.75%	1.6%
Average Cost of Funds	1.25%	1.25%	1.85%

Projected Fee-Based Income

The Bank's projection on fee-based income will emanate from service charges on loan releases and renewals and commissions from ATM Services, ECPay and Western Union transactions.

5. Business and Community Relations

The Bank, as it has been in the past, shall be very active in its business and community relations. As one of the remaining few rural banks in the province, Pangasinan Bank, Inc. shall maintain its good rapport with its peer banks by actively participating in the activities of the Rural Bankers Association of the Philippines (RBAP) and the Association of Pangasinan Rural Banks (APRUB).

ENABLING COMPONENTS (HOW DO WE GET THERE)

A. GENERAL AND SPECIFIC STRATEGIES AND ACTIVITIES

The Bank has adopted the following strategies in its operations:

1. Corporate Governance and Policy Formulation

Strategies and activities of the Board include the following:

- The commitment of attendance to regular and special meetings by the members of the Board and Committees;
- Committee members shall follow strictly its charter in conducting its manner of activities.
- All policies and procedures/guidelines of the Bank shall be thoroughly discussed and analyzed before approval of the same.
- Border-line issues like DOSRI, conflict of interests and the like shall be addressed with independence and non-biased decisions.
- Committee members shall monitor compliance of policies including follow-up of compliance to regulatory requirements, such as; audit issues noted by the BSP examiners, internal or external auditors and



- f) Annual and regular evaluation of management, board, committee members, officers and third party outsource shall be implemented regularly and on time.

2. Loan Portfolio and Deposit Generation

- a) Solicitation of accounts/borrowers
 - i. Allocation of target/quotas of Branch Managers with the support of their Asst. Branch Managers and Staff, and the systematic generation of new clients shall be implemented continuously.
 - ii. Development of new deposit and loan marketing strategies by the management.
 - iii. Enhanced marketing of ongoing loan products esp. Auto Loan.
 - iv. Website update of all the bank products and services, activities and events.
 - v. To continue the advertisement on the radio; to assess and coordinate with various radio station for promotion;
 - vi. Putting up tarpaulins or billboard notices in strategic places.
 - vii. Local advertisements in Fiestas/Social Organizations Souvenir Programs (under new normal) resumes.
 - viii. Review of Existing clients who may need additional funds subject to collateral review.
 - ix. To execute a well-defined incentive program for loan generation and deposit campaign to encourage loans and deposits solicitations through referrals.
- b) Follow up/updates from fully paid loan borrowers with good credit records and encourage them to re-avail their loans.
- c) Use of social media as an effective tool in marketing during and after pandemic period.
- d) Efficient foreclosure of accounts shall be done for non-performing loan accounts.
- e) Visit customers to validate and monitor their projects, vehicle units or businesses and collect past due loan accounts promptly, as applicable.
- f) Participate in business and credit opportunity seminars or orientation for businessmen, vendors, farmers, and alike.
- g) Identification of cost and price relationship to rationalize interest rates.

3. ROPA Level and Disposal

In order to reduce the level of ROPA of the Bank, Management intends to execute the following actions:

1. Coordinate with neighboring lot owners who might be interested in buying acquired assets of the Bank – experience dictates that most of the ROPA sold by the Bank were re-acquired by neighboring lot owners who knows the history of the lot better than anyone else. This is one area that the Bank can explore. The Asset Management Department shall schedule regular on-site visit to not only conduct ocular inspection but also to gather information/updates in the area and determines potential/interested buyers
2. Offer special discounts to interested buyers with the approval of the Board – Special discounts will be given in the form of selling price reduction up to a manageable level. It's a fact that buyers will ask for a lower price than the bid price. The Bank shall also consider the possibility of giving either the discount and bid price reduction depending on the location, status/condition of the properties bid.



3. Update Brokers/Sales Agents by offering them commission, as follows:

Less than 1 Million:	
Non-licensed broker	3.0%
Licensed broker	5.0%
1 Million or more:	
Non-licensed broker	2.5%
Licensed broker	4.0%

4. Offer lighter and/or longer terms on sales thru installment-mode with the approval of the Board – The Bank shall consider aligning down payment and installment payments of buyers with their cash availability and cash flow in order to accommodate the sale of ROPA

5. Possible employment of “package-deal” offer for neighboring or contiguous lots, especially those considered as “undeveloped lots in unlisted/unregistered subdivision projects

6. Update with real estate developers that could develop Bank’s acquired properties into piggery or poultry sites or private memorial parks. E.g. Poultry contract growers and companies (SMC, Bounty Foods).

7. Update in online selling/advertising thru social media account and online buy and sell sites like Olyx, Sulit, etc., for the exclusive purpose of selling the Bank’s acquired assets.

4. Fund and Liquidity Management

The BOO/ABMs from branches shall conduct the following activities in monitoring funds and liquidity of the Bank:

- a) Institutions, such as commercial banks, insurance companies, etc.
- b) Profiling an FI prior to investment activity.
- c) Opening and closing of accounts shall be approved by the Board upon the recommendation of the President.
- d) Investing in government bonds and other high-interest-yielding products.

The Accounting Department and Loan Section Bank will monitor regularly its liquidity position through daily reports of cash movements, collections of claims and receivables from various parties and the maturing obligations, loan releases and operational expenses.

5. Operational Plans

- a) Bank Management shall strictly monitor the operations and operational expenses and provide explanations to any variances from budgeted or projected figures versus actual performances, monthly;
- b) Upgrade the computer system to align the Bank with the requirements of the BSP/service provider;
- c) Variance analysis shall be institutionalized and properly reported to the senior management and board of directors; and
- d) Monitor CCTVs and alarm systems as per security protocols.



6. Human Resource Development

- a) Formal employees' classification of personnel to Bank Officers and Rank & File was approved by the BOD dated October 26, 2021, under Board Resolution No. 139-2021. (Relative to existing CBA Agreement between the Bank and its employee's union)
- b) Update of personnel manual as aligned with CBA provisions and the Regional Wage Regulatory Board, and following job performance and skills acquisition standards.
- c) Enhance performance evaluation processes to include monitoring of recurring audit findings as among the criteria in assessing the performance of an employee/unit.
- d) The Bank will execute its personnel development plan by sending its directors, officers, and staff regularly to applicable virtual seminars and training during pandemic times.
- e) Update and implement job appointments and descriptions of employees as approved by Senior Management and the BOD.

7. Market-Interest Rate Management

- a) Responsible in Setting or Adopting Interest Rate
The Board of Directors shall regularly set interest rates to keep up with competition and/or operational activities of the Bank. An interest rate gap report shall be prepared to determine the variable factors that affect the Bank's operations.

The Board shall take action on the risk report in order to address rate risk issues.

- b) Manner of Setting or Computing Interest Rates
The Board has set Interest rates based on factor, such as; competition, prevalent market rates and cost of funds at current price. The Board of Directors shall require Bank Management to report regularly any rate gap to detect possible problems arising from rate risk.

Review of interest rates shall be done by the Board of Directors on a case-to-case basis or urgency to address imminent problems arising from interest rate setting.

- c) Manner of Selecting Investment Opportunities
Investment opportunities shall be done by conducting survey directly from the managers of depository banks for the availability of high-yield deposits.

8. Business and Community Relations

- a) Identification of Project, Partnership or Venture Organization

The Bank shall identify its partner, if necessary, in the execution of projects. Such project or venture should have a major impact in the community.

- b) The Branch Managers shall spearhead all community-related activities under an allotted budget set aside for this purpose.

B. RISK MANAGEMENT

**a) Credit Risk and Underwriting of Loans**

The Bank will qualify all loan borrowers following the credit policies and guidelines set by the Board. It will follow cash flow, an effective indicator of the borrower's capacity to pay, as the primary basis of repayments of loans by the borrowers. It will generate regular reports and schedules to monitor the movements of the accounts, including Past Due Accounts and Loans in Litigation.

Bank Management will still abide by the prudential granting loans by adopting the credit tool or borrowers risk rating technology introduced by Small Business Corp. (SBC) in evaluating loan applications and the risk-based approach as mandated by the BSP.

- Credit policy compliance checking
- Review of documentary sufficiency
- Financial information accuracy
- BRR score review
- Monitoring of Provisions of ACL

b) Asset Risk

- The Bank will continue to monitor its control system to manage its assets and to minimize or avoid financial losses by making sure that all are properly covered with insurance and assets are managed, used properly and identify assets that are income generating so as not to remain idle.
- Focused on monitoring the collateral value esp. of motor vehicles as security, by ensuring the up-to-date insurance coverage and proper documentation of all units until full payment.
- Mortgage Redemption insurance coverage is being implemented as per the policy approved dated August 19, 2020.
- As part of control measures, files will be supported by a backup disc stored in a safe place as identified by the Management.

c) Security Risk

Bank will conduct the necessary drills and attend trainings for security in 2022 and onwards be familiarized and know what to do in the event a security threat shall take place. The Bank will consistently apply all the measures as expressly provided by the BSP.

d) Legal Risk

- The Bank's legal counsel shall continuously pursue cases of foreclosure to convert immediately claims to cash which will be used in the operations of the Bank.
- Proper documentation in all aspects of operations including work contract with bank employees shall be observed at all times.
- Criminal cases filed against erring employees shall be pursued and regularly monitored.

e) Other risks shall be taken care of by the Bank Management and Board of Directors during regular meetings of the Board.**f) Financial Projections**



This proposed five (5) year business strategic plan shall be presented immediately to the Board of Directors and shall be supported by projected financial reports and statements to determine the stability, profitability and liquidity of the Bank in the next three (3) to five (5) years of operations.

C. IMPLEMENTATION AND MONITORING

Manner of Revising the Plan

The 5 -Year Business Strategic Plan of the Bank shall be implemented following the policies in good governance, guidelines, and procedures as set by the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission and Bank Management.

Monthly monitoring reports reviewing the production of loans and deposits and revenues versus expenses and costs shall be utilized in analyzing the actual versus plan variances. Examples of monitoring tools are profitability reports and management information system. The Bank's Accounting Head and the MIS-IT Officer shall prepare these reports while the Compliance Officer shall monitor them.

The Bank Management shall address the problem firmly and decisively particularly on any noted material variance between actual performances versus targets. All key financial reports shall be presented to the Board of Directors for discussion and action on any matter requiring their immediate attention.



PANGASINAN BANK (A RURAL BANK), INC.

Rizal Avenue, Poblacion, Mangaldan, 2432 Pangasinan

2024 Annual Report

RISK MANAGEMENT FRAMEWORK



D. RISK MANAGEMENT FRAMEWORK ADOPTED

1. RISK MANAGEMENT OBJECTIVES & PROCESSES

1. **IDENTIFY:** to search for and locate the various risks before they become problems.
2. **ASSESS/MEASURE:** evaluate its impact or consequence and the probability of the risks happening or taking place.
3. **MONITOR:** observe/study/keep an eye on the risk marker/risk indicator as well as the risk limits set and the mitigation plans set in place.
4. **CONTROL:** check for and make the correction for deviations versus the internal control systems and the risk-mitigating plans.
5. **REPORT:** Supply or furnish information and feedback on the various risk activities, current/existing risks, and emerging risks.

In addition to the above, there is a need to:

- a.) Define and disseminate risk orientation/familiarization training and policies set in writing.
- b.) Develop the risk management system and its control foundations.
- c.) Institutionalize the risk management process. To make it as the code of practice/a habit, a fixture in the company.

FOUR GUIDING QUESTIONS IN RISK MANAGEMENT:

R – Return. Are we gaining an appropriate return for the risk we are taking?

I – Immunization. Do we have the necessary controls in place, to lessen the risk losses?

S – Systems. Do we have the actual system to measure and manage the various risks we face?

K – Knowledge. Do we have the right people, sufficient skills, suitable culture, and proper values for an effective risk management?

RISK as DEFINED:

It is the uncertainty of whether events expected or otherwise, will have an adverse impact on the bank's capital or earnings. It is an inevitable part of the business of Banking.

The Bank Risk Spectrum:

The wide range of risks faced by a Bank is generally grouped into:

- a.) **Credit risk** – estimated to be 54% of the risk range;
- b.) **Operations risk** - approximately 27% of the risk band;
- c.) **Market risk** - composing the remainder of the 19% portion.

Market and Credit risks are faced and experienced primarily in the hope of ample rewards or good returns. A portion of the bank's capital addresses the potential losses resulting from these risks.

Operational risk is taken unintentionally and it is a cost of doing business.



VARIOUS RISKS THAT BANKS FACE:

1. **Market Risk** – the risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the bank's overall portfolio-whether On or Off the Balance sheet.

It is influenced by:

- a.) **Interest Rate Risk** – the bank's financial condition is exposed to adverse movements in interest rate. It means that changes in interest rate may reduce the current or future earnings and/or the economic value of capital of a Financial Institution.
- b.) **Foreign Exchange Risk** – possibility that movements in exchange rates may adversely affect the value of the company's holdings, thus, its financial condition.

Areas of market risk may include the following:

- a.) Risk of decline in value of trading accounts and investments due to fluctuations in market prices.
 - b.) Risk that the issuer may not be able to meet its obligations promptly.
 - c.) Risk of decline in value of investments due to investment decisions which fail to take into account:
 - marketability of investment instrument. If the bank cannot wait to hold on to the investment until maturity, there must be many buyers in the market willing to pay at a price that is close to the bank's acquisition cost so that the bank will not incur a loss.
 - diversification of investment outlets.
 - maturity and rate of return.
 - type of issuer (to ensure payment on maturity).
 - BSP regulations on limits and ceilings.
2. **Credit Risk** – the risk arising from the borrower's failure to honor to pay his obligations (interest and/or loan principal) on the due or maturity date. It is the most recognizable risk in relation to the banking business.

Credit risk events that will burden on a bank's bottom-line:

- the need for loan loss provisioning.
- a dramatic increase in NPLs.
- a rapid rise in ROPA.

Areas of credit risk may include the following:

1. Risk of poor or non-collection of loans.
 - borrower does not have the capacity to pay as shown by financial statements, income tax returns, statements of assets and liabilities, credit investigation, or such other



credit basis.

- borrower belongs to a distressed industry.
- borrower's loan grant is beyond his approved credit limit.
- corporate borrower has doubtful paying capacity because its capitalization is minimal in relation to loan or project to be financed.
- borrower's co-makers, endorsers, sureties and/or guarantors in case of unsecured loans, do not possess good credit standing and are not financially capable of fulfilling their commitments to the bank in case borrower fails to do so. Borrower's loan is in excess of loan value of his submitted collaterals.
- Borrower's loan repayment plan does not jibe with his cash flows.
- Borrower's loan was approved and released without proper approval or beyond the lending authority of officers or with incomplete signatories on loan documents or with incomplete documentation or with collateral deficiency such as unregistered REM and chattel mortgage.
- Borrower was able to renew his loans without 20% reduction in his principal obligation or without submitting updated financial statements/income tax returns.

Deficiencies associated with operations risks such as:

- lack of or inadequate review of loan portfolio to assess quality and adequacy of loan loss provisioning.
- absence of early warning system to detect/recognize symptoms/indicators of problem accounts.
- absence of or inadequate loan supervision – monitoring of maturing or matured loans, periodic visitation of the borrower or borrower's place of business; updating of credit information.
- absence of reminders to borrowers to pay maturing and past due obligations
- ineffective monitoring of insufficient post-dated checks to cover monthly amortizations of borrowers.
- poor monitoring of status and value of collateral.
- lack of equipment supports to keep track of collectibles and actual collections
- absence of collateral valuation and review, collection, credit review, and loan loss provisioning.
- lack of periodic review to determine if existing policies are still compatible with the changing market conditions.

2. Risk of excessive credit to a single borrower/group of borrowers vis-à-vis the single borrower's limit (SBL).



- In order to mitigate the risk, the bank observes a lower Internal single borrower's limit than the prescribed limit of twenty-five (25%) of the borrower's limit than the prescribed limit of twenty-five (25%) of the bank's qualifying capital. But if ever it exceeds the limit the portion of the exposure above the limit must be secured by cash, acceptable government securities (with conditions and settlement endorsed in favor of the bank), or a combination of both.
- Monthly reporting of SBL and Large exposure to the BOD for monitoring and implementation of regular reportorial and implementation of regular reportorial monitoring (Monthly Loan Release, Monthly Past Due Loan Report and Credit Stress Testing and scenario.

3. Risk of concentration of credit to a single industry.

Grant of loans by type/industry i.e., consumer loans, real estate loans, auto loan and other is not diversified and exceeds the 30% benchmark or limit allocated.

- Conduct regular review of concentration limit in different types of products offered and monthly reporting for monitoring of limit. As per recent approved concentration limit, basis will be the total loanable funds of the bank.
- In breach of limit the bank shall prepare segmentation of its portfolio for awareness of the breaches and implementing mitigating measures to avoid future risks.
- Quarterly preparation of Stress Testing in product were the bank breaches the concentration limit in order to monitor the possible risk that may affect the bank performance.

4. Risk of overexposure to DOSRI and self-dealing practices:

- Disregard of aggregate and individual ceilings prescribed by Bangko Sentral ng Pilipinas.
- Indiscriminate granting of loans to corporations and individuals identified with DOSRI, although not falling within the technical description of DOSRI.

3. **Operations Risk** – the risk to earnings or capital arising from problems with service or product delivery.

Its occurrence is influenced by the following factors:

- internal control.
- information system.
- employee integrity.
- operating processes.



Sub-categories of Operations Risk are:

Transaction risk – risk of loss due to some failures in processing of transactions or problems in the delivery of bank services. This may consist of:

- a.) Documentation risk – risk of loss arising from incomplete or incorrect documentation of the transaction.
- b.) Exceeding limits – risk of loss arising as a result of limits being exceeded and the need to reduce the excess.
- c.) Fraud – risk of loss arising from either internal or external fraud within the organization.
- d.) Security risk – risk of loss from all manner of security breaches including allowing competitors access to confidential information.
- e.) Key personnel risk – risk of loss due to having only one person with vital risk management skills or knowledge.
- f.) Processing risk – risk of loss due to failings or errors in manual processes usually associated with the quality of back – office staff.
- g.) Systems error – risk of loss due to a failure in any of the systems used within the bank.
- h.) Management information risk – risk of loss arising from management making decisions based on inaccurate or incomplete information.
- i.) Information technology system failure – risk of loss arising from a failure in the computer systems.

Areas of operations risk may include the following:

- a. organization that is not appropriate to the size and activities of the bank or not flexible to meet changes in business conditions.
- b. duties and responsibilities of the board of directors, senior management, the officers and staff that are not clear and properly delineated.
- c. reporting lines that are not clear.
- d. responsibilities that are not segregated nor distinguished as to those committing the organization to a transaction, recording it, settling it, and controlling it.
- e. appointed officers who are not qualified to manage the bank.
- f. ineffective supervision of the bank's affairs.
- g. BOD and senior management who are not generally informed of the bank's business environment and the legal and regulatory framework controlling the bank's activities or who do not devote enough time and attention in overseeing the bank.
- h. Lack of or inadequate risk management system.
- i. Non-compliance with minimum internal control standards particularly on:
 - maintenance of proper accounting records and adoption of



- written
 - accounting policies and procedures.
 - independent balancing.
 - division of duties and responsibilities.
 - joint custody.
 - signing authorities.
 - dual control.
 - number control.
 - rotation of duties
 - independence of the internal auditor.
 - direct verification.
 - j. Absence of internal audit personnel/department to make certain that controls to protect assets are maintained, or in the absence of controls, to propose adequate and effective control system and procedures.
 - k. Management reports that are not timely, inaccurate and incomplete as to information.
 - l. Lack of management reports to the board and senior management on the financial condition and performance of the bank which will be helpful in the formulation of policies and plans.
 - m. Absence of feedback mechanism on adherence to set policies, standards and procedures on major activities of the bank.
 - n. Lack of downward and upward flow of communication within the bank.
 - o. Non-utilization of external and internal audit reports as well as BSP recommendations on examination findings to improve performance.
4. **Liquidity Risk** – the risk to earnings or capital arising from the Bank’s inability to make a timely payment/meet any of its currently maturing financial obligations to customers or counter parties in any currency.
- Such risk may arise as a result of:
- a. Mismatches in cash flows.
 - b. Borrowing short and lending long.
 - c. No provision for reserves (primary reserves to meet anticipated cash needs while secondary reserves to meet contingent or extraordinary cash needs/withdrawals)
 - d. Absence of contingency plan to cover unexpected fund withdrawals during financial stress.
 - e. Absence of or non-compliance with maturity gap limits.
 - f. High incidence of past due loans which put pressure on the bank’s liquidity position (on-time loan collections, assure a steady source of funds/cashflows).
5. **Compliance Risk** – is the risk to earnings or capital arising from violations of or non- conformance to laws, rules, and regulations, prescribed practices or ethical standards. It exposes the Bank to



fines, penalties, damages, and the voiding of contracts.

6. **Legal Risk** – is the risk to earnings or capital that may arise as a result of unenforceable contracts, lawsuits, or adverse judgment.

Areas of legal risk may include:

- a. Contracts that are not legally enforceable due to failure to carefully review all provisions therein.
 - b. Protracted legal/court case.
7. **Reputational Risk** – is the risk to earnings or capital arising from the **possibility** that negative publicity regarding an entity's business practices (whether true or not) will cause a decline in the customer base, increase cost of litigation or revenue reductions.
 8. **Personnel Risk** – is the risk to earnings or capital arising from inadequate training, inexperience, or illegal activities of a risk-taking personnel. It highlights the human side of risk-taking and the important role and adequacy of institutional guidelines/manuals, codes of conduct, personnel policies and training and development programs.
 9. **Strategic risk** – risk to earnings or capital arising from adverse business decisions or the improper implementation of these business decisions.
 10. **Environment and Social Risk**- is a potential financial, legal, and or reputational negative effects in banks arising from:
 - a. **Physical Risk**- a potential loss or damage to tangible assets arising from climate change and/or weather-related conditions such floods, typhoons, droughts, earthquakes, extreme variability, and rising sea levels.

Elements of Climate Change

- Temperature
- Atmospheric pressure
- Humidity
- Precipitation or rain
- Wind
- Solar irradiance
- Topography; soil erosion; landslides, sinkholes & fissures, river/water tributary siltation, presence of big water dams



- b. Transition Risk- is a potential economic adjustment cost resulting from policy, legal, technology, and market changes to meet climate change mitigation and adaptation requirements.

Top Five (5) Environmental Problems

- a.) Pollution
- b.) Deforestation
- c.) Landslide and Coastal Erosion
- d.) Wildlife extinction
- e.) Dynamite Fishing or use of poison in catching aqua-marine products

Unregulated Business/Industries Affecting the Environment

1. Illegal Logging
2. Illegal Mining and Quarrying
3. Illegal Fishing and Poaching
4. Illegal Reclamation

To address and to mitigate possible impacts of climate change and the other environmental and social risks to the Bank, the following action plans will be observed:

- a. Constant and careful monitoring of the advises; issuances; pronouncements and similar announcements coming from various government agencies such as DENR, Department of Agriculture (DA); BFAR; PAGASA; PhilVolcs; National Power Corporation (NPC); NIA and others.
- b. Give importance and greater reliance on the “topography mapping projects” conducted/provided by the Mines and Geosciences Bureau (MGB) and its Geohazard and Engineering Geology Section.
- c. Revisit the existing protocols covering the observance/enforcement of the “Dam Water Release” that was put in place following the Typhoon Pepeng/San Roque Dam incident in 2009 which flooded a wide swath of Pangasinan and was recently replicated by the Typhoon Ulysses/Magat Dam event that inundated the Cagayan and Isabela provinces.
- d. Continued observance of the minimum health and safety protocols/standards during pandemic, for its prevalent effect to all levels of social strata and age brackets.
- e. Other Related Matter/Issues/Developments that could have Social/Societal Risks:
 - Outcome of the investigation of the Phil Health controversial care programs during the Covid-19 pandemic, which could affect the servicing of the Universal Healthcare Program;
 - Passage of the “Divorce Law” in the Philippines;
 - Acceptance or Eventual recognition of the “Same-Sex Marriage” in the country.



2. FACTORS/EVENTS THAT CHALLENGE RISK MANAGEMENT

1. Those that are brought about by Market Place or Economic change.
2. Change that are due to Technology Improvements or due to Process Change.
3. Change that come about because of New Strategies introduced.
4. Change because of Competition bringing in:
 - new products
 - new channels
5. Change within the company itself due to:
 - product change
 - new leadership or shift in organizational structure
6. Change to comply with new Regulation or Legislative enactments.
7. Changes to climate and other environmental and social risks that can threaten the financial condition of the bank.

3. LEVELS OF RISK APPETITE AND LIMITS/THRESHOLD OF BREACHES:

- a. For Aqua-Culture/Fishponds and Related Fishing Industries: 2% of Total Loan Type;
- b. For Poultry/Piggery and similarly classified Animal Industry businesses: 4% % of Total Loan Type;
- c. All Agricultural Production; Horticulture Industry and related cut flower business: 4% of Total Loan Type;
- d. Lumber/Timber and Logging Business and Related Forest cover Industry: 2% of Total Loan Type;
- e. Construction and Other Similar Resources Related Businesses: 3% of Total Loan Type;
- f. Auto/Car Loans (follow guidelines/policies of the latest revision of the Phil. Clean Air Act 40% of Total Loan Type;

Measures to be taken in case of Breaches in Limits or Thresholds or the Non- Compliance of a Particular Industry or Sector:

- a. Temporary suspension of the grant of new loans;
- b. Stoppage of new and/or additional loan releases in the areas affected;
- c. Cancellation/Termination of the particular type of loan that is heavily affected/or is a “non-compliance” industry or sector.

4. LIMITS SETTING FOR LENDING RATES; COLLATERAL; BORROWERS' AGE AND TYPES

Marketing Risk:

- A.** REM Normal Rates



Loans P3M or Less: 1 year - 16% (over the term) interest for a one-year term
 2 years - 24% (over the term) interest for two years
 3 years - 32% (over the term) interest for three years
 4 years - 40% (over the term) interest for four years
 5 years - 48% (over the term) interest for five years

Note. With a 3% one-time Service Charge for all terms indicated in the

Pro

missory Note

Loans more than P3M: 1 year - 12% (over the term) interest for a one-year term
 2 years - 18% (over the term) interest for two years
 3 years - 24% (over the term) interest for three years
 4 years - 30% (over the term) interest for four years
 5 years - 36% (over the term) interest for five years

Note. With a 3% one-time Service Charge for all terms indicated in the

Promissory Note

Special Rate: Case to case basis

floor: 9.5% interest + 2% SC (one-time or
 continuing) ceiling 15% interest + 4% SC

Considerations:

- b. Class “A” or prime loan clients
- c. Prior/existing clients with proven track record of paying capacity or established proper loan account handling
- d. Very marketable; attractive; highly-priced loan collateral
- e. Readiness/willingness to submit the required/requested supporting documents/evidences

B. AUTO LOAN RATES and COLLATERAL

- i. Regular Rate for Brand New Unit – 80% maximum loanable amount for cars and 60% maximum loanable amount based on official receipts for Trucks

	Walk-in w/o Insurance And Chattel Fee	Walk-in with Insurance and Chattel Fee	Walk-in with Dealer
12 months	12%	21%	
18 months	15%	24%	
36 months	23%	32%	38%
48 months	31%	40%	46%
60 months	39%	48%	54%

- ii. Financing of Secondhand Units from Dealers



	2018-2022 model 70% maximum loanable amount	2015-2017model 50% maximum loanable amount
12 months	18%	20%
18 months	25%	26%
24 months	32%	34%
36 months	46%	

iii. Chattel Mortgage – 50% maximum loanable amount based on the approved appraisal value (note: first owner w/official receipt)

12 months	15%
18 months	22%
24 months	29%
36 months	43%

iiii. Dealer Generated “ALL-IN” Loans

36 months	38%
48 months	46%
60 months	54%

REM COLLATERAL

Accept only:

1. Collaterals covered by Transfer Certificate of Title (TCT) or Original Certificate of Title (OCT).
2. Commercial Lot (with or without building).
3. Residential Lots or Residential house and lot- situated in the Población area only (first lot) or along National or Provincial Highway of any town in Pangasinan and La Union.
4. Gated Subdivision Lots.
5. Agricultural lots situated along provincial road or national highways.

Not to Accept:

1. Fishponds particularly that are susceptible to storm surges/fish kills/siltation and flooding
2. Lots situated in Mountainous or Hilly areas (bundok)
3. Secondary lots even if with right of way
4. Lots situated in an area prone to natural calamities like floods, erosion, and earthquake.
5. Lots that are in low-lying areas; adjacent to a river, lagoon, lake, coastal areas and shorelines in danger to inundation /siltation and storm surges.

*** On a case-to-case basis, the bank may accept collateral situated in a Mountainous or Hilly areas (bundok) subject to Board approval for any amount.



Loan Factors:

- a. residential
(Loan factor, is normally 70% x 60% or 42%)
- b. agricultural
(Loan factor, is normally 70% x 50% or 35%)
- c. commercial/residential
(Urban and rural areas: on a case-to-case basis and or a very special/noteworthy situation the loan factor could be upgraded to 70% x 70% or 49% (floor limit) or 70% x 80% or 56% (ceiling)
- d. if Sec. 4, Rule 74 appears on face of TCT or mentioned in Deed of Sale covering Tax Declarations, the corresponding Heir's Bond must be required; or if annotated for more than 2yrs, shall be cancelled.

Lot with Improvement –

- if the building is made of light or even semi-concrete materials and distinctly already old, do not assign a value
- other improvements not included above; loan factor shall be 50% of appraised value.
- insurance coverage against the fire of the building improvement/s must be implemented properly

Note:

Lots which are irregularly shaped/triangular, trapezoidal; or with numerous points or those with more than 10 boundary points as per the technical description appearing on the TCT shall not be acceptable.

Lots that are low-lying areas adjacent to rivers, lagoons, lakes, coastal areas, and shorelines and areas that are prone to flood, erosion, landslide, and fissures/sinkholes due to earthquakes are subject to the approval of the approving body.

Eligible Borrowers:

1. Must have no NFIS or CISA findings. If with NFIS or CISA findings, there should be:
 - a. Managers recommendation
 - b. Approval by the Credit Committee or Board of Directors whichever is applicable.
 - c. Must have settled his/her account at least one (1) year prior to application.
2. Must have the capacity to pay or if none, the co-borrower/guarantor must have the capacity to pay the obligation.
3. Must be the owner of the land/collateral.
4. Borrowers with Special Power of Attorney (SPA) with Red Ribbon from foreign consuls.
5. Senior Citizen Borrower aged 60 but not more than 70 years old with guarantor/co-borrower



- 5.1 Must have the capacity to pay or if none, a co-borrower is required who is/are 1st degree (Parents, Spouse, Brother, Sister, and Children) related and aged between 21-59 years old. On a case-to-case basis, 2nd-degree (Niece, Nephew, Aunt, Uncle, and Grandchild) related co-borrower is subject to Cre Com approval.
- 5.2 A co-borrower residing abroad is sufficient to support the loan and no longer required to have a co-borrower who is/are residing in the Philippines as long as they have the capacity to pay the loan, is/are willing to submit the required documents, and is/are willing to sign the bank forms and Guaranty Letter.

Industries

Industry classification is being considered in granting loans and sustainable financing.

- Low-Risk Industries are those businesses that are not strict and they have a higher probability of making money. They have the lowest competition like Affiliate marketing, Freelance, Consulting, drop shipping, Merchants that use products daily to earn consistent revenue, Apparel, Department Stores, and Antique Shops. Business duration is over ten (10) years already.
- Medium-Risk Industries are those businesses that have medium competition like gift and stationery shops, car dealers, small food shops, telecommunication services, schools/universities, and Utility payment centers. Established or existence for at least five (5) years.
- High-Risk Industries are those businesses with a low rate of potential success due to high/lot of competition, location the of business, their popularity in the area, strictly regulated, inconsistent revenue, or business trends. Some of the businesses are restaurants, online sellers, beauty salons, gyms, insurance, travel agencies, alcohol manufacturers, and oil business. Recently put up or have not yet reached three (3) years in actuality. The bank will not automatically reject high risk industries if they could show history of profitability and stability of their business.

Industry Percentage

Basis in the computation of percentage of risk limits/thresholds per loan industry is as per the approved set risk limit based on the portfolio of the bank;

- | | | | |
|----|------------|---|-----|
| a. | Business | - | 30% |
| b. | Government | - | 10% |



- c. Private - 5%
- d. Public Transport - 1%
- e. OFW - 48%
- f. Contractor - 1%
- g. Pensioner - 3%
- h. Health Worker - 2%

Not Acceptable Industries:

1. Online gaming and similar industries.
2. Illegal logging, illegal mining, illegal fishing, illegal gambling, forced labor and child labor.
3. Production or trade of dangerous drugs as defined in RA No. 9165.
4. Power generation from non-renewable energy and nuclear power
5. Nuclear power fossil fuel power generation/transportation/technology/transmission, landfills, and hazardous waste management.
6. All public passenger transportation not transitioning into a modernized version.
7. Biomass energy production and supplementary infrastructure using biomass or feedstock derived from sources that compete with food production or grown in areas currently or previously with high biodiversity or will decrease carbon pools in the soil.
8. Activities involving forced labor, violence against women, child labor, gambling, military contracting Production or trade of materials considered as health hazards (such as asbestos fibers), alcoholic beverages, tobacco products, lethal defense goods including small arms and weapons, and palm oil.
9. Other businesses/industries deemed harmful by the bank.

5.PROPER PROCEDURE AFTER LOAN RELEASE:

1) Follow-up visit to Loan clients'/Loan collateral (within 1 month from loan release):

Under Section 304 of the Manual of Regulations for Banks (MORB), it states that: The proceeds of a loan shall be utilized only for the purpose/s stated in the loan contract/(PN); otherwise, the Bank may terminate the loan and demand immediate repayment of the loan obligation.

Conduct site visits and/or validation reviews on the actual use of loan proceeds to ensure that credit granted was used for the purpose applied for, and consistent with ESR assessment. Valued clients who re-availed with the purpose of additional capital may be exempt from the actual visit as long as there is proof that the business is existing and operating. There must be documents submitted like pictures of the business, permits and proof that the loan proceeds was properly utilized as per declared purpose.



2) Sending of Confirmation Letter to Loan Clients

The present/permanent address written on the Loan Application Form and Signature Card shall be used to send confirmation or thank you letter for opening an account with the bank. Returned letters due to an unlocated address or person shall have a note of restrictions in his/her account.

Monitoring of Loan

The monitoring of loans is one of the effective ways to manage the risk by the constant update to borrowers through risk profiling and client calls. Regular review of the composition of the loan portfolio as this may have existing exposures in markets, sectors, or geographical areas vulnerable to material ESRs. Some tools for monitoring will be Internal Borrowers Risk Rating Report, Stress Scenario and Reports, and Loan Monitoring with aging and ACL provision.

Monitoring of Delinquent Loan

- Loans delinquent for 60 days in auto loan and 90 days in REM shall already be submitted to the Remedial Officer and ROPA Dept. for the initiation of restructuring or foreclosure proceedings (collection notices, follow-up letters and attorney's demand letter must be ready by then).
- Loans past due for less than 90 days may be restructured only once.
- Collection Letters and Update of BRR
 - 1st Letter-Reminder Letter – to be sent through e-mail, messenger, text message with screenshot at least 15 days before due date
 - 2nd Letter-1st Collection Letter- to be sent through mail (post office) or delivered personally to the client and properly acknowledged at least 7 days after due date.
 - 3rd Letter-Demand Letter- to be sent through mail with return card (post office) or delivered personally to the client and properly acknowledged at least 30 days from due date.
 - 4th Letter-Attorney's Demand Letter- to be sent through mail with return card (post office) at least 45 days after due date for Auto Loans, and 60 days from due date of REM Loans.
- For past due accounts of more than 30 days the Cash Flow Investigation Report (CFIR) shall be prepared by the Credit Investigation Officer by confirming collection updates from the proponent branch and conducting interviews with borrowers on their current cash flow status (including interview/checking with relatives, the immediate neighborhood, barangay and other sources of credit information as applicable).
- Update of BRR is required for past due loans for 60 days after the date of last unpaid amortization for Auto Loans and REM Loans based on



the result of the Cash Flow Investigation Report (CFIR) and missed payments of borrowers.

- Review of the ROPA listing and also the current list of PDLs, would provide a certain degree of assistance in the decision of the grant of loan. Numerous ROPA items or numerous foreclosures or a greater number of clients with PDLs can show a pattern or the paying habits of the inhabitants in a certain location.

Particular kinds or types of industry-financed, which indicate problematic loan handling, could also provide a sort of indication, of which businesses are strong and which are already waning/sunset industry.

6.INVESTMENTS in IBODI

Cash outlay for investment in Bonds and Other Debt Instruments must be for the purpose of complying with regulations concerning:

- liquidity
- mandated reserve requirement
- Agrarian-Agricultural requirement
- SME requirement
- Investment (secured)

RELATIVE CONSIDERATIONS:

A. Authorized Investment Instruments

1. Government Securities such as treasury bill, notes, and bonds;
2. Certificate of Time Deposit (CTD) from Universal and Commercial Banks.

B. Limitation on Investment Transactions

- The Bank's funds should not, in general, be invested in securities or CTDs maturing more than 1 year from date of purchase/placement. Except, as herein provided in the diversification provision of the policy.
- Limit of CTD placement
 - a. Universal Banks - up to 20 million Pesos (for top five universal banks)
 - i. between 12 M up to 15M Pesos (for all other Universal banks)
 - ii. unlimited deposits for government banks namely: DBP and LBP
 - b. Commercial Banks – up to 10 million Pesos
 - c. Thrift Banks – between 3 million Pesos to 5 million Pesos except Malayan and Producers Bank.
 - d. For Malayan & Producers Bank up to 10 million Pesos

**C. Diversification of the Bank's Investment**

The Bank recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to market price changes or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the Bank's investment portfolio by type of investment instrument and term to maturity is the primary method to minimize investment risk.

To the extent possible, the Bank will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the Bank's fund should not, in general, be invested in securities maturing more than 1 year from the date of the purchase. However, longer maturities of more than 1 year but not to exceed five (5) years are allowed if maturities of the investments are made to coincide as nearly as practical with the expected use of the funds.

D. Authorized Financial Dealers and Institutions

The Board shall maintain a list of financial institutions authorized to provide investment services to the Bank. All financial institutions who desire to provide investment service to the Bank shall supply the Board with information sufficient to adequately evaluate the institution and answer any and all inquiries posed by the Board, including the following information:

- a. Audited Financial Statements.
- b. Company Profile including Regulatory reports on financial condition.
- c. Written Memorandum of Agreement for the deposit of public funds or trading resolution, as appropriate.

The Board shall evaluate the financial capacity and credit worthiness of financial institutions prior to the placement of the Bank's funds. The Board shall conduct an annual review on financial condition and registrations of financial institutions and based on the review, make any recommendations regarding investment policy or program changes determined to be necessary.

E. Safekeeping and Custody

Investment assets shall be secured through third-party custody and safekeeping procedures. Any officer/employee of the bank authorized to engage in investment transactions shall be bonded in an amount established by the Board. The safekeeping procedures utilized in the Bank's investment program shall be reviewed annually by an independent auditor.



7. DEPOSIT TAKING ACTIVITIES

In complying with the Know-your-Client (KYC) policy, the bank must endeavor to require all its clients opening a deposit account to provide/submit accepted/valid IDs, including two (2) copies of their latest picture.

LIST OF ACCEPTABLE IDENTIFICATION DOCUMENTS AND OTHER REQUIREMENTS FROM PROSPECTIVE DEPOSITORS

DOCUMENTARY REQUIREMENTS

A. PERSONAL ACCOUNT

A.1 Individual Account

- Presentation of at least 1 valid ID
- Two (2) latest 1x1 or 2x2 picture

A.2 Joint Accounts

- Presentation of at least 1 valid ID for each depositor
- Two (2) latest 1x1 or 2x2 picture for each depositor

A.3 Guardianship/Estate Accounts

- At least one (1) valid ID of Guardian/Representative/Administrator
- Two (2) latest 1x1 or 2x2 picture of
- Birth Certificate (for In-Trust-For account)
- Death Certificate of deceased person
- Court order or testamentary will authenticated by its legal department

B. COMMERCIAL/CORPORATE ACCOUNT

B.1 Single Proprietorship

- Presentation of at least 1 valid ID
- Two (2) latest 1x1 or 2x2 picture of depositor
- Business/Mayor's Permit
- DTI/BIR Certificate of Registration
- Current and notarized Special Power of Attorney (SPA).

B.2 Partnership Account

- At least 1 photo and signature bearing ID of authorized signatory/ies
- Two (2) latest 1x1 or 2x2 picture of authorized signatory/ies
- Certified True Copy of Articles of Co-Partnership
- Partnership Agreement
- Duly notarized Partnership Resolution/Authorization designating the Bank as depository bank and the authorized signatories

B.3 Corporate Account-Domestic Corp.

- Presentation of at least 1 valid ID of authorized signatory/ies
- Two (2) latest 1x1 or 2x2 picture of authorized signatory/ies
- Certified True Copy of Articles of Incorporation



- Corporate By Laws with SEC Certificate of Filing.
- DTI/SEC Certificate of Registration
- Board Resolution certified by its Secretary stating the ff:
 - Authority to open an account or transact business with the bank; and
 - Officers authorized to sign checks and other instruments, their limits and combinations

B.4 Treasury-In-Trust

- At least one (1) valid ID of Authorized Signatory/ies
- Two (2) latest 1x1 or 2x2 picture of Authorized Signatory/ies
- Proposed Articles of Incorporation and By-Laws which include the temporary appointment of Treasurer-in-Trust
- Letter from Treasurer-in-Trust addressed to Bank
- Treasurer's Affidavit

B.5 Fiduciary Account

- At least one (1) valid ID of Authorized Signatory/ies
- Two (2) latest 1x1 or 2x2 picture of Authorized Signatory/ies
- Trust agreement indicating the trustee appointed or any court order designating the guardian, trustee or administrator

B.6 Associations, Club, Foundation, Cooperatives and Other Unincorporated Groups

- At least one (1) valid ID of Authorized Signatory/ies
- Two (2) latest 1x1 or 2x2 picture of Authorized Signatory/ies
- Articles of Incorporation and By-Laws of Cooperative, Association Unincorporated Organization
- Certificate of Registration (COR) with SEC and/or COR with the concern affiliation
- Board Resolution or notarized minutes of meeting of general membership and/or governing body certified by its secretary stating the following:
 - Authority to open an account or transact business with the bank; and
 - Officers authorized to sign checks and other instruments, their limit and combinations.

Valid Identification Documents

- A.** Customer and the authorized signatory/ies of a corporate juridical entity who engage in a financial transaction with the bank for the first time shall be required to present the original and submit a clear copy of at least one (1) valid photo-bearing ID document issued by the authority.

The following are accepted valid ID by the bank:

1. Passport including those issued by foreign governments
2. Driver's License
3. PRC ID



4. NBI Clearance
5. Police Clearance
6. Postal ID
7. Voter's ID
8. Tax Identification Number
9. Barangay Certification
10. GSIS e-card
11. SSS Card
12. Senior Citizen Card
13. OWW ID
14. OFW ID
15. Seaman's Book
16. Alien Certification of Registration/Immigrant Certificate of Registration
17. Government Office and GOCC (e.g. AFP, HDMF IDs)
18. Certification from the NCWDP
19. DSWD Certification
20. IBP IDF
21. MARINA ID
22. Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC, or IC

NOTE: The Philsys digital ID and the printed E. PhilID are added to this list, as per BSP Memo 2022-044

- B.** Students who are beneficiaries of remittances/fund transfers and who are not yet voting age, may be allowed to present the original and submit a clear copy of one (1) valid photo- bearing school ID duly signed by the principal or head of the school.
- C.** Where the customer or authorized signatory is a non-Philippine resident, similar ID's duly issued by the foreign government where the customer is a resident or a citizen may be presented.
- D.** The bank shall require their customers or authorized signatory to submit a clear copy of at least two (2) valid ID's at the commencement of business relationship. They shall require their clients to submit an updated photo and other relevant information on the basis of risk and materiality.
- E.** The bank may classify identification documents based on its reliability and ability to validate the information indicated in the identification document with that provided by the customer.
- F.** Whenever it deems necessary, the bank may accept other IDs not enumerated



above provided that it shall not be the sole means of identification.

G. In case the identification documents mentioned above or other identification documents acceptable to the covered institution do not bear any photo of the customer or authorized signatory, or the photo bearing ID or copy thereof does not clearly show the face of the customer or authorized signatory, the bank may utilize its own technology to take photo of the customer or authorized signatory.

IMPORTANCE OF DOINGS:

Customer Identification/Know your Client (KYC)

The Bank maintains a system of verifying the true identity of its customers and, in case of corporate and juridical entities, a system of verifying their legal existence and organizational structure. The system of identification is embodied in its Manual for Record-Keeping of Deposit.

Customer Acceptance

Ensures that the financially or socially disadvantaged are not denied access to financial services while at same time prevent suspicious individuals or entities from opening an account.

Sending Thank You Letter

As our computerized savings deposit system is capable of generating “Thank You” letters for all newly opened accounts, the same must be strictly mailed to check properly on the indicated address of the depositor/client.

“Thank You” letters that are returned to the Bank/returned undelivered by the Post Office must be properly investigated and “flagged” to corresponding deposit account, to trigger formal verification with particular bank client concerned. To properly ascertain the validity of the correct address, the clients must be required to submit the latest copy/copies of billing statements from various utility companies (electric, telephone, water, cable/cellphone/credit card) that is in the name of the client.

Customer Risk Rating Methodology

The bank uses a risk rating methodology to calculate a customer risk rating score (low, medium or high score) based on the verified information received during the opening of the account. The risk score shall determine if reduced due diligence (RDD), average due diligence (ADD) or enhance due diligence (EDD) shall be applied based on the following parameters.

Covered and Suspicious Transaction Reporting

All covered and suspicious transactions (CTR/STR) shall be prepared by the Frontline employee, verified by the Bank’s Compliance Officer



and electronically reported by the Chief Accounting Head, in accordance with the reporting procedure, to the AMLC within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days from occurrence thereof.

Updating of Depositor Records

As a matter of policy, depositor records shall be updated every five (5) years, except when there is imminent need to update the record immediately.

8.AUTHORITIES and RESPONSIBILITIES

1. Organizational Structure of the Risk Management Function

The Risk Management Department is manned by the Credit Risk Review Officer. The independence and seniority of the position is ingrained in the organization. It has no line functions in the bank and functionally reports to the bank's board-level Audit Committee (AC).

Status of the Credit Risk Review Officer Functions

The Credit Risk Review Officer is responsible for providing an independent evaluation of the credit quality and the management of credit risk. The primary task of a credit risk manager is to protect the bank from credit losses. He/She will be working closely with Credit Department, Audit Department and Credit Committee.

The position is responsible for conducting independent loan reviews and reporting policy and underwriting exceptions to the Credit Committee. The individual Credit Risk Review Officer will perform credit analysis, which will include analysis of financial statements, feasibility studies, ratios, cashflow, and loan decisions. Objectives of the review are to ensure individual credits are adequately underwritten, properly graded, appropriately priced and conformed to the bank policy. The review and analysis performed will help the bank manage risk in the loan portfolio by ensuring compliance with bank and regulatory requirements, as well as following up on trends identified so appropriate training can be developed and provided to lending staff.

2. Senior Management for its part must develop and implement the risk management policies, procedures, and practices. There must be periodic review of the Bank's risk management policies and procedures to make sure that they remain appropriate and reliable. It must make certain that the lines of authority and responsibilities are being strictly followed.

It is the "implementor"; it shall be responsible for carrying out the risk management decisions, under a system of delegated authorities. In carrying out this mandated authority, it shall be subject to close monitoring and control that the BOD has set up.



Other related functions of senior management in risk handling are the following:

- maintenance of appropriate limits structures as well as the presence of adequate measurement systems;
- to oversee the implementation of the banks sustainability objectives and proper upkeep of management information system (MIS);
- the establishment of an effective internal controls;
- adoption of methodologies and tools that will effectively identify, and quantify/measure, monitor, and control ESRs.
- Clear and effective communication of policies, procedures, and processes across the bank
- Make sure that adequate resources are available.
- Facilitate the identification, assessment, monitoring and mitigation of E&S risk.
- Assess' consistency of operations and performance of personnel with bank's sustainability objectives.
- Apprise the BOD on a regular basis on the bank's exposure to E & S risks which shall include potential issues associated with both internal and external activities of the bank and the clients that may have material impact on the bank's portfolio or reputation.
- Integrate E&S risks in stress testing exercises covering both short-term and long-term horizons following the principles and requirements provided under Sec. 151. The results shall feed into bank's capital and liquidity planning and management exercises as well as in the business continuity and disaster recovery plan.

3. Internal Auditor and Compliance Functions shall incorporate in their respective programs the assessment of adherence to policies related to management of E&S risks and valuation of the appropriateness and continuing relevance of policies. The internal audit function shall also review the bank's adherence to international sustainability standards and principles as well as relevant laws and regulations.

4. The Board of Directors must define the policy structure and lay down the risk management framework. Towards this end, it must:

- approve the policies for the various key risks;
- set-up the risk management foundation
- identify who shall be responsible for carrying out the policies,
- originate controls to comply with the policies
- Integrate into the credit, market and liquidity, and operational risk management framework the environmental and social risks (ESRs).



Additionally, the BOD must establish and guide the Bank's strategic direction and tolerance toward risks. It must periodically review, discusses, and approve needed changes to address the overall objectives in relation to the acceptable level of liquidity and market risks.

The BOD shall institutionalize the adoption of sustainability principles, including those covering E&S risk areas in the bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the bank's strategic objectives and operations taking into account the bank's risk appetite and ability to manage risk.

The BOD must ensure that policies and procedures include the extent of the bank's engagement with its counterparties, including partner agencies and outsource service providers, with regard to the adoption of sustainability principles in accordance with its strategy and clearly communicated across the institution, and to its investors, clients, and stakeholder.

The BOD shall ensure that adequate resources are available to attain the bank's sustainability objectives and its agenda is integrated in bank's performance appraisal system.

It must set limits, which indicate its maximum tolerance for each major risk. The limits' structure is vital for interest rate risk; credit risk; liquidity and operational risks. Relatedly, there must be an exposure measurement mechanism in place to properly quantify the limit structure so established.

The BOD must also ensure that technical and human resources are allocated toward risk management. There must be personnel available who possess technical skills to evaluate and control risks. There must be continuous training of personnel and that the internal audit function is properly manned by a staff with competent background.

It must monitor risks, ascertaining that the levels of risk are maintained with the tolerance limits which is properly supported by adequate capital base.

The BOD shall exercise its oversight function in risk management by seeing that:

- set policies are being followed;
- set limits are being properly considered
- controls are in place
- approve risk appetite on specific risk areas the bank is willing and capable to manage
- approval of result of stress testing

There must be timely reporting and clear presentation when there are noted breaches to the established limits so that thoughtful, well-informed, and properly coordinated risk management decisions are formulated and timely actions are undertaken in a timely manner.



9. MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM

I. RISK MANAGEMENT

As a covered institution, the Bank has developed policies and procedures to ensure that risks associated with money-laundering such as counterparty, reputational, operational, and compliance risks are identified, assessed, monitored, mitigated and controlled, as well as to ensure effective implementation of these regulations. In this respect, the following areas of sound risk management practices shall be adequately and actively maintained by the Bank:

- Active Board and Senior Management Oversight. Senior management shall oversee the day-to-day management of the covered person, ensure effective implementation of AML/CFT policies approved by the board and alignment of activities with the strategic objectives, risk profile and corporate value set by the board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.
- AML Compliance System-Management of the implementation of the Bank's MLPP shall be the primary task of the Compliance Officer reporting directly to the Audit Committee.
- Acceptable policies and procedures-This program must be updated whenever there are new laws, rules, and regulation that will warrant for its revision
- Appropriate monitoring and Management Information System-A MIS that is commensurating to the size and complexity of the Bank's operation
- Comprehensive internal controls and audit-Internal controls which are imbued within the system and audit that is independently functioning.

II. CUSTOMER IDENTIFICATION PROCESS AND ACCEPTANCE POLICY

(A) **CUSTOMERS IDENTIFICATION/KNOW YOU CLIENT (KYC)** – The Bank maintains a system of verifying the true identity of its



customers and, in case of corporate and juridical entities, a system of verifying their legal existence and organizational structure. The system of identification is embodied in its Manual for Record-Keeping of Deposit

- (B) **CUSTOMER ACCEPTANCE** – Ensures that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening an account.

Generally, customer acceptance shall be based on the following guidelines:

1. Those who can't be properly identified will NOT be accepted.
2. Customers who have been "watch listed" as engaged in illegal activities circularized by BSP, AMLC and other monitoring agencies shall NOT be accepted.
3. The Bank will NOT establish business relationships with "anonymous customers" or those who use fictitious names.
4. Those who hold businesses that due to the nature of the business make it impossible to verify its legitimacy or that of the funds being inconsistent with their financial status will NOT be accepted.
5. It is a requirement of the Bank that customers submit the relevant documentation in due course and proper form, and those who fail to comply will NOT be accepted as customers.
6. Those people who are suspects, based on reliable information, of being involved in any sort of criminal activities, mainly related to drug trafficking, terrorism and organized crime will NOT be accepted.

Along these policies, a risk-based and tiered customer acceptance policy, customer retention policy and customers identification process that involves application of Reduced Due Diligence (RDD) and Enhanced Due Diligence (EDD), is developed by the Bank.

III. CUSTOMER RISK RATING METHODOLOGY

- (A) The Bank uses a risk rating methodology to calculate a customer risk rating score (low, medium or high score) based on the verified information received during the opening of the account. The risk score shall determine if reduced due diligence (RDD), average due diligence (ADD) or enhance due diligence (EDD) shall be applied based on the following parameters:

**Customer Risk Rating Methodology**

Risk Factors	Weights
Type of Customer	5
Type of Account	5
Amount of Initial Transaction	15
Source of fund	10
Address/Location	5
Employment	15
Politically Exposed Person (PEP)	10
Nationality	10
Referral	5
Attitude in opening the account	5
Type of ID Presented	5
Age	10
Total	100

(B) Risk factors are further categorized with the following risk weight:

Type of Customer (5)	Risk Weight
➤ New Customer	5
➤ Existing Customer	2

Type of Account (5)	Risk Weight
➤ Regular Savings Deposit	5
➤ Special Savings Deposit	2
➤ Loan Account	2

Amount of Initial Transaction (15)	Risk Weight
➤ P500,000 and below	2
➤ P500,001 to P5,000,000	5
➤ P5,000,001 to P10,000,000	10
➤ P10,000,001 and above	15

Source of Funds (10)	Risk Weight
➤ Employment (e.g. salary/compensation/PF)	2
➤ Inheritance/Donation	10
➤ Savings/Investment	5
➤ Business	5
➤ Regular Pension	2
➤ Remittance (Domestic/Foreign)	5
➤ Others	10

Address/Location (5)	Risk Weight
➤ Residing/working within the banking area	2



➤ Residing/working outside the banking area	5
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Employment (15)	Risk Weight
➤ Employed:	
Government Entity	12
Government Own & Controlled Corp. (GOCC)	12
Private Entity	7
➤ Self Employed/Business owner(nature of business):	
Agriculture	7
Manufacturing	7
Service Sector	7
Financial Services	10
Real Estate/Construction	15
Insurance	15
Online marketing	15
Wholesale & retail trade	10
Art collection	15
Forex/Money changer	15
Other (specify)	10
➤ Unemployed	10

Politically Exposed Person (PEP) (10)	Risk Weight
➤ No	2
➤ National Official and Related Individuals	10
➤ Local Official and Related Individual	8
➤ Other position	5

Nationality (10)	Risk Weight
➤ Filipino	2
➤ Non-resident Filipino	5

Referral (5)	Risk Weight
➤ Referred by bank employee	2
➤ Referred by existing customer	3
➤ Walk-in customer	5

Attitude in opening the account (5)	Risk Weight
➤ Cooperative	2
➤ Not cooperative	5

Type of ID presented (5)	Risk Weight
➤ TIN/Driver's License/SSS/UMID/PRC/PHealth	2
➤ Passport/Company ID/Student ID	2
➤ Voter's ID/Postal ID/LGU or Brgy. Issued ID	3



➤ Other Valid IDs	5
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Age (10)	Risk Weight
➤ Under 18 years old	2
➤ Between 18 to 40 years old	10
➤ Between 41 to 60 years old	5
➤ Above 60 years old	2



PANGASINAN BANK (A Rural Bank), INC. Mangaldan, Pangasinan			CUSTOMER RISK ASSESSMENT FORM (For Individual Accounts)													
Name of Customer:			Date:													
Account No.																
DETAILS	RISK SCORE	DETAILS	RISK SCORE													
Type of Customer ☐ New Customer (5) ☐ Existing Customer (2)		Address/Location: ☐ Residing/Working within the banking area (2) ☐ Residing/Working outside the banking area (5)														
Type of Account/Transaction to be done ☐ Regular Savings Deposit (5) ☐ Remittance (5) ☐ Special Savings Deposit (2) ☐ Loan Account (2)		Type of ID presented: ☐ TIN/Driver's Lic./SSS/UMID/PRC/PHealth (2) ☐ Passport/Company ID/Student ID (2) ☐ Voter's/Postal/LGU or Brgy. Issued (3) ☐ Other Valid IDs (5)														
Nationality ☐ Filipino (2) ☐ Non-resident Filipino (5) ☐ Resident Alien (5) ☐ Non-resident Alien (10)		Amount of Initial Transaction ☐ P500,000 and below (2) ☐ P500,001 to P5,000,000 (5) ☐ P5,000,001 to P10,000,000 (10) ☐ P10,000,001 and above (15)														
Age ☐ Under 18 years old (2) ☐ Between 18 to 40 years old (10) ☐ Between 41 to 60 years old (5) ☐ Above 60 years old (2)		Employment ☐ Employed ☐ By government Entity (12) ☐ By GOCC (12) ☐ By private entity (7) ☐ Self-employed/Business Owner ☐ Agriculture (7) ☐ Manufacturing (7) ☐ Service sector (7) ☐ Financial services (10) ☐ Retail & wholesale trade (10) ☐ Insurance (15) ☐ Online Marketing (15) ☐ Art collection (15) ☐ Real Estate/Construction (15) ☐ Forex/Money Changer (15) ☐ Others (specify) (10) ☐ Unemployed (10)														
Source of Funds ☐ Employment (salary/compensation/PF) (2) ☐ Inheritance (10) ☐ Savings/Investments (5) ☐ Business (5) ☐ Regular Pension (2) ☐ Remittance (Domestic/Foreign) (5) ☐ Others (10)																
Referral ☐ Referred by Bank employee (2) ☐ Referred by existing customer (3) ☐ Walk-in customer (5)																
Attitude in opening the account ☐ Cooperative (2) ☐ Not cooperative (5)		Politically Exposed Person (PEP) ☐ No (2) ☐ National Official & Related Individual (10) ☐ Local Official & Related Individual (8) ☐ Other position (5)														
Scoring System: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; width: 25%;">Score Range</td> <td style="border-bottom: 1px solid black; width: 15%;">Risk</td> <td style="border-bottom: 1px solid black; width: 40%;">Required Due Diligence</td> </tr> <tr> <td>0 - 50</td> <td>Low</td> <td>Reduced Due Diligence</td> </tr> <tr> <td>51 - 75</td> <td>Medium</td> <td>Average Due Diligence</td> </tr> <tr> <td>76 - 100</td> <td>High</td> <td>Enhanced Due Diligence</td> </tr> </table>		Score Range	Risk	Required Due Diligence	0 - 50	Low	Reduced Due Diligence	51 - 75	Medium	Average Due Diligence	76 - 100	High	Enhanced Due Diligence	OVERALL CUSTOMER RISK SCORE		
Score Range	Risk	Required Due Diligence														
0 - 50	Low	Reduced Due Diligence														
51 - 75	Medium	Average Due Diligence														
76 - 100	High	Enhanced Due Diligence														
		REQUIRED CUSTOMER DUE DILIGENCE (CDD)														
Remarks:																
Conducted by:		Reviewed by:		Approved by:												
Important: 1. This Customer Risk Assessment Form (CRAF) shall be accomplished by the cashier/teller during the opening of the account. 2. For instructions on required due diligence procedure, refer to the Money Laundering and Terrorist Financing Program (MLPP) of the bank. 3. "Linked" accounts and "Watchlist" individuals as circularized by BSP, AMLC and other international entities are automatically disqualified from doing business with the bank. 4. The accomplished form shall be kept for five (5) years following the procedure for record-keeping of deposit documents.																



(C) The overall customer risk score is arrived after considering the information taken from the initial assessment of risk factors and assigned a range of scores to determine if the customer is Low Risk, High Risk, or Medium Risk, as presented in the following table:

Overall Customer Risk Score (100)	Required CDD	Score Range
Low Risk	Reduced Due Diligence (RDD)	0 to 50
Medium Risk	Average Due Diligence (ADD)	51 to 75
High Risk	Enhanced Due Diligence (EDD)	76 to 100

(D) A **Customer Risk Assessment Form (CRAF)** shall be used by the cashier or teller conducting the new account interview to record the overall risk score of a customer (see Annex A-Customer Risk Assessment Form)

IV. CUSTOMER DUE DILIGENCE (CDD)

In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship or nature of the product, transaction or activity. In this regard, the bank shall maintain a system that will ensure the conduct of customer due diligence which shall include:

- Identifying the customer and verifying the true identity of the customer based on official documents or other reliable, independent source documents, data or information. In case of corporate and juridical entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf;
- Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner, such that the covered person shall be satisfied that it knows who the beneficial owner is, as well as the ownership and control structure of the customer, in case of juridical entities or legal arrangements;
- Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
- Conducting ongoing due diligence on the business



relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the covered

- person's knowledge of the customer, their business and risk profile.

A covered person shall be required to undertake customer due diligence when:

- It establishes business relationship with any customer;
- It undertakes any occasional but relevant business transaction for any customer who has not otherwise established relations with the covered person;
- There is a suspicion of money laundering or terrorism financing; or
- There is doubt about the veracity or adequacy of previously obtained customer identification data.

Customer due diligence shall be applied to all new customers. The degree of diligence to be applied shall depend on the overall risk score obtained by the customer based on the information provided during the opening of the account. As a general rule, the following procedures shall apply:

1. **Reduced Due Diligence (RDD)** shall be applied to customers that are assessed as Low Risk. Whenever RDD is applied, the following rules shall apply:
 - a. For individual customers, the account may only be opened under the true and full name of the account owner or owners and obtain the following minimum information at the time of account opening:
 - (i) Name;
 - (ii) Present Address;
 - (iii) Date and place of birth;
 - (iv) Nature of work, name of employer or nature of self-employment/business;
 - (v) At least one (1) valid photo-bearing ID issued by official authority
 - (vi) Contact details;
 - (vii) Specimen signature; and
 - (viii) Source of funds



Obtain the following information after the account is opened, but not to exceed 90 days:

- (i) Permanent address;
- (ii) Nationality;
- (iii) Tax Identification No. (TIN)
- (iv) Name, present address, date and place of birth, nature of work and source of funds of beneficial owner or beneficiary, whenever applicable.

b. For corporate, partnership and sole proprietorship entities, the Bank shall develop a systematic procedure for identifying corporate, partnership and sole proprietorship entities as well as the stockholders/partners/owners, directors, officers and authorized signatory of these entities. It shall obtain the following minimum information and/or documents before establishing business relationships:

- (i) Certificate of Registration issued by Department of Trade & Industry for single proprietors, or by the Securities and Exchange Commission, for corporations and partnerships, and by the BSP, for money changers/foreign exchange dealers and remittance agents
- (ii) Articles of Incorporation or Association and By-Laws
- (iii) Principal business address
- (iv) Board or Partner's Resolution duly certified by the Corporate/Partners' Secretary authorizing the signatory to sign on behalf of the entity
- (v) Latest General Information Sheet which lists the names of directors/partners, principal stockholders owning at least twenty percent (20%) of the outstanding capital stock and primary officers such as the President and Treasurer
- (vi) At least one (1) valid photo-bearing ID issued by official authority for each of the authorized signatories
- (vii) Contact numbers of the entity and authorized signatory/ies
- (viii) Source of funds and nature of business
- (ix) Name, present address, date and place of birth, nature of work and source of funds of beneficial owner or beneficiary, if applicable

2. **Average Due Diligence (ADD)** shall be applied to customers that are assessed as normal risk. In applying average due diligence,



the Bank shall obtain, at the time of account opening, the preceding requirements and confirming this information with at least two (2) valid identification documents.

3. **Enhanced Due Diligence (EDD)** shall be applied to customers that are assessed as high risk for money laundering and terrorist financing. Whenever enhanced due diligence is applied as required by the Rules or covered by the bank's customer acceptance policy, the bank shall, in addition to profiling of customers and monitoring of their transactions, do the following:

a. Gather additional customer information and/or identification documents, other than the minimum information and/or documents required for the conduct of average due diligence as enumerated under Subsec. X806.2/4806Q.2:

(i) In cases of individual customers,

- Supporting information on the intended nature of the business relationship/source of funds/source of wealth (such as financial profile, ITR, Loan Application, Deed of Donation, Deed of Sale, etc.);
- Reasons for intended or performed transactions;
- List of companies where he is a stockholder, director, officer, or authorized signatory;
- Other relevant information available through public databases or internet; and
- A list of banks where the individual has maintained or is maintaining an account.

(ii) In case of entities:

- Prior or existing bank references;
- The name, present address, nationality, date of birth, nature or work, contact number and source of funds of each of the primary officers (e.g. President, Treasurer)
- Volume of assets, other information available through public databases or internet and supporting information on the intended nature of the business relationship, source of funds or source of wealth of the customer (ITR, Audited



Financial Statement, Loan Application, Deed of Donation, Deed of Sale etc.); and

- Reasons for intended or performed transactions.

- b. Conduct the following minimum validation procedures:
 - (i) Confirm the date of birth from a duly authenticated official document
 - (ii) Verifying the permanent address through evaluation of utility bills, bank or credit card statement or other documents showing permanent address of through on-site visitation
 - (iii) Contact the customer by phone, email or letter
 - (iv) Determine the authenticity of the identification documents through validation of its issuance by requesting a certification from the issuing authority or by any other means.

For corporate or juridical entities, validation procedures shall include but is not limited to the following:

- (i) Require the submission of audited financial statements conducted by a reputable accounting/auditing firm
 - (ii) Inquire from the supervising authority the status of the entity
 - (iii) Obtain bank references
 - (iv) On-site visit of the company
 - (v) Contact the entity by phone, email or letter
- c. Secure senior management approval to commence or continue business relationship/transacting with the customer;
- d. Conduct enhanced ongoing monitoring of the business relationship, by, among others, increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination;
- e. Require the first payment to be carried out through an account in the customer's name with a bank subject to similar Customer Due Diligence standards, where applicable; and
- f. Perform such other measures as the covered person may deem reasonable or necessary.



Where additional information cannot be obtained, or any information or document provided is false or falsified, or result of the validation process is unsatisfactory, the covered person shall deny banking relationship with the customer without prejudice to the reporting of a suspicious transaction to the AMLC when circumstances warrant.

V. MINIMUM VALIDATION PROCEDURES ENHANCE DUE DILIGENCE

Aside from requiring face-to-face contact between the Banks authorized personnel and the potential customer, the following validation procedures for individual customers shall be applied:

1. Confirming the date of birth from a duly authenticated official document;
2. Verifying the address through evaluation of utility bills, bank or credit card statement, sending thank you letters, or other documents showing address or through on-site-visitation;
3. Contacting the customer by phone or email;
4. Determining the authenticity of the identification documents through validation of its issuance by requesting a certification form the issuing authority or by any other effective and reliable means; or
5. Determining the veracity of the declared source of funds.

For corporate or juridical entities, validation procedure shall include but is not limited to the following:

1. Validating source of funds or source of wealth from reliable documents such as audited financial statements, ITR, bank references, etc.;
2. Inquiring from the supervising authority the status of the entity;
3. Verifying the address through on-site visitation of the company, sending thank you letters, or other documents showing address; or
4. Contacting the entity by phone or email.

VI. VALID IDENTIFICATION DOCUMENTS

(A) Customers and the authorized signatory/ies of a corporate juridical entity who engage in a financial transaction with the bank for the first time shall be required to present the original and submit a clear copy of at least one (1) valid photo-bearing ID document issued by official authority. An Official authority refers to any of the following

- Government of the Republic of the Philippines;
- Its political subdivisions and instrumentalities;



- GOCCs;
- Private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC

The following are accepted valid ID by the bank:

1. Passport including those issued by foreign governments
2. PHILSYS ID
3. Driver's License
4. PRC ID
5. NBI clearance
6. Police Clearance
7. Postal ID
8. Voter's ID
9. Tax Identification Number
10. Barangay certification
11. GSIS e-card
12. SSS Card
13. Senior Citizen card
14. OWW ID
15. OFW ID
16. Seaman's book
17. Alien Certification of Registration/Immigrant Certificate of Registration
18. Government office and GOCC (e.g. AFP, HDMF IDs)
19. Certification from the NCWDP
20. DSWD certification
21. IBP ID
22. MARINA ID
23. Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC.

Minimum customer information for corporation:

- Name of corporation;
- Proof of incorporation/creation/registration;
- Current status of its legal existence;
- Address
- By-laws or other document stating the powers of its officers;
- List of directors/senior officers;
- List of owners having twenty percent (20%) or more ownership and/or voting rights;
- Board resolution or other document appointing a resident individual to represent the corporation and made accountable to competent authorities
- Legal arrangements entered into by the corporation with other persons, including the legal owners, and such contracts,



certificates and other documents evidencing these legal arrangements and the capabilities, duties, and responsibilities defining the relationships.

- (B) Students who are beneficiaries of remittances/fund transfers and who are not yet voting age, may be allowed to present the original and submit a clear copy of one (1) valid photo-bearing school ID duly signed by the principal or head of the school.
- (C) Where the customer or authorized signatory is a non-Philippine resident, similar IDs duly issued by the foreign government where the customer is a resident or a citizen may be presented.
- (D) The bank shall require their customers or authorized signatory to submit a clear copy of at least two (2) valid IDs at the commencement of business relationship. They shall require their clients to submit an updated photo and other relevant information on the basis of risk and materiality.
- (E) The bank may classify identification documents based on its reliability and ability to validate the information indicated in the identification document with that provided by the customer.
- (F) Whenever it deems necessary, the bank may accept other IDs not enumerated above provided that it shall not be the sole means of identification.
- (G) In case the identification documents mentioned above or other identification documents acceptable to the covered institution do not bear any photo of the customer or authorized signatory, or the photo bearing ID or a copy thereof does not clearly show the face of the customer or authorized signatory, the bank may utilize its own technology to take the photo of the customer or authorized signatory.

VII. COVERED AND SUSPICIOUS TRANSACTION REPORTING

1. All covered and suspicious transactions (CTR/STR) shall be prepared by the Frontline employee, verified by the Bank's Compliance Officer and electronically reported by the Chief Accounting Head, in accordance with the reporting procedure, to the AMLC within five (5) working days (in the case of the covered transactions), unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from occurrence thereof. By definition in accordance with BSP Cir. 706, a Covered



Transaction (CT) is a transaction in cash or other equivalent monetary instrument covering a total amount in excess of Five Hundred Thousand Pesos (P500, 000) within one (1) banking day. On the other hand, a Suspicious Transaction (ST) are transactions with covered institutions, regardless of the amount involved, where any of the following circumstances exist:

- a. There is no underlying legal or trade obligation, purpose or economic justification;
 - b. The client is not properly identified;
 - c. The amount involved is not commensurate with the business or financial capacity of the client;
 - d. Taking into account all known circumstances, it may be perceived that the client transaction is structured in order to avoid being the subject of reporting requirements under the AMLA, as amended;
 - e. Any circumstance relating to the transaction which is observed to deviate from the profile of the client's past transactions with the covered institution;
 - f. The transaction is in any way related to an unlawful activity or any money laundering activity or offense under the AMLA, as amended, that is about to be, is being or has been committed; or
 - g. Any transaction that is similar or analogous to any of the foregoing.
2. Should a transaction be determined to be both a covered and suspicious transaction, the Bank shall report the same as suspicious transaction.

For suspicious transactions, "occurrence" refers to the date of determination of the suspicious nature of the transaction, which determination should be made not exceeding ten (10) calendar days from the date of transaction. However, if the transaction is in any way related to, or the person transacting is involved in or connected to, unlawful activity or money laundering offense, the 10-day period for determination shall be reckoned from the date covered person knew or should have known the suspicious transaction indicator.

3. The following non-cash, no/low risk covered transactions shall not be reported by the Bank to the AMLC:
- (i) Transactions between the Bank and the BSP;
 - (ii) Transaction between the Bank and its domestic depository banks;
 - (iii) Internal operating expenses of the Bank;
 - (iv) Transaction involving transfer of funds from one deposit account



- to another deposit account of the same person within the Bank;
 - (v) Roll-overs of placements of time deposit; and
 - (vi) Payment of loan and/or its corresponding interest regardless of the manner of payment (cash, fund transfer, debit of account, check), provided that the grant of loan was previously reported as covered transaction;
 - (vii) Reclassification of loan to Real and other Properties Acquired (ROPA); provided that the loan availment was previously reported;
 - (viii) Installment or partial payment in the sale of ROPA, provided that the total selling price of the ROPA in excess of P500,000.00 was reported at the time of the execution to sell or sales contract receivable, or deed of sale;
 - (ix) Loan repricing, loan renewal, loan restructuring, provided that there is no change in borrower's name, otherwise, the loan shall be considered as new loan, hence, reportable;
 - (x) Agrarian Reform Receivables;
 - (xi) Payment for agricultural lands under the Agrarian Reform Law.
4. A spurious check - refers to a document having the appearance of a check or similar documents, but is actually a fake or counterfeit document. It may also refer to a genuine check or similar documents that is materially altered or falsified. In a case where a client deposits a spurious check to a bank that has not clearing facilities, a presenting bank necessarily takes the place of the depository bank to present the check to the drawee bank for clearing purposes.
5. Manual monitoring – The bank does not have an electronic system flagging and monitoring transactions but we shall ensure that it has the means of flagging and monitoring the transactions. We maintain a register of all STs that have been brought to the attention of Senior Management whether or not the same was reported to the AMLC. CTRs' are automatically reported by our personnel handling it, following the maker-checker concept.
6. Electronic Submission of reports – The CTR and STR shall be submitted to AMLC in a secured manner, in electronic form and in accordance with the reporting procedures prescribed by the AMLC. The bank shall provide complete and accurate information of all the mandatory fields required in the report. In order to provide accurate information, the bank shall regularly update customer identification information at least once every three (3) years.



7. Pursuant to AMLC Resolution No. 10-C dated 24 January 2013, the Bank adopted the following policies in the data collection system:

7.1 Reporting of Covered and Suspicious Transaction reports (CTRs/STRs)

The requirement on the submission of reports under R.A. No. 9160, as amended, otherwise known as the Anti-Money Laundering Act (AMLA) of 2001, pertains to transactions initiated by the customers of the bank. The bank may be considered a customer if it transacts business with another covered institutions. In such case, the latter shall file a CTR/STR on the former's transactions, except those covered under Resolution No. 10, Series of 2013, on "no risk/low risk" covered transactions.

The sale of Real and other Properties Acquired (ROPA) shall be reported at the time of the execution of the Contract to Sell, or any similar contract, in the amount of the total contract price. Any installment payments, and the subsequent execution of a Deed of Absolute Sale and issuance of a new Transfer Certificate of Title (TCT) to the buyer need not be reported.

Transactions lodged under Contingent accounts pending settlement or maturity thereof shall be reported only at the time such transactions are actually settled, or have matured, or availed of.

7.2 Report Format

A single report format using Format 1.0 in CTRs/STRs, which format shall be shall be adopted. The Mandatory Fields, as determined by the Secretariat, shall be strictly filled-up.

Moreover, the following additional fields shall be incorporated in the new format:

- a. Beneficiary account number;
- b. Nationality; and
- c. Place of Birth

8. **Exemption from Bank Secrecy Laws** – When reporting covered or suspicious transactions to the AMLC, the bank and the officers and employees shall not be deemed to have violated Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, and other similar laws, but are prohibited from communicating directly or indirectly, in any manner or by any means, to any person, the fact that a covered or suspicious transaction report was made, the contents thereof, or any other information in relation thereto. In case of violation thereof, the concerned officer and employee of the bank shall be criminally liable in accordance with the provisions of the AMLA, as amended.



9. **Confidentiality Provision** – When reporting CTs and STs to the AMLC, the bank's directors, officers and employees are prohibited from communicating directly or indirectly, in any manner or by any means, to any person or entity, the media, the fact that a covered or suspicious transaction report was made, the contents thereof, or any other information in relation thereto. Neither may such reporting be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer and employee of the bank and media shall be held criminally liable.
10. **Safe Harbor Provision** – No administrative, criminal or civil proceedings, shall lie against any person for having made a CTR or an STR in the regular performance of his duties in good faith, whether or not such reporting results in any criminal prosecution under AMLA.

VIII. IMPLEMENTATION OF FREEZE ORDER

Contemplated actions of covered persons in effecting and implementing Account Freeze Order and Targeted Financial Sanctions under R.A. 10167 (amendments to Secs. 10 and 11 of R.A. 9160 or the AMLA of 2001).

What is a Freeze Order (F.O.)?

A freeze order covers a main account, which the AMLC and Court of Appeals determined, there is a probable cause that it is related to money laundering and terrorist financing. On the other hand, related or materially linked accounts are determined by covered persons in compliance with the Freeze Order.

- Observe the filing of returns and to consider the start of the 20 days effectivity of freeze order, from the time the accounts are actually frozen;
- Per implementing rules and regulations, written returns with pertinent details on an account should be submitted to the AMLC and the Court of Appeals (CA) within 24 hours since a particular account is frozen.
- A complete written return should include the account number; names of the account holder/s; amount in the account at the time it was frozen; all relevant information pertaining to the nature of the account or property; any information on related accounts or property associated or connected to the frozen account or asset, and the time when the freeze order took effect.



Failure to immediately freeze accounts upon receipt of a freeze order is considered grave violation under R.A. 9160 or the AMLA of 2001, as amended. Attached hereto is the said advisory from AMLC: indicating the penalties for failure; late implementation, delayed submission of returns.

IX. DIGITIZATION OF CUSTOMER RECORDS

A. Customer records shall refer to:

1. Those obtained by covered persons to establish the true and full identity of customers in accordance with their Customer Due Diligence (CDD) policies and procedures, such as customer information files where the customers provide minimum information; copies or records of official identification documents or similar documents, establishing the true and full identity of customers; account files and business correspondence, including the results of any analysis undertaken, such as inquiries, to establish the background and purpose of complex, unusually large transactions, collectively referred to as CDD records or CDD documents;
2. Account transaction histories or statements of accounts, whether in the Philippine pesos or other currency.

B. Duties of covered persons:

- Act promptly, and treat with utmost confidentiality all requests for information and/or documents, as well as orders, to provide customer records pursuant to the AMLC's functions to investigate or conduct bank inquiry;
- Digitize all customer records in accordance with the timelines set, including those pertaining to accounts existing prior to implementation period thereof, but excluding customer records of closed accounts beyond the five (5) year record-keeping requirement of the AMLA;
- Develop a central database of customer records to be maintained in head office and branches and authorize the Compliance Officer to have direct, immediate, and unimpeded access to the database;
- Ensure compliance with prevailing laws related to data privacy, data protection and security in developing database and adoption of retrieval procedures;



- Keep all required customer records in central databases, in such forms as may be admissible in court or as may be prescribed by the AMLC;

C. Submission of Digitized Customer Records to the AMLC

The customer records extracted from the covered person's central database shall be completely, accurately and timely submitted to the AMLC's FTRF, using log-on credentials, given by the AMLC.

X. RECORD KEEPING AND RETENTION

- (A) The Bank shall maintain and safely store all customer identification records as long as the account exists.
- (B) The Bank shall maintain and safely store all transaction records, including all unusual or suspicious patterns or account activity whether or not an STR was filed with the AMLC, for five (5) years from the date of transaction.
- (C) Records and files maintained and safely stored by the Bank shall contain the full and true identity of the owners or holders of the accounts involves and arranged in an orderly manner. The following are identification and relevant documents to be kept by the Bank:
- Signature Card/Customer Information File
 - Photocopy of Valid IDs
 - ID Pictures
 - Deposit Agreement Form/Terms & Condition
 - Correspondences and other pertinent documents
- (D) Closed accounts record on customer identification, accounts files and business correspondences, shall be preserved and safely stored for at least five (5) years from the date of closure.
- (E) Records of money laundering cases filed in the court shall be retained beyond the five (5) year retention period until it is confirmed that the case has been finally resolved or terminated by the court.
- (F) The Bank designates the Branch Manager and Cashier/Teller as joint custodians of all records and documents required to be retained by the AMLA. They shall responsible and accountable in making these documents available without delay during BSP regular or special examinations.



XI. UPDATING OF DEPOSITOR RECORD

As a matter of policy, depositor records shall be updated every three (3) years, except when there is imminent need to update the record immediately, such as, but not limited to the following situations:

1. Change in name/account name
 - 1.1 Due to change in marital status – the Cashier shall require the depositor to submit a certified true copy of the marriage contract and updated valid ID (*if already available*) and accomplish the “Customer Account Maintenance Form”. In accomplishing the CAMF, all the co-depositors, in the case of a joint account, shall sign to signify their conformity in the changes to be made in the account. A new set of CIF/SSC is prepared by the Cashier and follow the procedure in accomplishing the form, as applicable.
 - 1.2 When there is a court order – the depositor is required to submit certified true copy of the court order and updated valid ID and follow the procedure mentioned in 1.1.
2. Change in address – the depositor is required to submit document showing his/her new address e.g., utility bill, other documents showing the new address. The procedure in accomplishing the form is then followed, as applicable.
3. Updating of client specimen signature – update is imminent when there is a deviation in the current signature e.g., change in name, as compared with the specimen signature on file. In which case, the Teller, with the approval of the Cashier or Manager, shall require the client to provide a new set of specimen signature and attached to the CIF/SSC already on file.
4. Amendments and changes in account type – The cashier shall require the depositor to accomplished the “Customer Account Maintenance Form” and indicate the nature of the request amendment/s/change/s in account type. In the case of joint account, all the co-depositors shall affix their signature in the CAMF to signify their approval/conformity with such amendment/s/change/s to be made to the account. A new set of CIF/SSC is prepared by the Cashier and follow the procedure in accomplishing the form, as applicable.
5. No update or alteration is allowed on the records of depositors involving associations, partnerships, and juridical parties without the express and written consent from all the authorized signatories therein. The following shall be required before update is allowed on these types of accounts:
 - a. Association
 - (i) Board Resolution or notarized minutes of general membership



- or governing body certified by its secretary stating the authority to update the account;
- (ii) Pertinent documents required for the update, as follows:
 - 1. Valid IDs of Authorized Signatory/ies
 - 2. Latest picture of Authorized Signatory/ies
 - 3. Updated Articles and By-Laws of Association or Certificate of Registration, if any
- b. Partnership
- (i) Duly notarized Partnership Resolution authorizing the update to be made on the account;
 - (ii) Required updated documents as follows:
 - 1. Valid IDs of Authorized Signatory/ies
 - 2. Latest picture of Authorized Signatory/ies
 - 3. Certified true copy of Articles of Co-Partnership, DTI/SEC Cert. of Registration, Partnership Agreement (If update is needed)
- c. Juridical Parties (Corporation)
- (i) Duly notarized Board Resolution or Secretary's Certificate approved by the Board of Directors stating the authority to update the corporate account;
 - (ii) Documentary requirements necessary for the update, as follows:
 - 1. Valid IDs of Authorized Signatory/ies
 - 2. Latest picture of Authorized Signatory/ies
 - 3. Certified true copy of Articles of Incorporation, Corporate By-Laws with SEC Cert. of Filing (If update is needed)

XII. STAFF TRAINING PROGRAM

The Bank believes that creating a compliance and control culture among its directors and responsible officers and employees is the best tool to combat money laundering. Therefore, there's an ongoing effort to promote staff training, development and awareness programs around the many aspects that comprise the laundering of criminal proceeds and terrorist financing.

(A) Induction Course

This course aims to inform newly hired employees about the policies and procedures related to the prevention against money laundering as well as raising awareness about the risks for the Bank being used for the fulfillment of these illegal purposes. This course must be conducted within 60 days of the date of beginning of employment.

(B) Periodic Courses (On-site or outsource seminar/training)



(C) There will be at least one AML course a year, for all the Bank's officers and employees to attend. This course will also cover AML updates available. The HR Head, in coordination with the Compliance Officer, shall develop an annual training program, taking into consideration the need for bank staff to undergo AML training and the availability and viability of such training.

(D) Refresher Course

Staff must always be updated about existing regulation. In order to do, all officers and staff are required to undergo refresher course on a per need basis. Front office employees (handling cash and loan transactions) shall have the first priority in taking refresher course.

(E) Course Subjects

Staff in our Bank shall be trained in the following areas:

- a. Trends in the prevention of money laundering
- b. Domestic legal framework and regulations
- c. Client Identification Program
- d. Know Your customer Program
- e. Customer's Risk Profiling
- f. Decentralized Monitoring of Transactions
- g. Covered and Suspicious Transaction Detection and Reporting
- h. Money laundering and Terrorist Financing Methodologies

XIII. INDEPENDENT REVIEW

An independent review of this Manual must be conducted annually. The Internal Audit Department shall be in charge of the review. The review shall include an evaluation of the policies and procedures of this Manual.

The review shall include an opinion as to the adequacy and implementation of the policies and procedures adopted by the bank to prevent the institution from being used for laundering funds coming from criminal activities or for terrorist financing. The review must point out the deficiencies or omissions that are considered important, and it must make recommendations for resolving these issues and adopting corrective measures. The Internal Auditor shall report the result of AML audit report directly and independently to the Board-Level Audit Committee.



PANGASINAN BANK (A RURAL BANK), INC.

Rizal Avenue, Poblacion, Mangaldan, 2432 Pangasinan

2024 Annual Report

CORPORATE GOVERNANCE



E. CORPORATE GOVERNANCE

OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

BOARD OF DIRECTORS

1. POWERS/CORPORATE POWERS OF THE BOARD OF DIRECTORS

The corporate powers of an institution shall be exercised, its business conducted, and all its resources controlled through its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders.

The directors shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of institution.

2. COMPOSITION OF BOARD OF DIRECTORS:

The corporate powers of the Corporation shall be vested in and exercised, its business conducted, and its property controlled by a Board composed of five (5) Directors.

The director who shall be elected at the annual meeting of the stockholders shall hold office for a term of one (1) year and until their successors shall have been duly elected and qualified.

Vacancies occurring in the Board, for any cause other than removal, shall be filled for the unexpired term in the following manners: (a.) a single vacancy, by the vote of the majority of the remaining directors; (b.) more than one vacancy, or even a single vacancy when the remaining directors cannot agree on who would fill the same, by the stockholders at a special meeting to be called for that purpose as soon as practicable.

PANGASINAN BANK (A Rural Bank), INC.
List of Board of Directors
as of December 31, 2024

Name	Type of Directorship	Principal Stockholder Represented if Nominee	No. of yrs. served as Director	No. of Shares Held			Percentage of Shares to Total Outstanding Shares of the Bank
				Common	Preferred	TOTAL	



Mr. Romualdo Patrick F. Siapno	Non-Executive	N/A	22	2,032	4,230	6,262	1.25
Arch. Mark Joseph F. Siapno	Non-Executive	N/A	22	1,966	3,990	5,956	1.19
Anne Q. De Guzman	Executive	N/A	12	7,849	0	7,849	1.57
Dennis N. Calimlim	Non-Executive	N/A	22	20,551	0	20,551	4.11
Atty. Gerald Z. Gubatan	Independent	N/A	6	7,190	0	7,190	1.44

3. QUALIFICATION OF A DIRECTOR:

- A director shall have the following minimum qualifications:

(1). He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be 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.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standard of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

(2.) He must have attended a seminar on corporate governance for board of directors.

- Independent and non-executive directors

In selecting independent and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry his duties and responsibilities. In this regard, the following shall apply:

(1.) A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as



director shall be separately considered in assessing compliance with this requirement;

(2.) An independent director of a bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent director's shall be reckoned from 2012.

- Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

4. CHAIRPERSON OF THE BOARD OF DIRECTORS:

- **Roles of the Chairperson of the board of directors.** The Chairperson of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. He shall:

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

- **Qualifications of the chairperson of the board of directors.** To promote checks and balances, the chairperson of the board of directors shall be a non-executive director or an independent director, and must not have served as CEO of the bank within the past three (3) years. The positions of chairperson and CEO shall not be held by one (1) person.

5. BOARD OF DIRECTORS MEETING

The meetings of the board of directors may be conducted through modern technologies such as, but not limited to teleconferencing and video conferencing as long as the director who is taking part in said meetings can



actively participate in the deliberation on matters taken up therein: Provided, that every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty five (25%) of all meetings of the board of directors every year: Provided further, that the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election.

The Board of Directors shall hold a regular meeting at least once a month, on such date and at such time and place, as may be fixed by resolution of the Board, without other or further notice than resolution.

The Board of Directors can approve via remote communication thru teleconferencing and video conferencing (Zoom/Microsoft Teams/Google Meet) that allows it to easily and quickly exchange opinion/ideas especially for loan approvals that are in the P1.5M and above range; particularly when it/they need to be acted upon immediately, but are not within the time frame of the scheduled regular monthly meeting.

This policy will be implemented to facilitate the fast approval of loans and in order to maintain the competitiveness of the bank, relative to speedy loan approvals.

Special meeting of the Board of Directors may be called at any time by the Chairman or by a written request of any three (3) Directors, and shall be held at the Head Office of the Corporation, or at such place and time as may be agreed upon by the majority of the Directors

Notice needs be given as a regular meeting of the Board. Notice of any meeting shall state the date, time and place thereof, and the purpose or purposes for which it is called. Such notice shall be deemed complete upon its delivery to the place of residence, or the business address of the Directors, at least one (1) day before the date of the meeting or upon its being delivered to the Post Office, property addressed and postage prepaid in time for it to reach the Director, at least one (1) day before the meeting. However, when urgency of the meeting so requires, the Chairman may authorize the Secretary to give the Directors notice by telephone, or other expedition means, and such notice shall in all respects be as effective as notice in writing. Notice of the meeting shall be deemed a waiver of any failure, defect or irregularity of the meetings' notice.

A quorum at any meeting of the Board of Directors shall consist of the majority of the Directors, less than a quorum may adjourn any meeting from time to time, and the meeting may be adjourned without further notice; and unless there be a quorum, no business may be transacted. A majority of such quorum shall decide every question or matter submitted to the Board at any



such meeting.

At any meeting of the Board, the following order of business shall be observed:

- Opening of the meeting by the Chairman;
- Reading and disposal of any unapproved minutes;
- Reports of the officers and committees;
- Unfinished business;
- New business
- Adjournment

PANGASINAN BANK (A Rural Bank), INC.

Attendance at Board and Committee
Meetings as of December 31, 2024

Name of Directors	Board Number of Meetings		Audit Committee	
	Attended	%	Attended	%
Mr. Romualdo Patrick F. Siapno	11	100	4	100
Arch. Mark Joseph F. Siapno	10	90	4	100
Anne Q. de Guzman	11	100	na	na
Atty. Gerald Z. Gubatan	11	100	3	75%
Dennis N. Calimlim	11	100	na	na

6. SPECIFIC DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is primarily responsible for defining the bank's vision and mission. The board of directors has the fiduciary responsibility to the bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of check and balances. It shall establish a sound corporate governance framework. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

- The board of directors shall define the bank's corporate culture and values.
- The board of directors shall be responsible for approving the bank's objectives and strategies and in overseeing management's implementation.
- The board of directors shall be responsible for the



appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy of personnel

- The board of directors shall be responsible for approving and overseeing implementation of the bank's corporate governance framework.
- The board of directors shall be responsible for approving the bank's risk governance framework and overseeing management's implementation thereof.

7. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, its stockholders, its depositors.

- To remain fit and proper for the position for the duration of his term;
- To conduct fair business transactions with the bank and to ensure that personal interest does not bias board decisions;
- To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public;
- To devote time and attention necessary to properly discharge their duties and responsibilities;
- To act judiciously;
- To contribute significantly to the decision-making process of the board;
- To exercise independent judgment;
- To have working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the Bangko Sentral and where applicable, the requirements of other regulatory agencies;
- To observe confidentiality

8. BOARD-LEVEL COMMITTEE

- Audit Committee

The audit committee shall be composed of at least three (3) members of the board of directors, who shall all be non-executive directors, majority of whom shall be non-executive directors, majority of whom shall be



independent directors, including the chairperson.

Duties and responsibilities of the audit committee:

- (1.)Oversee the financial reporting framework;
- (2.)Monitor and evaluate the adequacy and effectiveness of the internal control system;
- (3.)Oversee the internal audit function;
- (4.)Keep an eye on the external audit function;
- (5.)Supervise the implementation of corrective actions;
- (6.)Investigate the significant issues/concerns raised.
- (7.)Establish the whistleblowing mechanism.

Policy Retirement of Directors

The effective governance of the Bank is by individual and collective responsibility of the members of the Board of Directors. To contribute effectively, directors must have the necessary qualifications that best suit the needs and governance requirements of the Bank such skills, expertise, experience, probity, integrity, competencies relevant to the job, and the sufficiency of time to carry out responsibility fully.

1. A director shall remain in the Board of the Bank as long as he/she remains to be fit and proper for the position of a director, in accordance with the requirement of the Manual of Regulations for Banks (MORB);
2. The director shall continue to be mentally and physically fit to discharge his duties and responsibilities, which includes physical attendance and active participation in the Board/Board Committee meetings by being able to contribute in a meaningful way through inputs and insights during the discussion. Shall also ensure that he/she attends the Board meetings, as set forth in the Bank's Corporate Governance Manual and the rule of BSP;
3. If the director no longer has the required fitness, he/she shall inform the Board of his intention to retire or refrain from seeking re-election. The Corporate Governance Committee shall take cognizance of the director's decision to retire, and take appropriate steps to ensure a smooth transition of the change in board composition.
4. The Bank reserved the right to determine the continuing fitness of directors to serve but will accede to the request of a director, if he/she wishes not to do anymore for whatever reason.



9. OFFICERS

- **Qualifications of an officer.** An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.

In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory and professional body.

- **Duties and responsibilities of officers**
 - (1.) To set the tone of good governance from the top;
 - (2.) To oversee the day-to-day management of the bank;
 - (3.) To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency;
 - (4.) To promote and strengthen checks and balances systems in the bank;
 - (5.) To ensure that the company's policies, procedures and processes are properly implemented and observed.

Policy Retirement of Officers

Optional Retirement:

1. Early Optional Retirement benefits to employees who have completed at least 8-14 years of service to the Bank in the amount equivalent to twenty-six (26) days basic salary rate for every year of service computed on the basis of his/her latest monthly rate, provided, that the benefits granted herein shall in no way be a part of any similar benefits granted under the SSS law;
2. Regular Optional Retirement benefits to employees who have completed at least 15-20 years of service to the Bank in the amount equivalent to thirty-one (31) days basic salary rate for every year of service computed on the basis of his/her latest monthly rate, provided, that the benefits granted herein shall in no way be part of any similar benefits granted under SSS law;
3. Special Optional Retirement benefits to employees who have completed at least 21-24 years of service to the bank in the amount equivalent to



thirty-two (32) days basic salary for every year of service computed on the basis of his/her latest monthly rate, provided, that the benefits granted herein shall in no way be part of any similar benefits granted under the SSS law.

Compulsory Retirement:

Should an employee reach sixty (60) years of age, or has rendered twenty-five years of service to the bank said employee shall be compulsorily retired and shall be entitled to retirement pay equivalent to at least thirty five (35) days of basic salary for every year of service computed on the basis of the his/her latest monthly rate, provided that the benefits granted herein shall in no way be a part of any similar benefit granted under the SSS law.

10. ROLE AND CONTRIBUTION OF EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS, AND OF THE CHAIRMAN OF THE BOARD

- a. **THE CHAIRMAN.** The Chairman of the Board shall preside at all meetings of the Board of Directors, in his absence or inability to do so, the meeting shall be presided over by the Vice Chairman, or other Officers to whom this power may have been delegated by the Chairman. The Chairman of the Board shall have such other powers as may be prescribed by the Board.
- b. **THE VICE CHAIRMAN.** The Vice Chairman shall have such powers and perform such duties as the Board of Directors may from time to time prescribe and as may be delegated to him by the Chairman. In the absence of the Chairman, the Vice Chairman shall act in his stead and shall perform any and all such powers and duties pertaining to the office.
- c. **THE PRESIDENT.** The President who shall be elected from among the Directors, shall be the Chief Executive officer of the Corporation. Aside from those which may have been assigned to him by the Board, his powers and duties shall include the following:
 - To direct the implementation of the policies of the Board, and report to it and the stockholders on all matters concerning the affairs of the Corporation that may require action by them at their respective meetings.
 - To take active supervision and control over the property, interest, business and affairs of the Corporation, and subject to the approval of the Board, he may appoint, suspend or remove any appointive officer or employee whenever in his judgment it may become necessary to do so.
 - To supervise, control and direct subordinate officers, agents and employees in the discharge of their duties.
 - To see to it that all officers, agents, employees, and other personnel comply with the pertinent laws, as well as the applicable rules and regulations of the Bangko Sentral ng Pilipinas and all other regulatory/supervisory bodies.



- To present to the Board of Directors at any regular or special meeting or at such other times as it may require, a report on the state of the business of the Corporation.
 - To attend meetings of the Board, and render such assistance or advice as it may concerning the estate of the business of the Corporation.
 - To be responsible for the efficient management of the affairs of the Corporation, to maintain harmonious relations between management and the employees, see to it that the public in general, and the clients of the corporation in particular, are rendered prompt, courteous and efficient service, and to develop and maintain sound public relations.
 - The President may delegate to any officer any of his powers and duties whenever in his judgment such delegation is expedient and practicable.
- d. **THE VICE PRESIDENT.** The Board of Directors may elect one or more Vice Presidents who may not be members of the Board, whose powers and duties, in general, shall be determined by the Board. In the absence or inability of the President, the Board shall designate the Vice President, who should be a member of the board of directors, to perform and discharge the powers and duties of the office of the President. If the Vice Presidents are not members of the Board, the Board shall designate who among the Board members shall act in place of the President.
- e. **THE TREASURER.** The Treasurer shall have the care and custody of the funds, securities and properties of the Corporation. He shall deposit all money and valuable effects in the name and to the credit of the Corporation in such banks, or trust companies, or with such bankers or other depositories as the Board may from time to time designate, and any funds so deposited shall be withdrawable only by checks or other instruments signed by duly authorized officers of the Corporation as hereinafter provided. He shall render to the Board of Directors and the President whenever required, an account of the financial condition of the Corporation and of all his transactions as Treasurer. He shall perform such other duties as the Board of Directors may from time to time assign to him or are incident to his office. In the absence of the Treasurer, or his inability to act, his duties shall be performed by such person as may be designated by the Board of Directors.
- f. **THE SECRETARY.** The Secretary who must be a citizen and resident of the Philippines, shall have the following powers and duties:
- He shall keep accurate minutes of all meetings of the stockholder and of the Board, and shall attend to the giving of all notices required by these By-Laws to be given.
 - He shall be custodian of the corporate seal, stock certificate books, stock and transfer book, records, documents and papers of the Corporation, prepare ballots for the annual elections and keep a complete and up-to-date list of the stockholders and their addresses.



- He shall perform such other duties as may be assigned to him from time to time by the Board of Directors of the President, and such other duties incidental to his office.
- He shall also sign prepare such reports and statements as are required by the Board and or the President.
- During the absence or inability of the Secretary, the Board shall select the persons to act in his stead.

g. **GENERAL MANAGER/CHIEF OPERATING OFFICER.** (The position in place instead of Comptroller, as amended on 01-25-11 and confirmed on 02-13-11). The General Manager/Chief Operating officer shall be the operating head of the bank with the power to transact the general business of the bank. He is responsible for the efficient and accurate execution of what the board of directors decide upon. He supervises all the transaction between the bank and customers through junior officers and employees. He provides leadership and has to control the work of others. He has to ensure that the best results are obtained from his own efforts and from those bank officers and bank employees, he has tasked for being responsible.

In essence, the duties of the general manager are as follows:

- Plan, organize, coordinate and control all the financial and administrative activities of the bank and to direct and supervise the detailed operations of the bank.
- Establish and maintain adequate accounting system, provide periodic financial and operating statements, and prepare budgets as prescribed by the board of directors.

In specific terms, the duties of the general manager are as follows:

- Approve loan applications up to the amount delegated to him.
- Recommend the approval or disapproval of loan applications in excess of the amount he could give to the credit committee.
- See to it that all books of accounts are up-to-date and in balance.
- Sign or countersign checks or demand drafts when authorized by the Board of Directors.
- See to it that an effective internal control system is installed and maintained in order to prevent errors and frauds from being committed.
- Supervise the granting of loans, as well as follow up the collection of accounts either in writing or in person and see to it that past due items, if any, are within manageable levels.
- Approve payrolls as well as any disbursements for expenditures and release of loan proceeds.
- See to it that all exceptions noted in the audit and examination of the books and operations of the bank conducted by the Bangko Sentral ng Pilipinas personnel and other supervisory bodies are corrected in accordance with the instructions received.
- Certify such statements of financial condition, income statements, reports, records and statistics as may be required by law, by the Monetary Board or requested by the President or the Board of



Directors.

- Initiate and enforce measure and procedures relating to all accounting matters including clerical and office methods, records, reports to the end that the business of the Corporation shall be conducted in accordance with law, lawful rules, regulations and directories of the Bangko Sentral ng Pilipinas and with the maximum safety, efficiency and economy.
- Act as a budget director, and in conjunction with the other officers and heads of departments, to prepare an annual budget covering all activities of the Corporation, and to submit the same to the Board before the calendar year begins.
- Attend meetings of the Board of Directors and the standing committees when so required by the Chairman or the Board and to render such assistance and advice as the Chairman, President or Board may desire concerning the books, accounts and system of financial transactions of the Corporation, of all its branches, and of any person, entity or Corporation in which the Corporation may be interested.
- In case of any defalcation, default, or dereliction of duty coming to his knowledge at any time, to notify at once the Chairman and the President.
- In the absence of the General Manager or his inability to act, his duties shall be performed by such person as may be designated by the Board.

h. **COMPLIANCE OFFICER.** (Installation of Compliance Officer, as amended on 01-25-11 and confirmed on 02-13-11). It is the bank's discipline to stay compliant with regulations on a going-concern basis that is essential to what makes it a bank. His/her duties and responsibilities shall include the following:

- In consultation with the Board of Directors and Board Officers, prepares a Compliance Program for approval of the Board, and thereafter, submit the same to the DRB, BSP.
- Oversee and coordinate with the Board and Bank President the implementation of Compliance Program.
- Acquaint the Board members and the bank personnel with the provisions of the Compliance Program.
- Conduct regular updates orientation of the latest issuances, policies rules and regulations issued by the regulatory institutions (BSP, PDIC, SEC, BIR, DOLE, SSS, and DOF).
- Build-up library of all relevant laws, rules, and regulations issued by regulatory bodies.
- Keep the library current and up-to-date be seeing to it that copies of new laws and issuances of regulatory bodies, interpretations thereof, amendments thereto and repeat revocation thereof are on file and properly disseminated to the officers and employees of the bank.
- Study each new law, rule or regulation with the following objectives:
(a) determination of the unit/group/department and personnel affected; (b) providing proper implementation guideline; (c) identification of the risk of non-compliance thereof.
- Provide a vehicle for efficient dissemination of issuances, laws, rules



and regulations: (a) install system with which permanent laws, rules and regulations together with their implementing guidelines and the risks/consequences for non-compliance thereof are effectively disseminated to acknowledged, and clearly understood by each and every staff member of the bank; (b) conduct regular meetings and seminar/workshops among the officers and staff on the proper implementation of the guidelines and risk implications; (c) maintain a bulletin board and regularly post new issuances/implementing guidelines for the information and guidance of all concerned; (d) adopt an open communication system; (e) free flow of information should be maintained and compliance related issues should be conveyed in a complete and timely manner; (f) compliance issues should be brought to the attention of the staff concerned as soon as possible for immediate resolution in order to minimize risks/violations thereof.

- Regularly consult with appropriate regulatory agencies for additional guidance on specific provisions of laws, rules and regulations and/or discuss compliance findings with each agency, initiate dialogues regarding borderline issues.
- Conduct annual competence assessment, future training needs and introduce remedial action to correct/improve inadequate performance.
- Install compliance monitoring system in coordination with the Audit Committee or Bank President to ensure that the directors, officers and staff are familiar with the compliance program.
- Undertake periodic compliance review/monitoring and assessment of each department/branch on a regular basis.
- Compliance officers should consult internal and external auditor of any violation of laws, rules and regulation noted in their findings.
- Compliance Officer shall submit reports on the monitoring and assessment to the President/Chairman of the Board of Directors to document findings, issues, concerns and remedial/corrective measures taken which report must be cleared and approved by the department/unit head/branch managers before submitting the same to the officers concerned.
- The Compliance Officer shall closely and religiously monitor the following: (a) past due loans; (b) non-performing loans; (c) aging of loans.
- The Compliance Officer should be familiar with the types/kinds of risks the Bank is exposed to which are as follows: (a) credit risk; (b) market risk; (c) interest risk; (d) foreign exchange risk; (e) liquidity risk; (f) operational risk; (g) legal risk; (h) compliance risk.
- The Compliance Officer should be acquainted with the manner SAFr is computed/evaluated: (a) Credit Risk; (b) Operational Risk; (c) Market Conduct Risk; (d) Liquidity Risk; (e) Interest Rate Risk in the Banking Book (IRRBB); (f) ML/TF/PF Risk; (g) Compliance (h) Internal Audit; (i) Earnings; (j) Capital; (k) Liquidity; (l) Governance.

- i. **INTERNAL AUDITOR.** (Installation of Internal Auditor, as amended on 01- 25- 11 and confirmed on 01-13-11). The Internal Audit Section is being tasked to assist in the financial and operational management of the company, shall be responsible in conducting its activities in such manner, as to:



- provide the correct accountability;
- protect the company from losses and fraud, wastage and extravagance;
- develop the necessary management information.

Its primary objective is to assist the management in achieving an effective and efficient administration of its fiscal and operational functions. This objective cover two phases:

- Protective - to protect the company's interest, including the disclosure of weaknesses and deficiencies in control standards needing correction. To attain this objective, he/she must, (a) ascertain the degree of reliability of the amounts and statistics; (b) ascertain the extent to which the monies and properties are safeguarded from losses of all kinds and are properly accounted for; (c) ascertain the extent of compliance with the established policies, regulations, plans and procedures.
- Constructive—the furtherance of the company's interest, including the recommendation of actions to improve its performance. To achieve this objective, he/she needs to: (a) review and appraise the policies, regulations, procedures and plans in the light of related date, changing circumstances and other evidences having a bearing on their effectiveness; (b) review and appraise the internal records of the various units within the company in terms of their adequacy, efficiency and effectiveness; (c) review and appraise the performance within the framework of the policies, regulations, plans and procedures.

He/she has the authority to examine all the company's records, books, vouchers, files and properties necessary to carry out his/her work. His/her examination and review shall in no way relieve the other persons from their primary responsibilities assigned to them.

To carry out its work, its personnel shall institute and conduct an independent review and appraisal of the accounting, financial and other operational aspects of the company's various organizational units.

As such, he/she shall conduct periodic audit and whenever necessary, do special investigation of the records and operations of the company and keep management informed of the irregularities and unsatisfactory conditions discovered and other findings which may be of interest.

And in order to attain its objectives, internal audit personnel have to report its findings and recommendations to the responsible officials of the company. These reports will be presented in writing or verbally, according to the circumstances.

He/she shall be directly responsible for the complete reporting in each case, of all unsatisfactory conditions and deviations from the established procedures to the management.



Additionally, he/she is also expected to give constructive recommendations/suggestions regarding improvements of the procedures, during the course of his/her work.

- j. **OTHER OFFICERS.** The Board of Directors may appoint such other officers as may be deemed necessary, provide their powers and duties, and fix their compensation.

PANGASINAN BANK (A Rural Bank), INC.
List of Executive Officers/Senior Management
As of December 31, 2024

NAME	POSITION	QUALIFICATIONS/ EXPERIENCE	AGE	NATIONALITY
Anne Q. de Guzman	President	BM Teller; Branch Mgr., Internal Auditor; AVP-Compliance; Asst. Gen. Manager; BID-ROPA Overseer President	55	Filipino
Ma. Socorro Q. Aquino	Corp. Sec./ Property Mgmt. Head	Teller; Cashier; Branch Manager; Operations Manager; Asset Mgt. Head / Credit Officer	57	Filipino
Evelyn C. Vergara	Chief Compliance Officer	New Accounts/Clerk Teller; Audit Assistant; Savings Bookkeeper; Acctg. Head Operations; Audit Assistant; Chief Acctg. Head; HR Mngr., Operations Manager; Internal Auditor; Compliance Officer	59	Filipino
Dianne L. Antenorio	Internal Auditor	Acctg. Staff; Teller; Loan Bookkeeper (SF); Loan Bookkeeper 3 (CLU), Audit Assistant; Operations Acctg. Head; Audit Asst., Internal Auditor	33	Filipino
Glaizel A. Desamito	Treasurer	Teller; Loan Bookkeeper; Loan Processing Officer; Cashier; HR & Acct. Asst.; Treasurer	33	Filipino
Dina R. Desamito	Credit Head	Branch Account Officer/ Bookkeeper; Br. Accountant; Br. Account Officer; Br. Manager; Credit Risk Review Officer	41	Filipino



Sebastina F. Nepacina	Chief Accounting Head	LOAN BOOKKEEPER; ACCOUNTING HEAD; CASHIER; CHIEF ACCTG. HEAD; BRANCH MANAGER; CHIEF ACCTG. HEAD	48	Filipino
Dexter S. Quinto	HR Head	Acctg staff; Accounting Assistant / Cashier; Loans Bookkeeper; Teller; Audit Assistant; Assistant Account Officer; Account Officer; Cashier; Branch Manager; Human Resource Head	48	Filipino



NAME OF OFFICERS	POSITION	DATE OF APPOINTMENT	DURATION / TERM	QUALIFICATIONS / SKILLS AND COMPETENCIES
Anne Q. De Guzman	President	March 1, 2013	up to present	1. Ability to lead the organization with a clear vision, drive performance, and make critical decisions for the bank's growth and sustainability.
	Assistant General Manager	Dec. 16, 2006	Feb. 28, 2013	2. Capacity to formulate long-term strategies for the bank's growth, market expansion and operational efficiency.
	Assistant to the Pres.	Dec. 16, 1999	Dec. 15, 2006	3. In-depth knowledge of financial statements, budgeting, profitability analysis and managing the bank's financial health.
	AVP - Compliance Officer	July 1, 1999	Dec. 15, 1999	4. Familiarity with banking laws and regulations, including the supervision from government agencies such as the Bangko Sentral ng Pilipinas (BSP) and other regulatory bodies.
	Internal Auditor			5. Experience in working with local communities and stakeholders to build relationship, promote financial inclusion and support local economic development.
	Branch Manager			6. Strong communication skills
	Teller			7. Ability to navigate through economic challenges, regulatory changes and other unforeseen circumstances.
				8. Knowledge of the economic landscape and financial needs specific to rural areas, including agriculture, small businesses and micro-enterprises.
				9. Should combine both technical banking expertise and leadership skills with a deep understanding of the local rural context and a commitment to improving the financial well-being of the community served by the bank.
Maria Socorro Q. Aquino	Corp. Secretary / Property Management Head / Credit Head	April 16, 2013	up to present	1. Should render 5 years and above service in the bank to qualified for the position of the Property Management Head
				2. Proven work experience as Property Management Head or similar role
				3. Good communication skills or negotiation skills.
	Operations Mgr.	Dec. 2005	April 2013	4. Numerical skills; eye for detail; time management and organization skill
	Branch Manager	October 22, 2002	Nov. 2005	5. Computer skill; business awareness and integrity
	Cashier	Jan. 2001	Sept. 2002	6. Resilience and adoptability
	Teller	Jan. 1990	Dec. 2000	7. Critical thinking, problem solving and critical analysis such as reviewing, interpreting and evaluating financial data, business systems and operational data and controls.
				8. Business management and leadership skills
				9. Strategic thinking and planning skills
				10. Good problem solving skills.
Evelyn C. Vergara	Compliance Officer	Oct. 16, 2017	up to present	1. Should render 5 years and above service in the bank to qualified bank to qualified for the position of the Compliance Officer.
	Internal Auditor	January 6, 2015	Oct. 15, 2017	2. Have an excellent and thorough understanding of the business;
				3. Have skills and human qualities which allow him/her to advise, train and raise awareness among bank staff on the significance of business ethics and compliance;
	Operations Manager	August 1, 2013	Jan. 5, 2015	4. Must show dedication and allegiance to the bank and its policies and procedures;
	HR Manager	Feb. 16, 2013	July 1, 2013	5. Must prove that they can be relied on to show up to work on time;
				6. Excellent verbal and written communication;
	Chief Acctg. Head	May 7, 2007	Feb. 15, 2013	7. Solid presentation skills and ability to explain complex processes to an audience;
				8. Expert in financial management and persistent business will to succeed;
	Audit Assistant	Dec. 2, 2005	May 6, 2007	9. Meticulous attention to detail;
				10. Excellent organization and time management;



Dianne A. Songcuan	Internal Auditor	March 3, 2020	up to present	1. Should render 5 years and above service in the bank to qualified for the position of the Internal Auditor.
	Audit Assistant	Nov. 6, 2017	March 2, 2020	2. Have an excellent and thorough understanding of the business;
				3. Have skills and human qualities which allow him/her to advise, train and raise awareness among bank staff on the significance of business ethics and compliance;
	Acctg. Head - Operations	June 21, 2016	Nov. 5, 2017	4. Must show dedication and allegiance to the bank and its policies and procedures;
	Audit Assistant	July 22, 2015	June 20, 2016	5. Must prove that they can be relied on to show up to work on time;
				6. Excellent verbal and written communication;
	Loan Bookkeeper 3	Jan. 8, 2015	July 21, 2015	7. Solid presentation skills and ability to explain complex processes to an audience;
				8. Expert in financial management and persistent business will to succeed;
	Loan Bookkeeper	Feb. 1, 2014	Jan. 7, 2015	9. Meticulous attention to detail;
				10. Excellent organization and time management;
	Teller	Feb. 4, 2013	Jan. 31, 2014	11. Ability to take initiative;
				12. Computer and interpersonal skills;
				13. Discretion and diplomacy;
				14. Must show dedication and allegiance to the Bank and its policies and procedures;
				15. Ability to promote the value of internal audit among key employees within the organization;
				16. Keep abreast with regulatory changes and industry standards;
				17. Knowledge in auditing, internal audit standards, fraud awareness and professional ethical standards;
				18. Have an orderly mind and methodical way of thinking;
Glaizel A. Desamito	Treasurer	May 2, 2024	to present	1. Should render 5 years and above service in the bank to qualified for the position of the Internal Auditor.
	Cashier	April 8, 2024	April 30, 2024	2. Have an excellent and thorough understanding of the business;
	Loan Bookkeeper	July 17, 2023	April 7, 2024	3. Have skills and human qualities which allow him/her to advise, train and raise awareness among bank staff on the significance of business ethics and compliance;
	Teller	March 13, 2023	July 16, 2023	4. Must show dedication and allegiance to the bank and its policies and procedure;
	Loan Processing Officer	March 17, 2021	March 12, 2023	5. Must prove that they can be relied on to show up to work on time, to attend to their duties in a professional way, and to uphold the standards the bank sets for itself;
	Loan Bookkeeper	Jan. 2, 2020	March 16, 2021	6. Excellent verbal and written communications;
	Teller	Nov. 18, 2019	Dec. 31, 2019	7. Solid presentation skills and ability to explain complex processes to an audience;
				8. Strong administrative skills;
	Loan Bookkeeper	Oct. 23, 2017	Nov. 17, 2019	9. Excellent organization and time management;
	Teller	Sept. 11, 2017	Oct. 22, 2017	10. Problem solving skills;
	Loan Bookkeeper	July 3, 2017	Sept. 10, 2017	11. Keeping abreast with regulatory changes and industry standards;
				12. Have an orderly mind and methodical way of thinking;
	Teller	May 30, 2017	July 2, 2017	13. Have experience in dealing with large sums of money and budgets;
				14. Have an eye for detail;
Dinah R. Desamito	Credit Risk Review Officer	June 3, 2019	Feb. 29, 2024	1. Strong understanding of credit risk principles, loan portfolio management and financial statement analysis.
	Branch Manager	January 8, 2018	June 2, 2019	2. Familiarity with credit scoring models, risk mitigation strategies and regulatory frameworks (e.g., BSP policies, anti-money laundering regulations).
	Account Officer	Oct. 1, 2015	January 7, 2018	3. Proficiency in Microsoft Excel, data analysis and risk management software/tools.
	Branch Accountant	January 6, 2015	Sept. 30, 2015	4. Ability to assess the creditworthiness of borrowers and evaluate the risk levels associated with loans.
				5. Strong analytical and problem-solving skills to identify risks and provide actionable recommendations.
	Account Officer / Loan Bookkeeper	November 2, 2011	January 5, 2015	6. Strong written and verbal communication skills to prepare comprehensive risk reports and to discuss credit risk findings with internal teams or regulatory bodies.
				7. Risk management certification or credit risk certification from recognized institutions.



Sebastina F. Nepacina	Chief Accounting Head	January 15, 2015	up to present	1. Should render 5 years and above service in the bank to qualified bank to qualified for the position of the Chief Accounting Head.
	Branch Manager	Dec. 3, 2007	Jan. 14, 2015	2. Hands-on experience with byte per byte system
	Chief Acctg. Head			3. Excellent analytical skills, with the ability to create and process financial spreadsheets;
	Cashier			4. In depth knowledge of lending products of the bank;
	Accounting Head	Feb. 1, 2000	Dec. 2, 2007	5. Numerical skill; Eye for detail; Time management and organizational skill;
	Loan Bookkeeper	May 20, 1996	Jan. 31, 2000	6. Computer skill; Communication Skill; Business awareness, Integrity;
				7. Resilience and Adaptability;
				8. Critical thinking, problem solving and critical analysis such as reviewing interpreting
				and evaluating financial data, business systems and operational data and controls.
				9. Business Management & Leadership Skills;
				10. Strategic Thinking & Planning Skills;
				11. Good problem solving skills;
				12. Ability to effectively manage time and resources;
Dexter S. Quinto	HR Head	September 15, 2022	up to present	1. Should render 5 years above service in the bank to qualified for the position of the Human Resource Head
	Branch Manager	Nov. 1, 2017	Sept. 14, 2022	2. Negotiation skills;
	Cashier	April 4, 2016	Oct. 31, 2017	3. Numerical Skills, Eye for detail; Time management and organization skills.
	Account Officer /C.I. 2	April 1, 2015	April 3, 2016	4. Computer skill and Communication skill;
	Loan Bookkeeper 3	Jan. 8, 2015	March 31, 2015	5. Resilience and Adaptability;
	Account Officer	June 1, 2014	Jan. 7, 2015	6. Leadership skill
	Assistant Account Officer	Feb. 1, 2014	May 31, 2014	7. Human Capital Development Skill
	Audit Assistant	April 16, 2013	Jan. 31, 2014	8. Strategic Thinking and Planning Skill;
	Teller	Feb. 16, 2013	April 15, 2013	9. Workplace Culture and Development Skill
	Loan Bookkeeper	May 26, 2011	Feb. 15, 2013	10. Good problem solving; 11. Computer literate

**LIST OF EMPLOYEES WHO ATTENDED SEMINAR / WEBINAR FOR THE YEAR 2024.**

SURNAME	GIVEN NAME	MIDDLE NAME	DATE OF SEMINAR	SEMINARS / TRAININGS ATTENDED	LOCATION / VENUE
NEPACINA	SEBASTINA	FLORES	1/17/2024	STRENGTHENING BSP REPORTORIAL PROCEDURES: API-XML REPORT	Seminar - Via Zoom
ASUNCION,	MATTHY	FERNANDEZ	3/14/2024	CREDIT INVESTIGATION	Seminar - Via Zoom
ALVIAR	MARY ANN		3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
AQUINO	MA. ARCADITA	BERNARDO	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
BIELZA	ARMELYN	REGATCHO	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
DESAMITO	DINAH	REYES	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
GARCIA	CRISTY	PEREZ	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
LANDINGIN	ARLENE	AQUINO	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
NAEG	JENNIE	ANGELITO	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
NEPACINA	SEBASTINA	FLORES	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
QUINTO	DEXTER	SERAFICA	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
TERCEÑO	NELIA	DE VERA	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
UNGSON	CHIQUI	TANDINGAN	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
VERGARA	EVELYN	CARBONELL	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ROSARIO	RIZZA	IMBUIDO	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
DELA CRUZ	CRIS JOHN	RAMOS	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
QUEJADO	LILY	BARTOLOME	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
QUIDEM	PRISCILA	BARROZO	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
RABANAL	LYN	ESPELITA	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
SUMOROY	RACHELLE	JUGO	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
VALDEZ	GINA	OBILLO	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
DESAMITO	DINAH	REYES	May 13-14, 2024	POLICIES AND PROCEDURES MANUAL WRITE-SHOP	Seminar (Face to Face)
ANTENORIO	DIANNE	LANDICHO	May 13-14, 2024	POLICIES AND PROCEDURES MANUAL WRITE-SHOP	Seminar (Face to Face)
DE GUZMAN	ANNE	QUINTO	June 4-5, 2024	RBAP's 67th CHARTER ANNIVERSARY SYMPOSIUM	Seminar (Face to Face)
TAMAYO	MARK JOE	PALAYLAY	June 17-21, 2024	BASIC OCCUPATIONAL SAFETY AND HEALTH VOURSE FOR SAFETY OFFICER 2 (SO2)	Seminar - Via Zoom
VERGARA	EVELYN	CARBONEL	June 21, 2024	AML INTERMEDIATE COURSE ON INSTITUTIONAL RISK ASSESSMENT (IRA) AND TRANSACTION MONITORING™	Seminar (Face to Face)
DESAMITO	DINAH	REYES	June 21, 2024	AML INTERMEDIATE COURSE ON INSTITUTIONAL RISK ASSESSMENT (IRA) AND TRANSACTION MONITORING™	Seminar (Face to Face)
AQUINO	MARIA SOCORRO	QUINTO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ANTENORIO	DIANNE	LANDICHO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ASUNCION	MATTHY	FERNANDEZ	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ALVIAR	MARY ANN		3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
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VERGARA	EVELYN	CARBONELL	3/20/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ROSARIO	RIZZA	IMBUIDO	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
DELA CRUZ	CRIS JOHN	RAMOS	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
QUEJADO	LILY	BARTOLOME	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
QUIDEM	PRISCILA	BARROZO	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
RABANAL	LYN	ESPELITA	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
SUMOROY	RACHELLE	JUGO	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom
VALDEZ	GINA	OBILLO	3/21/2024	DATA PRIVACY TRAINING FOR RURAL BANKS	Seminar - Via Zoom



DESAMITO	DINAH	REYES	May 13-14, 2024	POLICIES AND PROCEDURES MANUAL WRITE-SHOP	Seminar (Face to Face)
ANTENORIO	DIANNE	LANDICHO	May 13-14, 2024	POLICIES AND PROCEDURES MANUAL WRITE-SHOP	Seminar (Face to Face)
DE GUZMAN	ANNE	QUINTO	June 4-5, 2024	RBAP's 67th CHARTER ANNIVERSARY SYMPOSIUM	Seminar (Face to Face)
TAMAYO	MARK JOE	PALAYLAY	June 17-21, 2024	BASIC OCCUPATIONAL SAFETY AND HEALTH VOURSE FOR SAFETY OFFICER 2 (SO2)	Seminar - Via Zoom
VERGARA	EVELYN	CARBONEL	June 21, 2024	AML INTERMEDIATE COURSE ON INSTITUTIONAL RISK ASSESSMENT (IRA) AND TRANSACTION MONITORING™	Seminar (Face to Face)
DESAMITO	DINAH	REYES	June 21, 2024	AML INTERMEDIATE COURSE ON INSTITUTIONAL RISK ASSESSMENT (IRA) AND TRANSACTION MONITORING™	Seminar (Face to Face)
AQUINO	MARIA SOCORRO	QUINTO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ANTENORIO	DIANNE	LANDICHO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ASUNCION	MATTHY	FERNANDEZ	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
BALTAZAR	CRESIDA	NARAG	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
BASTO	WILSON	USORIA	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
DELA CRUZ	CRIS JOHN	RAMOS	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
DESAMITO	GLAIZEL	AMISTOSO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
DELOS SANTOS	ROCHELLE	DE VERA	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
FERNANDEZ	ALJO	PATUNGAN	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
FLORES	MONHLLY ABIGAIL	DIZON	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
FRONDA	SUSAN	TADEÑA	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
HILOMEN	JEANE MICHELE	JIMENEZ	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
JUGO	ALBERTO JR.	MALDOS	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
OCA	PAULINE	QUEREMIT	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ORR	SHARMAINE	HULAR	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
PLACIDO	RAQUEL PRISCILA	MESA	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
QUEJADO	LILY	BARTOLOME	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
QUIDEM	PRISCILA	BARROZO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
RABANAL	LYN	ESPELITA	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
SION	HELEN-GRACE	ROSARIO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
SUMOROY	RACHELLE	JUGO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
TAMAYO	MARK JOE	PALAYLAY	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
VALDEZ	GINA	OBILLO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
VALDEZ	NORIELYN	IMBUIDO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
ZAMUDIO	GENER	GENESE	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
BOARD OF DIRECTORS:					
DE GUZMAN	ANNE	QUINTO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
CALIMLIM	DENNIS	NAVARRO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
GUBATAN	GERALD	ZAMUDIO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
SIAPNO	MARK JOSEPH	FELICIANO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
SIAPNO	ROMUALDO PATRICK	FELICIANO	7/11/2024	REFRESHER COURSE AND UPDATES ON AMLA	Seminar - Via Zoom
QUINTO	DEXTER	SERAFICA	8/10/2024	EMPLOYMENT TERMINATION: DO's and DON'T's	Seminar - Via Zoom
DESAMITO	DINAH	REYES	9/2/2024	LOAN CLASSIFICATION AND PROVISIONING	Seminar (Face to Face)
VALDEZ	NORIELYN	IMBUIDO	Oct. 14-15, 2024	RISK-BASED INTERNAL AUDITING	Seminar - Via Zoom
ROSARIO	RIZZA	IMBUIDO	Oct. 23 and 30, 2024	BSP CYBERSECURITY & IT RISK FUNDAMENTALS ROADSHOW 2024	Seminar - Via Zoom
JUGO	ALBERTO JR.	MALDOS	Nov. 12, 2024	CREDIT INVESTIGATION WITH E&S DUE DILIGENCE REPORTING	Seminar - Via Zoom
QUINTO	DEXTER	SERAFICA	Dec. 6, 2024	I-CARE & NCMB AREA-WIDE SEMINAR: FORGING INDUSTRIAL SOCIETY: THE LABOR-	Seminar (Face to Face)
				MANAGEMENT COOPERATION (LMC) AND GRIEVANCE MACHINERY (GM) WAY	
ASUNCION	MATTHY	FERNANDEZ	Dec. 6, 2024	I-CARE & NCMB AREA-WIDE SEMINAR: FORGING INDUSTRIAL SOCIETY: THE LABOR-	Seminar (Face to Face)
				MANAGEMENT COOPERATION (LMC) AND GRIEVANCE MACHINERY (GM) WAY	
ASUNCION	MATTHY	FERNANDEZ	Dec. 16, 2024	2-DAY OCCUPATIONAL FIRST AID TRAINING WITH BASIC LIFE SUPPORT	Face to Face
FLORES	MONHLLY ABIGAIL	DIZON	Dec. 16, 2024	2-DAY OCCUPATIONAL FIRST AID TRAINING WITH BASIC LIFE SUPPORT	Face to Face
PLACIDO	RAQUEL PRISCILA	MESA	Dec. 16, 2024	2-DAY OCCUPATIONAL FIRST AID TRAINING WITH BASIC LIFE SUPPORT	Face to Face
HILOMEN	JEANE MICHELE	JIMENEZ	Dec. 16, 2024	2-DAY OCCUPATIONAL FIRST AID TRAINING WITH BASIC LIFE SUPPORT	Face to Face
DOMES	JOLLIBEE	SAPASAP	Dec. 16, 2024	2-DAY OCCUPATIONAL FIRST AID TRAINING WITH BASIC LIFE SUPPORT	Face to Face
SION	HELEN-GRACE	ROSARIO	Dec. 16, 2024	2-DAY OCCUPATIONAL FIRST AID TRAINING WITH BASIC LIFE SUPPORT	Face to Face



11. PERFORMANCE ASSESSMENT PROGRAM FOR OFFICERS AND EMPLOYEES INCLUDING SENIOR MGMT.

The purpose of this policy is to establish a clear, fair, and structured process for evaluating employee performance to ensure alignment with the bank's goals, support employee growth, and maintain accountability.

The performance appraisal policy supports the bank's performance appraisal scheme. The scheme is a formal process centered on a periodic meeting of each employee and their line manager to discuss his/her work. The purpose of the meeting is to review the previous year's achievements and to set objectives for the following year. These should align individual employees' goals and objectives with the bank's goals and objectives.

This policy applies to all employees of Pangasinan Bank Inc. regardless of position, department, or tenure.

Core Principles of the Appraisal Policy

1. The appraisal process aims to enhance organizational effectiveness by cultivating a motivated, competent, and efficient workforce.
2. Appraisal is a continuous process, complemented by an annual formal review to evaluate progress and recalibrate objectives.
3. Appraisal discussions are two-way, ensuring the needs of both the employee and the organization are addressed.
4. The annual review establishes a Personal Development Plan (PDP) to support individual and organizational growth.
5. All regular employees who have completed their probationary period are required to participate in the appraisal process.
6. The appraisal process identifies individual development needs, aligned with the objectives of the Training and Development Policy.
7. Employees and appraisers will receive adequate training to ensure effective participation in the appraisal process.
8. Data from appraisals will assist in workforce planning, including succession planning.
9. The appraisal process adheres to fairness and equity as outlined in the organization's Equality Policy.

Roles and Responsibilities

- a. Immediate Head/Supervisors
 - Conduct evaluations objectively.
 - Provide constructive feedback.
 - Identify areas for improvement and recommend development plans.
- b. Employees
 - Participate actively in evaluation discussions.
 - Implement feedback and action plans to improve performance.



- c. HR Department
 - Facilitate the evaluation process.
 - Ensure compliance with policies and maintain records.

Performance Appraisal Implementation

1. Annual Reviews. Formal appraisals are conducted annually within a designated four-week period. Supplemental mid-year reviews and informal check-ins are encouraged to provide continuous feedback.
2. Confidentiality. Discussions and appraisal records are confidential, with training needs shared with HR for action.
3. Preparation. Appraisers should be familiar with the employee's work and ensure all necessary documents are shared at least one week prior to the discussion.
4. Appraisal Discussion. This includes:
 - Reviewing past achievements.
 - Discussing areas for improvement.
 - Setting objectives and a PDP for the upcoming year.
5. Documentation. Both appraiser and appraisee must sign completed forms, with employees given space for self-assessment and comments.

Training and Monitoring

1. Senior management will oversee the appraisal process and ensure that appraisers and appraisees are adequately trained.
2. Training needs identified during appraisals will be addressed promptly by HR.
3. Regular monitoring will ensure adherence to the policy and support ongoing employee development.

Evaluation Components and Weight Distribution

1. **Quality (20%)**
 - a. Work is accurate and precise.
 - b. Work substantive and with content
 - c. Displays thoroughness and completeness in work
 - d. Completes work on time according to instructions with minimal error
2. **Productivity (20%)**
 - a. Significant amount of work completed
 - b. Proper time management in work accomplishment
 - c. Proper organization of performance of responsibilities.
3. **Job Knowledge/Skills (10%)**
 - a. Displays adequate skills /expertise in the performance of the job



- b. Uses proper procedures.
- c. Uses proper methods and tools.
- d. Performs work without much supervision/instructions.
- e. Able to follow verbal and/or written instructions.
- f. Has practical/technical knowledge to perform job.
- g. Good judgment and decision-making.
- h. Good problem solver.

4. Dependability (10%)

- a. Completes tasks efficiently within required time frames.
- b. Has initiative to do tasks without prompting.
- c. Can be trusted with all assigned tasks even those other than regular functions
- d. Does the best according to ability and within minimum job standards.

5. Attitude Towards the Company (5%)

- a. Keeps company's confidential information and/or safeguards the company's assets; actively promotes company's image and interests
- b. Shows concern to promote the company
- c. Good team worker, always willing to help or do the work
- d. Cooperates, shows work interest and takes pride in the work
- e. Punctuality and dependability; ensures timely attendance and respects schedules to maintain team efficiency and uphold the company's professional image.

6. Initiative/Creativity (5%)

- a. Assumes additional responsibilities when needed.
- b. Determines what must be done without being told.
- c. Makes suggestions on better ways of getting work done
- d. Identifies & corrects errors during the work process
- e. Finds ways to improve processes and ways of doing things

7. Teamwork/Adaptability (10%)

- a. Works well with supervisors, peers & subordinates.
- b. Sets an example with a positive and supportive attitude
- c. Communicates well with coworkers and supervisors.
- d. Promotes teamwork in the work place.
- e. Ability to adopt to changes.

8. Policy Compliance/Customer Service (5%)

- a. Adheres to all company policies and regulations.
- b. Responsive and courteous to internal/external client inquiries.
- c. Establishes positive relations inter/intra departmentally.
- d. Proactive in attending and other external requirements to BSP, external auditor, and other third-party requirements.



9. SSF/ESMRS Compliance (15%)

- a. Compliance to all Board approved objectives, standards, and policies to mitigate and manage Environmental and Social Risks
- b. Active participation in all client and community awareness and learnings on E&S risk mitigation, as well as encouraging client participation in related projects/activities
- c. Active cooperation in all bank activities and projects involving environment/natural resource preservation/protection and upholding of social responsibilities
- d. Carry on efficiently and effectively one's functions related to ESR mitigation, as indicated in the SFF and ESMRS of the Bank.

Evaluation Guidelines

1. Performance Metrics

Each criterion will be assessed using specific sub-items outlined in the evaluation form. Supervisors will rate employees based on their adherence to standards, behaviors, and outputs.

2. Scoring System

Employees are rated on a scale (e.g., 1–5), with 5 being the highest level of performance. Ratings should be supported by objective evidence, such as work output, attendance logs, and observable behaviors.

3. Tardiness Assessment

For the “Dependability” and “Attitude Towards the Company” criteria, tardiness is factored into the ratings per evaluation period:

- 0–30 minutes of total tardiness: **Rating 5**
- 31–60 minutes: **Rating 4**
- 61–120 minutes: **Rating 3**
- 121–240 minutes: **Rating 2**
- Over 240 minutes: **Rating 1**

Consideration will be given to valid justifications for tardiness, as documented by the employee and verified by the supervisor.

4. Supervisor and Employee Feedback

Each section of the evaluation includes a space for supervisors to provide specific comments and recommendations. Employees are encouraged to review the evaluation and provide their comments.

5. Final Score Calculation

The weighted scores for each criterion will be totaled to derive the employee's overall performance score.



Action Plans for Underperformance

In cases of underperformance, a Performance Improvement Plan should be implemented:

- Identify specific areas where performance is lacking, such as missed deadlines or errors.
- Establish measurable and realistic goals for improvement within a set timeframe (e.g., 3 months).
- Provide training, mentorship, or additional resources as needed to help the employee succeed.
- Schedule bi-weekly or monthly check-ins to review progress and address challenges.
- Offer constructive feedback during review sessions and adjust the plan as necessary.
- After the improvement period, conduct a final evaluation to determine if the employee has met the outlined goals.

Confidentiality and Transparency

Evaluation results are confidential and will only be shared with relevant parties for developmental or administrative purposes. Employees have the right to access their evaluations upon request.

Review and Effectivity

- This policy shall be subject to periodic review by the HR Department and recommendations to improve the policy shall be submitted to Management for deliberation and approval.
- This policy may be revoked, suspended or modified by the President or by his duly authorized representative as the exigencies of the prevailing situation may require.
- This policy shall take effect on the first day of the month following its dissemination and shall rescind Performance Appraisal Policy RES.NO.116-2017 issued on (DATE) provided that all amendments indicated herein shall be deemed to take effect upon approval of this policy as amended.
- This policy shall be considered acknowledged and in effect for all employees after a one-month period from its publication by e-mail. During this time, employees are encouraged to seek clarification, or address any concerns related to this policy with their respective team leaders or department heads, or the HR department. After the one-month publication period, the policy shall be fully enforceable.

The performance appraisal policy supports the performance appraisal scheme. The scheme is a formal process centered on an annual meeting of each employee and their line manager to discuss his/her work. The purpose of the meeting is to review the previous year's achievements and to set objectives for the following year. These should align individual employees' goals and objectives with organizational goals and objectives.



Core Principles of the Appraisal Policy

1. The appraisal process aims to improve the effectiveness of the organization by contributing to achieving a well-motivated and competent workforce.
2. Appraisal is an ongoing process with an annual formal meeting to review progress.
3. The appraisal discussion is a two-way communication exercise to ensure that both the needs of the individual, and of the organization are being met, and will be met in the next year.
4. The appraisal discussion will review the previous year's achievement, and will set an agreed Personal Development Plan for the coming year for each member of staff.
5. All directly employed employees who have completed their probationary period is required to participate in the appraisal process.
6. The appraisal process will be used to identify the individual's development needs and support the objectives of the Training and Development Policy.
7. All staff will receive appraisal training as an appraisee, and where appropriate as an appraiser.
8. The appraisal process will provide management with valuable data to assist succession planning.
9. The appraisal process will be a fair and equitable process in line with our Equality Policy.

Performance Appraisal Implementation

Performance appraisal discussions will be held over a designated 4-week period on an annual basis (usually conducted during the anniversary date or date of hiring of every employee). They will be arranged by the appraisee's line manager. Line managers are encouraged to provide the opportunity for a supplemental 6-month verbal appraisal review, mid-year and other informal reviews as necessary throughout the year.

The discussion will be held in private. Information gained during the appraisal will be shared only with senior management. The exception is training needs that will be provided to the HR / administration for action. Confidentiality of appraisal will be respected.

The appraiser (usually the employee's line manager) will be expected to have successfully completed appraiser training, and to be familiar with the appraisee's work. All appraisal documents should be issued to both parties prior to the discussion, in order to allow time for both parties to reflect and prepare. These will provide a framework and focus for the discussion.

A time and venue for the discussion will be advised at least one week before the meeting takes place.

The Appraisal Discussion



The appraisal discussion will allow an opportunity for both the appraisee, and the appraiser to reflect and comment on the previous year's achievements. It will praise achievement and encourage the appraisee in his/her role.

The appraiser is accountable for giving the employee constructive, timely and honest appraisals of their performance, which should take into account both the goals of the organization and of the individual.

The discussion should be a positive dialogue, and will focus on assisting the appraisee to acquire the relevant knowledge, skills and competencies to perform his/her current role to the best of his/her abilities.

The appropriate forms will be completed and signed by both parties. The appraisee will be given the opportunity to note any comments that he/she does not agree with and complete a self-assessment.

The appraisee and line manager should agree on a Personal Development plan for the appraisee for the following year. This will reflect the appraisee's aspirations and the organization's requirements, and should align personal and organizational goals. The organization and the line manager will support the individual to achieve these goals during the forthcoming year.

ORIENTATION AND EDUCATION

Any training needs, future training requirements, planned qualifications, development opportunities and career planning should be discussed in the light of the Personal Development Plan.

Training and Monitoring

Senior Management are responsible for the appraisal process, and he/she shall ensure that appraisers and appraisees are adequately equipped and trained to undertake the performance appraisal.

Guidelines and Policies on Position Changes and Salary Grading Process

- Starting salary for new hires without experience shall be the minimum rates.
- Starting salary for new hires with experience, shall take into consideration the factors in the salary review:
 - **Applicant's Experience:** the number of years of previously worked in the industry and relevant functional experience the applicant possess at the time of application.
 - **Applicant's Education:** relevant education, training and /or certifications that at least meet the minimum requirements for the job.
 - **Applicant's Salary History:** the salary history in positions similar to the new position or being considered as progressing towards the new position, may be taken into consideration.
 - **Internal equity:** the skills and background of applicants should be compared to those of internal (department/division) employees performing similar work. Salary equity does not imply that all employees



in similar positions who have similar years of experience and education should be paid the same salary. Recognition of varying levels of skills and performance, for example, will result in differences in salary among employees.

- **Recruitment difficulties:** skills in high demand or hard-to-find areas require additional salary consideration. Factors such as the scarcity of qualified applicants, the number of rejected job offers, and the turnover rate for the position may be considered.

Qualifications for salary increases at mid-point rate.

- a. Employee must have no tardiness beyond the allowable time within a year.
- b. Employee must have no memos pertaining to violations of company policies and rules within 2 years.
- c. Employee must have passed the performance evaluation rate of at least 10 at 2 consecutive **Performance Appraisal Activity**.
- d. Employee must have a positive recommendation from his/her immediate supervisor/manager. (With attached supporting documents to justify the recommendation.)
- e. Employee must have passed the level of audit performance rate of least 30% as per Internal Audit System.

Qualifications for salary increases at maximum rate.

- a. Employee must have no tardiness beyond the allowable time within the previous 2 years.
- b. Employee must have no memos pertaining to violations of company policies and rules within the previous 2 years.
- c. Employee must have passed the performance evaluation rate of at least 10 at 3 consecutive **Performance Appraisal Activity**.
- d. Employee must have a positive recommendation of his/her immediate supervisor/manager. (With attached supporting documents to justify the recommendation.)
- e. Employee must have passed the level of audit performance rate of least 30% as per Internal Audit System within the previous 2 years.

Promotional Process

When an employee moves from a position to another position that is assigned with a higher salary grade, this is considered as promotion.

Qualifications:

- a. He/she must already be on regular status, and full-time employee.
- b. Employee must be in his/her current position for at least 6 months to 2 years consecutively.
- c. Employee must have earned a performance rate of at least 10 during the 2 years period.
- d. Employee must have no tardiness beyond the allowable time within a year.
- e. Employee must meet the required competence and requirements of the new position.
- f. No memos pertaining to company policies/rules violation within the past 2 years.
- g. Employee must have no record of cash overage/shortage within a year. (for



- teller/cashier position).
- h. Employee must have a positive recommendation of his/her immediate supervisor/manager. (With attached supporting documents to justify the recommendation.)
- f. Employee must have passed the level of audit performance rate of least 30% as per Internal Audit System within the previous 2 years.

Lateral transfer

- When an existing employee is competitively selected as the most qualified candidate for an existing vacant position within the same pay grade of their current job level.

Qualifications:

- a. He/she must already be on regular status, and full-time employee.
- b. Employee must be in his/her current position for at least 6 months to 2 years consecutively.
- c. Employee must have earned a performance rate of at least 10 during the 2 years' period
- d. Employee must have no tardiness beyond the allowable time within a year.
- e. Employee must meet the required competence and requirements of the new position.
- f. No memos pertaining to company policies/rules violation within the past 2 years.
- g. Employee must have no record of cash overage/shortage within a year. (for teller/cashier position)
- h. Employee must have passed the level of audit performance rate of least 30% as per Internal Audit System within the previous 2 years.

Voluntary Demotion

When an existing employee applies for and is competitively selected as the most qualified candidate for an existing vacant position within a pay grade lower than their current job. Because the employee voluntarily applied for and accepted a 1-step or lower-graded job, the employee pay level shall be steady. If the employee's current salary aligns with the internal equity of the new pay grade, the employee's salary will not be impacted. If the employee's current salary does not align with the internal equity of the new pay grade, the employee's salary grade for reasons other than performance, such as a department re-structuring, the salary will not be decreased; however, the employee may not be eligible to receive additional pay increases until parity is reached.



12. REMUNERATION AND OTHER INCENTIVES

The board of directors approved a remuneration and other incentives that is appropriate and consistent with the bank's operating and risk culture, long-term business and risk appetite, performance, and control environment. All covered employees are designed to encourage good performance that supports the interest of the bank and its stakeholders. The board of directors or a board level committee shall monitor and review the remuneration and other incentive policy including plans, processes and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended.

The following are the considerations in the remuneration and other incentives given to all covered employees in order to encourage good performance that supports the interest of the bank:

- The remuneration and incentives shall take into account the employee's position, role, responsibilities and activities in the bank. It shall also consider the risks that the employee takes on behalf of the bank. In this regard, it should be sensitive to prospective risks and risk outcomes that have been realized and considers the overall performance of the bank.
- Remuneration and incentive pay-out schedule should be sensitive to the time- horizon of risk. This includes defer payment until risk outcomes are better known or provisions under which remuneration and incentives may be reduced or reversed if new facts emerge showing that the remuneration and incentives paid was based on erroneous assumptions, such as misreporting, or if it is discovered that the employee has failed to comply with internal policies or legal requirements.
- Remuneration of employees in risk functions (i.e. Internal Audit, Compliance and Risk Management Functions) is based on the achievement of their objectives and shall be independent of the business lines which they oversee.

Directors' Fees. Each Director shall receive a fee or per diem for attendance at any meeting of the Board in an amount based on the Corporation Code of the Philippines. However, subject to the approval of the stockholders in determining the amount, the Board shall consider the financial capabilities of the Association, provided, however, that nothing herein contained shall be constructed to preclude any Director from serving in any other capacity and receiving



compensation therefore. The Board shall fix the compensation and other remuneration of any Director who serves in any other official capacity or performs executive functions or any special service of the Corporation. (As amended on August 4, 1979)

13. ORIENTATION AND EDUCATION PROGRAM

EMPLOYEE ORIENTATION PROGRAM

All newly hired employees shall undergo orientation program to be coordinated by HR department.

ACTIVITY

- Company Profile
- Company Vision
- Organizational Chart
- Company Policies and Procedures
- Benefits
- Company Activities

After the orientation, new staff is given a tour of the office premises and is introduced to other staff of the Company.

GENERAL GUIDELINES

Attendance and Training Programs

- No overtime pay shall be allowed even if the seminar extends beyond regular office hours or held on Saturdays, whether inside or outside the office premises.
- An employee who is included in a training program is excused from his scheduled work hours during the duration covered by actual training program. In case of out-of-town seminars or seminar outside the office premises, duration shall also include a reasonable travel time.
- Training programs held outside the workstation is not considered out-of-base official business; hence, the employee is not entitled to per diem and/or meal allowance. However, the employee is entitled to reimbursement of travel expenses to/from training venue and meal expenses.

ELIGIBILITY FOR TRAINING

Any regular employee may be entitled to technical and Company sponsored training along the line of his present job or to some other lines where he will be transferred or promoted. Upon recommendation of his immediate superior or the President or General Manager.



EXPENSES FOR TRAINING

Expenses incurred for travel shall be borne by the Company.

SALARY FOR TRAINING

The employee's salary shall continue to be paid. The absence from work shall not be charged to leave privileges. If the employee is expected to report back to work at a definite day but fails to do so, such absence shall be charged to his vacation leave. Unless he can show good cause for the delay, like non-availability of air transportation due to cancellation of flight, or strike in the airport where he is expected to depart. Should it happen, he should also advise the office of his delay.

TRAINING AGREEMENT

In consideration of the payment by the Company of the cost of the training /seminar, concerned employee shall continue working with Company until the end of the holding period that commences from the completeness of the training course subject to the following:

COST / FEE	HOLDING PERIOD
<i>Php 25,000.00 or less</i>	<i>6 months</i>
<i>Php 50,000.00 or less</i>	<i>12 months</i>
<i>Php 75,000.00 or less</i>	<i>18 months</i>
<i>Php 100,000.00 or less</i>	<i>24 months</i>

In cases where an employee attends consecutive trainings/seminars, the holding period of the initial training/seminar should be completed first before continuing with the holding period of the subsequent training/seminar. Holding periods should not overlap with each other.

In case of voluntary or involuntary termination of employment, concerned employee shall reimburse the Company of the training/seminar cost on a pro-rata basis corresponding to the remaining portion of the holding period. The reimbursement will be deducted from his/her last pay and if there is any deficiency, concerned employee shall pay within 5 days without need of any demand.

REPORT ON TRAINING

An employee who attends the training program approved by the Management is required to submit a report on course and cascade the same within the month after the completion of the seminar. The employee concerned will be in-charge of his/her presentation materials, presentation date, among other things relative to the cascading. The schedule proposed will be subjected to the approval of HR department. A copy of his/her Training materials and Certificate of Attendance shall be submitted to HR which will be filed on the employee's 201 file.



14. RETIREMENT AND SUCCESSION POLICY

Importance of Succession Planning

The Bank considers succession planning as part of its strategic planning on human capital known as talent management. It shall cover the activities and processes throughout the employee life cycle: recruiting and hiring, onboarding, training, professional development, performance management, workforce planning, leadership development, career development, cross-functional work assignments, job leveling, and the employee exit process. When managing internal talents, the Bank will ensure that the right people are moving at the right pace into the right positions at the right time. An effective succession planning strategy, coupled with solid career development programs, will help paint a more promising future for employees and help them focus more on realizing the objectives of the Bank by actively guiding potential successors in their career development. In this way the Bank is assured of continuous loyalty of the employees who would do everything possible to ensure the growth and development of the Bank.

Roles and Responsibilities of the Board

- The board shall approve appropriate hiring and selection policies and processes, adopt a continuing professional development program, and institutionalize a framework for continuing assessment of fitness and propriety of employees.
- Ensure that all branches/units have adequate resources, including personnel complement;
- Oversee implementation of a sound succession planning program by creating and promoting an organizational culture that places high priority on business continuity. This shall include providing sufficient financial and human resources associated with the Bank's business continuity initiatives.

Roles of the Senior Management

- Translate the approved succession plan into specific policies and processes covering all businesses and functions of the Bank. Said policies should be clearly documented, approved by the board of directors and communicated to personnel at all levels.
- Oversee the implementation of the program in close coordination with the Human Resource Head.

Role of the Human Resource Head

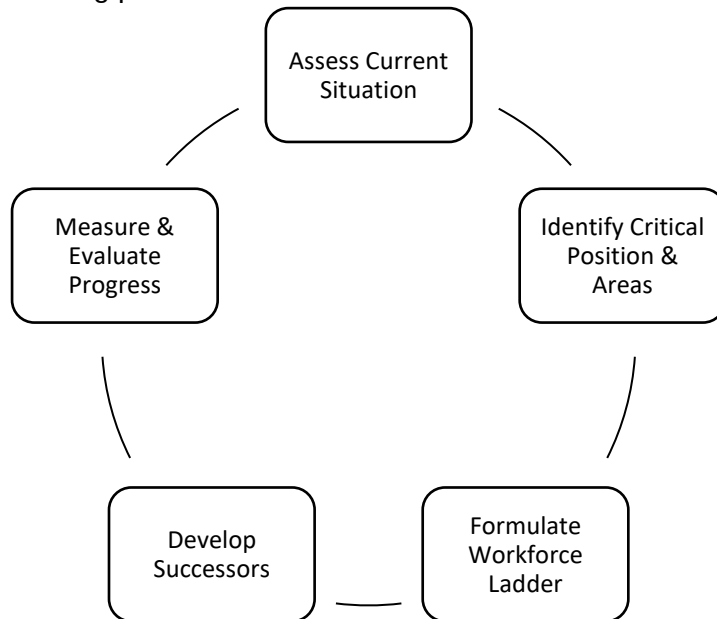
- The Human Resource Head shall assist the Board and the Management in fulfilling the oversight responsibilities in the areas of recruitment, manpower planning, personnel development, performance appraisal, remuneration and other key human resource issues.



- Implements policies and procedures as approved by the Board in achieving the objectives covered by the succession plan.

Succession Planning Process

In general, the following shall be the major steps in implementing the bank's Succession Planning process:



Assessing Current Situation

In this step, the HR meets with the Succession Planning Committee and the Unit Leaders once a year to assess current and future business directions and challenges which will have an impact on the current workforce. They shall evaluate current talents in line with the company's strategic directions.

Tools: Talent Review Report

Identifying Critical Positions

In this step, the Unit Head identifies areas that need to be prioritized using the **Critical Positions & Areas Identification Worksheet**.

Critical Positions

- a. A highly specialized position that cannot be filled up readily;
- b. Position is not rank determined but need to be tracked to ensure pipeline;
- c. A position, if left vacant, can negatively impact business continuity and operations, market confidence & shareholders' value.



Critical Areas

An area in the organization that has the highest number of Critical Positions and therefore considered as vulnerable.

Formulate Workforce Ladder

Identifies and classifies positions needed as follows:

a. Readily Available

Talents in current workforce who possess the required competencies are identified.

b. Further Growth

Talents that may be moved either vertically, horizontally or even diagonally to develop them and to address a need

c. “Buy” / Hire Externally

Start “buying”/ hiring externally. This indicates that internally, there are no talents identified to take on a particular position.

Identifying and Nominating Potential Successors.

The incumbent leader is responsible in ensuring succession by nominating qualified successors for their own position as well as assess and develop these successors according to the required leadership and functional competencies as captured in the Job Profile.

HR meets with each of the leaders once a year (every October) to assist them during the nomination process.

HR consolidates the nominations and puts it together in a succession table. All nominated successors are presented to the President and the Board for approval prior to presentation to the Succession Committee.

The President holds a discussion with the incumbent leader to set expectations for talent development and establish the basis for performance ratings in this area. The nomination and development of successors forms part of the incumbent officer's performance rating. An unsatisfactory rating in succession management may have a direct impact on compensation, particularly on the productivity or discretionary bonus.

Incumbent leaders must review and update their Job Profiles annually to produce a clear list of leadership and functional competencies required for the job. Unit heads must also review the Job Profiles of their team annually and add leadership and functional competencies that will be required for the role in the future.



Review of Job Profiles

Incumbent leaders must review and update their Job Profiles annually to produce a clear list of leadership and functional competencies required for the job.

The President and HR must also review the Job Profiles of the different units annually and add leadership and functional competencies that will be required for the role in the future.

Development of Successors.

Identified competency gaps for potential successors should be incorporated and addressed in the successors' **Individual Development Plan (IDP)**.

Successors may come from various sources across the bank and is not restricted to talents who are directly reporting to the incumbent leader, or to those who belong to the incumbent's department.

Incumbents are encouraged to graze openly across the company and check other functional units when identifying potential successors. Once a strong successor is clearly identified for a position, HR advises the direct team leader of the person. The direct team leader advises the successor that he is being considered for possible replacement of a particular position, in order for the talent to seek out development opportunities according to the Self-Driven Career Development. However, it must be clearly stated that nothing is definite and that the actual replacement will only materialize depending on the efforts they make to develop themselves and the readiness level for the role when the time comes.

In cases where the successor comes from a different functional unit, the incumbent leader shall be responsible for the assessment and approval of the IDP of his or her successor. The incumbent leader must also collaborate with the direct team leaders of these identified successors regarding their development plans, in order for both of them to provide support.

The incumbent leader is also responsible for providing a budget allocation for their successors' IDP programs.

Measure & Evaluate Progress

HR and Unit Heads shall keep track of the development of the identified potential successors.

A Leadership Review shall be conducted annually by the Succession Planning Committee.



Succession Planning Committee

The Succession Planning Committee shall be composed of the President, General Manager, and HR Head.

The Succession Planning Committee shall meet regularly at least once a year to conduct a Leadership Review to evaluate the Departmental Talent Succession Plan, check the status of the leadership pipeline, and progress of the talent development programs.

The potential successor for the President and General Manager positions shall be taken at the Board level which shall serve as the Succession Planning Committee.

Creation of Functional Pool

In line with the global best practice of pool-based succession, each department is tasked to form a functional pool of successors with the intention of creating a wider selection of potential successors and building a stronger and a deeper bench of second liners. It is also a way to develop up-and-coming high-potential talent in both leadership and functional expertise.

HR will provide the framework and the methodology for building the functional pools. Functional pools will form part of the regular succession reviews.

SHOULD BE SKILLS AND COMPETENCIES OF PGNBK STAFF TO QUALIFY AS THE SUCCESOR OF IDENTIFIED POSITION For the Year 2024

I. Position:

Identified Successor:

Tenure in the Bank:

Loans Bookkeeper

Teller or Clerk

6-12 Months (The Employee should render 6-12 months service in the bank to qualified for the position of the Loan Bookkeeper)

Skills and Competencies:

1. Should be computer literate preferably with knowledge in: Excel, Word, PowerPoint, and Web Loan of the Byte per Byte system;
2. Knows how to interact with people;
3. Knowledge in basic bookkeeping and accounting;
4. Good communication skills;
5. Proven working experience in lending;
6. Solid understanding of lending products and practices of PGNBK;
7. Trainings required:
 - AMLA Seminar
 - Signature Verification, Bank Fraud and Forgery Detection Seminar
 - Customer Service Excellence Training



- Effective Business Communication Training
- 8. Preferable position held during the tenure from 6-12 mos: Teller or Audit Assistant.
- 9. Bachelor's degree preferably in:
 - > Accountancy
 - > Finance
 - > Marketing
 - > Business Administration
 - > Any Bachelor's degree relevant to the job.

II. Position:

Identified Successor:

Tenure in the Bank:

Loan Processing Officer (LPO)

Loan Bookkeeper

6-12 Months (The Employee should render 6-12 months service in the bank to qualified for the position of the Loans Processing Officer)

Skills and Competencies:

1. Should be computer literate preferably with knowledge in: Excel, Word, PowerPoint,
2. Knows how to interact with people;
3. Knowledge in basic appraisal;
4. Know how to drive a motorcycle or four wheeled vehicles;
5. Good communication skills;
6. Proven working experience in lending;
7. Solid understanding of lending products and practices of PGNBK;
8. Trainings required:
 - AMLA seminar
 - Signature Verification, Bank Fraud and Forgery Detection Seminar;
 - Financial Statement Analysis
 - Credit and Collection Seminar
 - Comprehensive Property Appraisal Seminar
 - Credit Investigation Seminar
 - Sound Credit Functional Framework Training
 - Customer Service Excellence Training
 - Credit Risk Rating Provisioning and Loan Pricing Training
 - Credit Analysis & Loan Packaging Seminar
 - Effective Business Communication Training
9. Preferable positions held during the tenure from 6-12 months are: Teller or Loans Bookkeeper;
10. Bachelor's degree preferably in:
 - > Accountancy
 - > Finance
 - > Marketing
 - > Business Administration
 - > Any Bachelor's degree relevant to the job.



III. Position:

Identified Successor:

Tenure in the Bank:

Loan Appraiser

Loan Processing Officer or Bookkeeper

2 yrs. & Above (The Employee should render 2 years and above service in the bank to qualified for the position of the Loans Appraiser)

Skills and Competencies:

1. Should be computer literate preferably with knowledge in: Excel, Word, PowerPoint,
2. Knows how to interact with people;
3. Knowledge in basic appraisal;
4. Know how to drive a motorcycle or four wheeled vehicles;
5. Good communication skills;
6. Proven working experience in lending;
7. Solid understanding of lending products and practices of PGNBK;
8. Trainings required:
 - AMLA seminar
 - Credit and Collection Seminar
 - Signature Verification, Bank Fraud and Forgery Detection Seminar;
 - Financial Statement Analysis
 - Credit and Collection Seminar
 - Comprehensive Property Appraisal Seminar
 - Credit Investigation Seminar
 - Sound Credit Functional Framework Training
 - Customer Service Excellence Training
 - Credit Risk Rating Provisioning and Loan Pricing Training
 - Credit Analysis & Loan Packaging Seminar
 - Effective Business Communication Training
9. Preferable positions held during the tenure from 2 years and above are: Teller, Loans Bookkeeper, Loans Processing Officer
10. Bachelor's degree preferably in:
 - > Engineering related courses
 - > Any Bachelor's degree relevant to the job

IV. Position:

Identified Successor:

Tenure in the Bank:

Accounting Head

Bookkeeper

1 yr. & Above (The Employee should render 1 year and above service in the bank to qualified for the position of the Accounting Head)

Skills and Competencies:

1. Should be computer literate preferably with knowledge in: Excel, Word, PowerPoint, and GLNet Byte per Byte system;



2. Knowledgeable in tillering and accounting;
3. Knows how to interact with people;
4. Good communication skills;
5. Trainings required:
 - AMLA seminar
 - Financial Statement Analysis
 - Customer Service Excellence Training
 - Credit Risk Rating Provisioning and Loan Pricing Training
 - Credit Analysis & Loan Packaging Seminar
 - Effective Business Communication Training
6. Preferable positions held during the tenure from 6-12 months are: Teller, Loans Bookkeeper, Audit Assistant
7. Bachelor's degree preferably in:
 - > Accountancy
 - > Finance
 - > Business Administrative
 - > Any Bachelor's degree relevant to the job

V. Position:

Cashier

Identified Successor:

Teller

Tenure in the Bank:

3 yrs. & Above (The Employee should render 3 years and above service in the bank to qualified for the position of the Cashier)

Skills and Competencies:

1. Should be computer literate preferably with knowledge in: Excel, Word, PowerPoint, and SavePlus of the Byte per Byte system;
2. Knowledgeable in tellering and accounting;
3. Knows how to detect counterfeit money vs. genuine bills and coins
4. Knows how to interact with people;
5. Knowledge in basic Bookkeeping and Accounting;
6. Good communication skills;
7. Trainings required:
 - AMLA seminar
 - Signature Verification, Bank Fraud and Forgery Detection Seminar
 - Basic Course in Cashiering Seminar
 - Customer Service Excellence Training
 - Effective Business Communication Training
8. Preferable positions held during the tenure from 3 years and above are: Teller, Loans Bookkeeper, Loan Processing Officer, Audit Assistant
9. Bachelor's degree preferably in:
 - > Accountancy
 - > Finance
 - > Marketing
 - > Business Administrative
 - > Any Bachelor's degree relevant to the job



SHOULD BE SKILLS AND COMPETENCIES OF PGNBK OFFICERS TO QUALIFY AS THE SUCCESSOR OF IDENTIFIED POSITION For the Year 2024

I. Position:	Operations/Branch Manager
Identified Successor:	Cashier or Accountant
Tenure in the Bank:	7 years above (The Employee should render 7 years above service in the bank to qualified for the position of the Manager)

Skills and Competencies:

1. Negotiation skills;
2. Have experience in underwriting, assessing and approving leveraged lending transactions and understanding;
3. Have in-depth knowledge of lending products;
4. Numerical skill; Eye for detail; Time management and organization skill;
5. Computer skill; Communication skill; Business awareness, Integrity;
6. Resilience and Adaptability;
7. Business Management & Leadership Skills;
8. Communication and Interpersonal Skills;
9. Strategic Thinking and Planning Skills;
10. Good problem-solving skills;
11. Ability to effectively manage time and resources;
12. Trainings required:
 - AMLA Seminar
 - Business Continuity Management Training
 - Key Risk Indicators & Scorecard Training
 - Effective Budgeting and forecasting
 - Strengthening Internal Control System in Rural Banks
 - Sound Credit Functional Framework Training
 - Customer Service Excellence Training
 - Credit and Collection Seminar
 - Financial Statement Analysis
 - Risk Based Methodology Seminar
 - Bank Security and Protection Program
 - Credit Analysis & Loan Packaging Seminar
 - Effective Business Communication Training
 - Credit Scoring & Credit loss estimation course
13. Preferable position held during the tenure for seven (7) years: Cashier or Accountant.
14. Bachelor's degree preferably in:
 - > Accountancy
 - > Finance
 - > Marketing
 - > Business Administration
 - > Any Bachelor's degree relevant to the job.



II. Position: **Human Resource Head**
Identified Successor: **Manager/Accountant/Other Senior Officer subject to Board Approval**

Tenure in the Bank: **5 year above** (The Employee should render 5 years above service in the bank to qualified for the position of the Human Resource Head)

Skills and Competencies:

1. Negotiation skills;
2. Numerical Skills, Eye for detail; Time management and organization skills;
3. Computer skill and Communication skill;
4. Resilience and Adaptability;
5. Leadership skill;
6. Human Capital Development Skill;
7. Strategic Thinking and Planning Skill;
8. Workplace Culture and Development Skill;
9. Good problem solving;
10. Computer Literate;
11. Trainings required:
 - o AMLA seminar
 - o Branding your Rural Bank through the HR Perspective
 - o Strategic Human Resource Management
12. Preferable positions held during the tenure five (5) yrs. above are: Manager/Accountant/Other Senior Officer;
13. Bachelor's degree preferably in:
 - > Business Administrative
 - > Human Resource Management
 - > Any Bachelor's degree relevant to the job.

III. Position: **Chief Accounting Head**
Identified Successor: **Manager/Accountant/Senior Officers**
Tenure in the Bank: **5 yrs. & Above** (The Employee should render 5 years and above service in the bank to qualified for the position of the Chief Accounting Head)

Skills and Competencies:

1. Proven work experience as Credit Manager, Credit Analyst or similar role;
2. Hands-on experience with Byte per Byte system;
3. Excellent analytical skills, with the ability to create and process financial



- spreadsheets;
4. In depth knowledge of lending products of the bank;
 5. Numerical skill; Eye for detail; Time management and organizational skill;
 6. Computer skill; Communication Skill; Business awareness, Integrity;
 7. Resilience and Adaptability;
 8. Critical thinking, problem solving and critical analysis such as reviewing interpreting and evaluating financial data, business systems and operational data and controls;
 9. Business Management & Leadership Skills;
 10. Strategic Thinking & Planning Skills;
 11. Good problem-solving skills;
 12. Ability to effectively manage time and resources;
 13. Preferable positions held during the tenure from 5 years and above are: Teller, Accountant, Cashier, Manager
 14. Trainings required:
 - AMLA seminar
 - Business Continuity Management Training
 - Effective Budgeting and Forecasting
 - Strengthening Internal Control System
 - Auditing Seminar
 - Cash Flow Statement Training
 - Financial Statement Analysis
 - Training on Prudential Reporting
 - Advance Supervisory Development Program
 - Effective Business Communication Training
 15. Bachelor's degree preferably in:
 - > Accountancy
 - > Finance
 - > Marketing
 - > Business Administration
 - > Any Bachelor's degree relevant to the job

IV. Position:

Identified Successor:

Tenure in the Bank:

Credit Head

Manager/Senior Loan Officer

5 yrs. & Above (The Employee should render 5 years and above service in the bank to qualified for the position of the Credit Head)

Skills and Competencies:

1. Proven work experience as Credit Manager, Credit Analyst or similar role;
2. Solid understanding of lending products of the bank;
3. Excellent analytical skills, with the ability to create and process financial



- spreadsheets;
4. Good communication skills or negotiation skills;
 5. Have a comprehensive understanding of credit risk management rules; regulatory ratings and regulatory examination process and practices; ratings and regulatory examination process and practices;
 6. Have experience in underwriting, assessing and approving leveraged lending transactions;
 7. Have in-depth knowledge of lending products;
 8. Numerical Skills; Eye for detail; Time management and organization skill;
 9. Computer skill; Business awareness and Integrity;
 10. Resilience and adaptability;
 11. Critical thinking, problem solving and critical analysis such as reviewing Interpreting and evaluating financial data, business systems and operational data and controls;
 12. Business Management & Leadership Skills;
 13. Strategic Thinking & Planning Skills;
 14. Good problem-solving skills;
 15. Trainings required:
 - AMLA seminar
 - Stressed Asset Mgmt. & Recovery Training
 - Key Risk Indicators & Scorecard Training
 - Effective Budgeting and Forecasting
 - Sound Credit Functional Framework Training
 - Customer Service Excellence Training
 - Cash Flow Statement Training
 - Credit and Collection Seminar
 - Financial Statement Analysis
 - Risk Based Methodology Seminar
 - Risk Management Basic Course
 - Remedial Management Seminar
 - Credit Analysis & Loan Packaging Seminar
 - Credit Scoring and Credit Loss Estimation Course
 - Risk Based Lending
 16. Preferable positions held during the tenure from 5 years above are: Manager, Loans Bookkeeper, Loans Processing Officer
 17. Bachelor's degree preferably in:
 - > Accountancy
 - > Finance
 - > Marketing
 - > Business Administration
 - > Any Bachelor's degree relevant to the job

V. Position:

Identified Successor:

Tenure in the Bank:

Property Management Head

Manager/Senior Loan Officer

5 yrs. & Above (The Employee should render 5 years and above service in the



bank to qualified for the position of the
Credit Head

Skills and Competencies:

1. Proven work experience as Property Management Head or similar role;
2. Good communication skills or negotiation skills;
3. Numerical Skills; Eye for detail; Time management and organization skill;
4. Computer skill; Business awareness and Integrity;
5. Resilience and adoptability;
6. Critical thinking, problem solving and critical analysis such as reviewing Interpreting and evaluating financial data, business systems and operational data and controls;
7. Business Management & Leadership Skills;
8. Strategic Thinking & Planning Skills;
9. Good problem-solving skills;
10. Trainings required:
 - AMLA seminar
 - Stressed Asset Mgmt. & Recovery Training
 - Customer Service Excellence Training
 - Cash Flow Statement Training
 - Credit and Collection Seminar
 - Financial Statement Analysis
 - Risk Based Methodology Seminar
 - Risk Management Basic Course
 - Remedial Management Seminar
11. Preferable positions held during the tenure from 5 years above are:
Manager, Loans Bookkeeper, Loans Processing Officer
12. Bachelor's degree preferably in:
 - > Accountancy
 - > Finance
 - > Marketing
 - > Business Administration
 - > Any Bachelor's degree relevant to the job

**SHOULD BE SKILLS AND COMPETENCIES OF PGNBK
SENIOR MANAGEMENT
TO QUALIFY AS THE SUCCESOR OF IDENTIFIED POSITION
For the Year 2024**

I. Position:	Treasurer
Identified Successor:	Manager, Cashier or Accountant
Tenure in the Bank:	5 years above (The Employee should render 5 years above service in the bank to qualified for the position of the Treasurer)



Skills and Competencies:

1. Have an excellent and thorough understanding of the business;
2. Have skills and human qualities which allow him/her to advise, train and raise awareness among bank staff on the significance of business ethics a compliance;
3. Must show dedication and allegiance to the bank and its policies and procedure;
4. Must prove that they can be relied on to show up to work on time, to attend to their duties in a professional way, and to uphold the standards the bank sets for itself;
5. Excellent verbal and written communications;
6. Solid presentation skills and ability to explain complex processes to an audience;
7. Strong administrative skills;
8. Excellent organization and time management;
9. Problem solving skills;
10. Keeping abreast with regulatory changes and industry standards;
11. Have an orderly mind and methodical way of thinking;
12. Have experience in dealing with large sums of money and budgets;
13. Have an eye for detail;
14. Trainings required:
 - AMLA Seminar
 - Strengthening Internal Control System
 - Cash Flow Statement Training
 - Stressed Asset Management & Recovery Training
 - Risk Management Basic Course
15. Preferable position held during the tenure for five (5) years: Manager,
16. Cashier or Accountant
17. Bachelor's degree preferably in:
 - > Accountancy
 - > Business Administration
 - > Any Bachelor's degree relevant to the job.

II. Position:

Identified Successor:

Tenure in the Bank:

Internal Auditor

Asst. IA/Accountant/Manager

5 years above (The Employee should render 5 years above service in the bank to qualified for the position of the Internal Auditor)

Skills and Competencies:

1. Have an excellent and thorough understanding of the business;
2. Have skills and human qualities which allow him/her to advise, train and raise awareness among bank staff on the significance of business ethics



- and compliance;
3. Must show dedication and allegiance to the bank and its policies and procedures;
 4. Must prove that they can be relied on to show up to work on time;
 5. Excellent verbal and written communication;
 6. Solid presentation skills and ability to explain complex processes to an audience;
 7. Expert in financial management and persistent business will to succeed;
 8. Meticulous attention to detail;
 9. Excellent organization and time management;
 10. Ability to take initiative;
 11. Computer and interpersonal skills;
 12. Discretion and diplomacy;
 13. Must show dedication and allegiance to the Bank and its policies and procedures;
 14. Ability to promote the value of internal audit among key employees within the organization;
 15. Keep abreast with regulatory changes and industry standards;
 16. Knowledge in auditing, internal audit standards, fraud awareness and professional ethical standards;
 17. Have an orderly mind and methodical way of thinking;
 18. Trainings required:
 - AMLA seminar
 - Strengthening Internal Control System
 - Sound Credit Functional Framework Training
 - Cash Flow Statement Training
 - Risk Based Methodology Seminar
 - Credit Risk Rating Provisioning & Loan Pricing Training
 - Seminar on the conduct of Internal Audit
 - Internal Audit Training
 19. Preferable positions held during the tenure five (5) yrs. above are:
Asst. Internal Auditor/Manager/Accountant/Other Senior Officer;
 20. Bachelor's degree preferably in:
 - > Accountancy
 - > Business Administration
 - > Any Bachelor's degree relevant to the job.

III. Position:

Identified Successor:

Tenure in the Bank:

Compliance Officer

Internal Auditor/Manager/Accountant

5 yrs. & Above (The Employee should render 5 years and above service in the bank to qualified for the position of the Compliance Officer)



Skills and Competencies:

1. Have an excellent and thorough understanding of the business;
2. Have skills and human qualities which allow him/her to advice, train and raise awareness among bank staff on the significance of business ethics and compliance;
3. Must show dedication and allegiance to the bank and its policies and procedures;
4. Must prove that they can be relied on to show up to work on time;
5. Excellent verbal and written communication;
6. Solid presentation skills and ability to explain complex processes to an audience;
7. Expert in financial management and persistent business will to succeed;
8. Meticulous attention to detail;
9. Excellent organization and time management;
10. Ability to take initiative;
11. Computer and interpersonal skills;
12. Discretion and diplomacy;
13. Must show dedication and allegiance to the Bank and its policies and procedures;
14. Ability to promote the value of internal audit among key employees within the organization;
15. Keep abreast with regulatory changes and industry standards;
16. Knowledge in auditing, internal audit standards, fraud awareness and professional ethical standards;
17. Have an orderly mind and methodical way of thinking;
18. Trainings required:
 - AMLA seminar
 - Seminar on Risk-Based Compliance Program
 - Business Continuity Management Training
 - Basic Corporate Governance Training
 - Strengthening Internal Control System
 - Risk-Based Methodology Seminar
 - Credit Risk-Rating Provisioning & Loan Pricing Training
 - Advance Supervisory Development Program
 - Seminar workshop in the conduct of Internal Audit Engagement
 - Risk Management Basic Course
 - Compliance Officers Development Training
 - Bank Security and Protection Program
 - Strategic Marketing for Banks
 - SFAR Rating Analysis
 - Risk Based Compliance Program
 - Compliance Officers Development Training
19. Preferable positions held during the tenure from 5 years above are:
Manager, Accountant, Internal Auditor,
20. Bachelor's degree preferably in:



- > Accountancy
- > Business Administration
- > Finance
- > Any Bachelor's degree relevant to the job

IV. Position:	Corporate Secretary
Identified Successor:	Stockholder/Senior Officer
Tenure in the Bank:	5 yrs. & Above (The Employee should render 5 years and above service in the bank to qualified for the position of the Corporate Secretary)

Skills and Competencies:

1. Must show dedication and allegiance to the bank and its policies and procedure;
2. Must prove that they can be relied on to show up to work on time, to attend to their duties in a professional way, and to uphold the standards the bank sets for itself;
3. Excellent verbal and written communication;
4. Expert in financial management and persistent business will to succeed;
5. Strong administrative and aptitude skills;
6. Have experience in underwriting, assessing and approving leveraged lending transactions;
7. Meticulous attention to detail;
8. Interpersonal and Influencing skills;
9. Excellent organization and time management;
10. Ability to take initiative;
11. Have an excellent and thorough understanding of the business;
12. Must show dedication and allegiance to the Bank and its policies and procedures;
13. Must prove that they can be relied on to show up to work on time, to attend to their duties in a professional way, and to uphold the the standards the bank sets for itself;
14. Communication skills, including oral communication, report writing and presentation skills;
15. Trainings required:
 - AMLA seminar
 - Business Continuity Management Training
 - Basic Corporate Governance Training
 - Sound Credit Functional Framework Training
 - Advance Supervisory Development Program
 - Customer Service Excellence Training
16. Preferable positions held during the tenure from 5 years above are:
Manager, Credit Head, Accountant



17. Bachelor's degree preferably in:
- > Accountancy
 - > Business Administrative
 - > Business Law
 - > Any Bachelor's degree relevant to the job

V. Position:	General Manager
Identified Successor:	Manager/Senior Loan Officer
Tenure in the Bank:	5 yrs. & Above (The Employee should render 5 years and above service in the bank to qualified for the position of the General Manager)

Skills and Competencies:

1. AMLA Seminar;
2. Have skills and human qualities which allow him/her to advice, train and raise awareness among bank staff on the significance of business ethics and compliance;
3. Must show dedication and allegiance to the bank and its policies and procedures;
4. Must prove that they can be relied on to show up to work on time, to attend to their duties in a professional way, and to uphold the standards standards the bank sets for itself;
5. Excellent verbal and written communication including report writing and presentation skills;
6. Solid presentation skills and ability to explain complex processes to an audience;
7. Expert in financial management and persistent business will to succeed;
8. Planning and managing the company's performance;
9. Manage operations and processes within the budget;
10. Strong administrative skills and an aptitude for using bank software;
11. Interpersonal and influencing skills;
12. Excellent organization and time management;
13. Ability to take initiative;
14. Have an excellent and thorough understanding of the business;
15. Problem solving skills;
16. Ability to promote the value of internal audit among key employees within the organization;
17. Keeping abreast with regulatory changes and industry standards;
18. Knowledge in auditing, internal audit standards, fraud awareness and professional ethical standards;
19. Knowledge in enterprise risk management;
20. Other competencies such as: organizational skills, change management skill, critical thinking, teamwork, and conflict



resolution and negotiation skills;

21. Trainings required:

- AMLA seminar
- Stressed Asset Mgmt. & Recovery Training
- Business Continuity Management Training
- Basic Corporate Governance Training
- Strengthening Internal Control System in Rural Bank's
- Sound Credit Functional Framework Training
- Cash Flow Framework Training
- Risk-Based Methodology Seminar
- Credit Risk-Rating Provisioning & Loan Pricing Training
- Advanced Supervisory Development Program
- Risk Management Basic Course
- Bank Security and Protection Program
- Strategic Marketing for Banks
- Remedial Management Seminar
- SFAR Rating Analysis

22. Preferable positions held during the tenure from 5 years above are:
Compliance Officer, Internal Auditor, Manager, Credit Head

23. Bachelor's degree preferably in:

- > Accountancy
- > Finance
- > Marketing
- > Business Administration
- > Any Bachelor's degree relevant to the job



15. POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

A. Policies and Guidelines

1. Related party transactions shall be allowed provided that these comply with applicable regulatory limits/requirements and dealings are conducted at arm's length basis. Said transactions shall only be made and entered into, substantially on terms and conditions not less favorable than those with other customers of comparable risks.
2. Related party transactions shall require the approval from the Board of Directors.
3. All approved related party transactions shall be reported by the Chief Compliance Officer (CCO) to the Audit Committee and to the Bangko Sentral ng Pilipinas (BSP) quarterly, as required under BSP Circular 895. Such transaction shall also be ratified and approved by the stockholders in the Annual Stockholders' Meeting.
4. If an actual or potential conflict of interest arises on the part of a director, officer or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process relating to the transaction.

Any member of the Board who has an interest in the transaction under discussion shall not participate therein and shall abstain from voting on the approval of the transaction.

Reportorial/Disclosure Requirements

- a. As explained in BSP Memorandum No. M-2012-032, transactions concerning deposit operations are excluded from the reporting requirement on related party transactions under BSP Circular No. 895.
- b. Also, lease and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transaction by the board of directors.
- c. In case the related parties involved in the transactions are both supervised by the BSP, only the lessor, in case of lease contract, or the party engaging/requesting for the services of the other financial institution, in case of other contracts, shall submit the report.
- d. Necessary disclosures shall be made also in the Notes to the Financial Statements of the Annual Report. At a minimum, the disclosures shall include:

- (i) the amount of the transactions;



- (ii) the amount of outstanding balances and their terms and conditions, including whether they are secured, and the nature

of the consideration to be provided in settlement, and details of any guarantees given or received;

- (iii) provisions for doubtful debts related to the amount of outstanding balances;
- (iv) the expense recognized during the period in respect of bad or doubtful debts due from related parties.

- 5. The following transactions shall **not** be deemed related party transactions for purposes of this policy/guidelines:

- a. Executive Officer and Director compensation arrangements;
- b. Transaction concerning deposit operations
- c. Transaction where the rates or charges involved in the transaction is determined by competitive bids or fixed by law or regulated by a governmental authority
- d. Transactions available to all employees in general, such as: deposit transactions and borrowings covered under the bank's financial assistance program approved by BSP.

B. Procedures

- 1. All Directors and Officers shall submit to the Compliance Officer a filled up Related Party Transaction Information Statement Questionnaire on the following instances:
 - At the beginning of term of the newly appointed/elected Director or Officer.
 - At the beginning of the calendar year for all incumbents.
 - Upon discovery of the unreported related party transactions.The Questionnaire shall be accomplished as part of the responsibility of Directors and Officers to disclose related party transactions. It shall include commitment to disclose proposed transactions that the director/officer or their related party will undertake with Pangasinan Bank, Inc.
- 2. Based on the Information Statement Questionnaire, the Compliance Officer shall submit/ elevate to the Board of Directors for ratification/approval.
- 3. A related party transaction shall be approved by the vote of the majority of the directors who are not related parties to the transaction. All credit and non-credit Related Party Transactions go through the normal approval processes of the bank after due consideration to existing DOSRI regulations and SB limits of the MORB.
- 4. The Chief Compliance Officer (CCO) shall prepare a quarterly report of all related party transactions to the Audit Committee for the latter's information. Said committee shall be provided with all pertinent documents and material facts that support the transaction.
- 5. On a quarterly basis, the CCO shall also submit the required report to BSP using the existing report format.
- 6. If a related party transaction would be ongoing, the Board of Directors shall periodically review and assess ongoing relationships with related parties to determine and ensure compliance with the all the regulatory requirements.



7. No director may engage in any Board or Committee discussion or approval of any
8. related party transaction in which he or she is a related party. However, such director must provide to the Board or Committee all material information reasonably requested concerning the transaction.
9. Consistent with corporate values and code of conduct observed by Pangasinan Bank, Inc., it shall encourage all personnel to report confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable Related Party Transaction's.
10. In the event of a Related Party Transaction turning sour or becoming a problem transaction, the Bank shall collect the difference between the interest rate granted and the normal/regular rate of the transaction and also all the other waived charges extended to the related party/ies, who abuse the exceptional dealing given.

C. Roles of Senior Management and Assessment Function

1. The senior management shall implement appropriate controls to effectively manage and monitor Related Party Transactions on a per transaction and aggregate basis.
2. They shall also monitor exposures to related parties on an ongoing basis to ensure compliance with the bank's policy and Bangko Sentral regulations.
3. The Internal Audit Committee shall conduct a periodic formal review of the effectiveness of bank's system and internal control governing related party transactions to assess consistency with the board-approved policies and procedures.
4. The Compliance Dept. shall ensure that the bank complies with relevant rules and regulations and is informed of regulatory developments in area affecting related parties.
5. The Compliance Dept. shall aid in the review of the bank's transactions and identify any potential related party transaction that would require review by the Board.
6. The Compliance Dept. shall ensure that the related party transaction policy is kept updated and is properly implemented throughout the bank.

16. SELF-ASSESSMENT FUNCTION:

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of the internal audit of the Bank consist but not limited to the following:

- To determine whether controls over financial and operating data provide Bank management with reasonable assurance that the financial and operating data is accurate and reliable (i.e., that information gathering and reporting has been properly planned, organized and directed);
- To determine whether controls over compliance with BSP and Bank's internal policies, procedures, plans, laws and regulations provide Bank Management and the Board of



Directors with reasonable assurance that proper compliance actually occurs (i.e., that compliance activities have been properly planned, organized and directed);

- To determine whether internal control system over assets provide Bank Management and the Board of Directors with reasonable assurance that assets exist and are protected against loss that could result from theft, fire, improper or illegal activities, or exposure to the elements (i.e., that activities associated with asset acquisition, recording, storage, insurance cover, use and disposal have been properly planned, organized and directed);
- To determine whether internal control system over operations provide Bank Management and Board of Directors with reasonable assurance that resources are used efficiently and economically (i.e., that the Bank is doing things the best way). The objective then, is to determine whether operating standards have been established for measuring economy and efficiency (i.e., that activities have been properly planned); and whether operating standards are understood and are being met; whether deviations from operating standards or budgets are identified, analyzed and communicated to those responsible for corrective action and whether effective, corrective action has been taken (in summary, whether activities have been properly directed); and
- To determine whether controls over operations and programs provide Management and Board of Directors with reasonable assurance that the operations and programs are being carried out as planned, and that the results of operations are consistent with established goals and objectives (i.e., whether activities have been planned, organized and directed so that the organization does the right things), i.e., that the audit objectives and goals established by Bank Management are adequate and have been effectively articulated and communicated; whether the desired level of results is being achieved; whether factors that inhibit satisfactory performance and results are identified, evaluated, and controlled; whether management has considered alternative courses of action to achieve desired results; whether an operation or program complements, duplicates, overlaps or conflicts with other operations or programs; whether controls for measuring and reporting the accomplishment of objectives and goals are adequate; and whether an operation or program is in compliance with applicable policies, procedures, plans, laws and regulations.

IDENTIFICATION OF AUDIT AREAS

Check and review of the different bank-related risks depending whether the risks are applicable to the branch/unit such as:

The Financial Risk Audit – This type of audit verifies that controls over acquisition and use of resources are adequate. It also verifies that sufficient control exists over assets, liabilities, revenues, and expenditures. They address the accounting and reporting of financial transactions, including commitments, authorizations, and receipt and disbursement of funds. The aim of which is to assess the reliability of the accounting system and information of resulting financial report.



Financial risk audit is composed of the following:

Types of Risk	Definition	Assertions and Activities
Credit Risk	-Risks arising from the borrower's failure to honor to pay his obligations (interest and/or loan principal) on due date.	Compliance to management policies and procedures, BSP and other regulatory agencies' issuances and directives, proper documentation and classification and compliance with internal control standards and risk management system.
Liquidity Risk	-Refers to the risk of failure of the bank to execute business plans, objectives and medium to long-term goals.	Compliance to submitted business plan, strategic implementation, reporting, monitoring and review. Assessment and evaluation of the marketing plan, its policies and procedures and its effectiveness in risk management.
Market/Interest Risk	-Is the probability of a decline in the value of an asset resulting from unexpected fluctuations in interest rates. -The risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institution's over-all portfolio. Market risk arises from market-making, dealings and position-taking in an interest rate, foreign exchange, and equity and commodities market.	Assessment and evaluation of the marketing plan, its policies and procedures and its effectiveness in risk management.

Non-Financial Risks – events or actions, other than financial transactions, that can negatively impact the operations or assets of a company. These include the following risks:

Types of Risk	Definition	Assertions and Activities
Operational Risk	-The risk that may arise as a result of weakness in organizational structure, poor oversight function of the board of directors and senior management, defective personnel recruitment/ selection criteria, weak internal control system, inadequate internal and external audit coverage and deficient management information system.	Assessment of the quality and appropriateness of policies and procedures, to analyze the organizational structures such as people, equipment, process and information technology systems, and to evaluate the adequacy of the methods and resources, in relation to the assignment.
Information Technology Risk	-Risk about the hardware, software, system interfaces, data system users, system and data criticality and sensitivity which will affect management information, reporting and monitoring.	Reviewing the governance (control) of information and communications technologies (computer). To examine the effectiveness of their technical and procedural controls to minimize risks.
Anti-Money Laundering	-Risks which lead to the layering or integration into the banking system any funds obtain from illegal sources. It is also the failure to detect or prevent the funding of terrorist plan and activities.	Review and assess the bank's policies on customer identification, storage, and reporting systems.



Corporate Governance	-The risk that the board will not perform their mandated functions and responsibilities, violates regulations, laws and internal policies and regulations. -The risk that may arise as a result of weakness in organizational structure, poor oversight function of the board of directors and senior management, defective personnel recruitment/ selection criteria, weak internal control system, inadequate internal and external audit coverage and deficient management information system. Such risk may affect the capital and earnings of the bank.	Review and assessment on the performance of the board and senior officers of the Bank.
Compliance Risk	-Risk to earnings or capital arising from violations of, or non-compliance with laws, rules and regulations, prescribed practices, or ethical standards. This risk exposes the bank to fines, monetary penalties, payment of damages, and suspension of authorities or violating of contracts.	To assess the quality of appropriateness of the established systems, policies and procedures to ensure compliance with laws, regulations, policies and procedures.
Environment and Social Risk Management	-Potential negative consequences to the Bank that results from its impact (or perceived impacts) on the natural environment (i.e., air, water, soil) or communities of people (i.e., employees, clients, local residents).	To assess the risks of harm to human health or the environment and identify areas for improvement to reduce their environmental and social impact. To assess the Bank's compliance with environmental and social regulations, reducing the risk of fines and penalties.

AUDIT APPROACH

The Internal Audit will consist of interviews with key employees, review of documents, inspections, data analysis, review of accounting entries and the usage of applicable audit tools. A random as well as statistical sampling approach shall be employed in the conduct of examination. Direct confirmation of deposit and/or loan balances from sample-sized clients, thru mailed Auditor's inquiry letters will also be applied. The audit will consist of the components described below. The phases are listed in sequential order and should provide an overview of the sequencing of the proposed engagement.

MOBILIZATION PHASE

The Internal Auditor will:

- Require all units a list of schedules and relevant documents and materials that will support the fieldwork prior to the audit visit.
- Develop and have the audited branches and units undergo an initial interview with some officers and staff that are expected to assist during the performance of the audit.



- Develop an audit program to guide activities during the course of the audit. The audit program guide shall include a list of the controls that would be reviewed along with a defined approach for understanding the design of the control and how it would be tested to determine if it is operating effectively.

IDENTIFICATION AND PRIORITIZATION OF AUDITING RISK UNIVERSE/AREAS

Determine and categorize the audit universe. Prioritize the branches/units to be audited based on risk level of the most recent audit results.

High Risk	-	First Priority
Medium Risk	-	Second in priority, for audit after high-risk business units
Low Risk	-	Last priority, semester or at later dates

LIST OF REQUIREMENTS

The Internal Auditor/Audit Department shall require the audit requirements in the conduct of its audit activities.

It shall be the responsibility of the Bank Management to provide its records to the Internal Auditor to accomplish its scope or coverage of the audit. Such requirements shall not be limited to schedules, reports, minutes of meetings, documents, among others subject to the limitations set on this Plan.

MAN DAYS ALLOCATION

Man-day allocation is an important part of planning and scheduling purposes. It involves the process of assigning tasks, responsibilities, and resources to staff within the department. By allocating man-days, the IAD can set realistic schedules and determine the resources needed for the successful completion of tasks.

DEVELOPING AUDIT PROGRAM AND SCHEDULE

Develop an audit program to guide activities during the course of this audit. The audit program guide shall include a list of the controls that would be reviewed along with a defined approach for understanding the design of the control and how it would be tested to determine if it was operating effectively. **(SEE ANNEX A)**

PLANNED SCHEDULE

The internal audit examinations for the year 2025 shall start on the 3rd week of January and will end on the 1st week of December, except for those periods where the Internal Auditor/Staff will be needed during the regular BSP and External examinations where assistance is needed. This does not include the allowed vacation, sick and emergency leaves of internal auditor and staff, thus audit schedule will be adjusted accordingly. The remaining weeks of December 2025 shall be devoted for the preparation of the next year's



audit plan and program.

PROJECTED BUDGET COST AND EXPENSES

Aside from the regular salaries of the Internal Auditor and Audit Assistant, the Internal Audit Plan for this year is expected to incur cost and expenses.

For audit of branches, the IAD shall request thru the Audit Committee the use of the service car, if available, otherwise the audit team shall commute from/to head office and branches. For units confined in the Head Office, no expected costs, expenses or utilization of other assets are needed.

EXECUTION PHASE

Once the audit program has been finalized, and the appropriate resources have been identified, fieldwork will proceed in accordance with the audit plan. The IAD will expect results from the execution of the detailed Audit Program and utilization of working papers that will support the results from the detailed Audit Program.

REPORTING PHASE

- **General Audit Examination** – is the review of all areas of operations of the branch/department.
- 1. **Audit Draft/Initial Audit Report** - As the audit progresses, the Internal Auditor/Staff shall provide a draft report containing the initial findings and observations in one or more risk areas. The branch/unit will be expected to respond quickly as possible. The IA team will compile all draft reports of the audited branch/unit management within the specified days to come up with preliminary audit report. Complied and regularized deficiencies need not to be replied in the preliminary audit report.
- 2. **Preliminary Audit Report** - This includes the audit recommendation on how to effectively address the findings/violations among others. A period of **minimum of 15 days** and a **maximum of 25 days** depending on the total number of accounts on loans and deposits will be provided to the branch/unit, within which to reply and make some corrections, if needed. A timeline to address the deficiencies, findings and observation must be included in the reply.
- 3. **Final Audit Report** – After receiving the response(s) to the Preliminary Audit Report, the Internal Auditor shall prepare a Final Audit Report (FAR). From the FAR matrix, the Internal Auditor shall objectively assess each response as to whether each audit deficiency/violation/observation has been addressed properly by indicating the word “Accepted or Complied” or “Not Acceptable or Not Complied.”

The Internal Auditor will then prepare a Memorandum Report addressed to the Audit Committee highlighting the material finding, violations and observations particularly



items which are marked “Not Acceptable or Not Complied” in an annex supporting the Memo Report.

4. **Spot Audit Report** – The follow up audit of at least two (2) sections of the branch/department that provided the major exceptions and/or that caused the highest number of internal control and procedure deficiencies. The Internal Auditor/Staff shall prepare the audit report based on the remaining findings/exceptions not complied/regularized by the branch/department for the spot audit done and would be the basis for the imposition of penalty for the repetitious/recurring violations.

- **Special Audit Examination** – review of area/s in the branch/department with allegations/reported incidence of fraud, irregularities, illegal acts and other similar events.

Special Audit Report – The internal auditor will prepare an appropriate report upon conclusion of the investigation on the area/s of allegations, which will be submitted to the Audit Committee and Senior Management for proper action to be taken. Results of special audit will be taken separately from the general audit examination; files shall be kept/ maintained to the conclusion of the matter or per Record Retention Policy.

MANNER OF RISK ASSESSMENT, RISK LEVELS AND AUDIT RATING

The Internal Auditor will conduct annually risk assessment and determine the risk level of each risk area/category on a per risk universe manner after the end of audit year. Such assessment shall be part of the final audit report to be submitted to the Audit Committee.

Based on the information provided by each branch/unit during the initial conversation, combined with the understanding about the branch/unit operation, the IA will formulate risk considerations that are relevant to the Bank’s operation. The goal is to incorporate these risk considerations in the audit program being developed in the Mobilization Phase of the internal audit.

The risks shall be evaluated as to their efficiency and Bank Management is expected to follow the process below:

1. Identifying the risk
2. Develop strategies and procedures to prioritize risk
3. Design policies to mitigate risk
4. Implement policies and assign responsibilities
5. Test effectiveness and monitor results
6. Revise ineffective policies

The results of the assessment shall be the basis of the prioritization in the next audit engagement. The Internal Audit Rating shall also be issued to each business unit and



the bank as a whole. The audit rating of each branch/unit shall be in accordance with the Bank's adopted rating system. This is an improvement from previous audits whereby the levels of risk assessment is issued on the bank as a whole.

Based on the risk points and risk level identified through the result of the risk assessment conducted, branch operations, admin departments, and units with an above acceptable risk rating based on the initial audit report and an overall low risk level will be exempted from a one-year general audit examination and spot audit examination. The general audit examination will be conducted a year thereafter.

Determining the frequency of internal audit activities will depend on the perceived need for the audit and the size and complexity of the department. The frequency of internal audit activities will depend on the criticality of each transaction and the perceived need to audit it, but all processes should be formally audited at least once during a 2-year audit cycle.

Risk criteria considered in determining the risk level and frequency of testing of each audit activities include impact on banking operations, likelihood of event to happen and the actions to be undertaken by the Audit Committee/Senior Management. Audit

scope activities which are identified as high risk will be audited semi-annually, medium risk activities will be conducted annually, while low risk audit activities will be audited at least once in every two years. [\(SEE ANEX D\)](#)

1. DIRECT CONFIRMATION

During the audit period, the Internal Auditor shall conduct direct confirmation of the outstanding balance of the borrowers by sending letters of confirmation. Negative results of the direct confirmation shall be known to the Audit Committee, if there is any.

2. MONITORING PROCESS AND ADMINISTRATION

Follow-up and feedback of compliance and regularization of the audit findings shall be monitored by the Internal Auditor. The Internal Auditor shall confer with the auditee (business unit/branch) and conduct monitoring activities of the audit status during the start of the new audit period or engagement contract whichever comes first for any unresolved audit issues and concerns. It is expected that the operation management to respond immediately to all outstanding audit findings.

A monitoring report on the status of the audit finding/exception/observation shall be forwarded to the Audit Committee, which in turn, shall report to the Board of Directors.

Any unresponded or audit findings with unsatisfactory audit responses in the previous audit period shall be given higher demerit ratings.



MANNER OF COMMUNICATIONS

Branch/unit responses are important elements of the internal audit. Through regular meetings and ongoing communication with each branch/unit management, we will establish a relationship of openness through which we can discuss significant audit findings, recommendations for improving internal controls or operations, ultimately develop solutions to the issues.

It is our policy to discuss our findings and recommendations with the concerned branch/unit prior to issuance of each audit report so that we can verify factual accuracy. The final audit report will only include findings and recommendations considered significant. Other matters will be communicated throughout the engagement and during the regular meetings and fieldwork.

In case of fraud discovery, the same process will be done only that the Audit Committee and Senior Management shall be given advance information from time-to-time.

START AND END OF AUDIT PERIOD

The start and projected end of the Internal Audit shall be determined upon approval of the Audit Plan by the Board of Directors. This shall be manifested in the submitted Audit Program.

COMPLIANCE FUNCTION

A bank compliance program is the method that the Bank uses to abide by all applicable regulations, rules and laws. **Pangasinan Bank (A Rural Bank), Inc.** is responsible for developing a sound and safe compliance program that takes into account the risks involved for the protection of the bank's clients, reputation, employees and overall business efforts. The Bank appoints Compliance Officer in order to develop compliance policies and procedures, monitor and test programs, train employees, render advice, report results and handle the general management of the compliance department.

Introduction

Bank's Compliance System is designed to specifically identify and mitigate business risks which may erode the franchise value of the bank. Business risks refers to conditions which may be detrimental to a bank's business model and its ability to generate returns from operations, which in turn erodes its franchise value. Combining business risk with the financial risks arising from the use of borrowed funds generates total corporate risk of the bank. Business risks shall include, but not limited to, the following:

- a. Risks to reputation that arise from internal decisions that may damage a bank's market standing;



- b. Risks to reputation that arise from business actions, decisions and practices that ultimately will influence on the public's trust of a bank;
- c. Risks from the actions of a bank that are contrary to existing regulations and identified best practices and reflect weaknesses in the implementation of codes of conduct and standards of good practice;
- d. Legal risks to the extent that changes in the interpretation or provisions of regulations directly affect a bank's business model.

Objectives of the Compliance Program

A. Address the Bank's business activities and consequent risks –

- 1. Emphasize that bank personnel have an important role in complying with regulations. E. g. Bank's Code of Conduct
- 2. Banking laws, rules and regulations should serve as established compliance standards (benchmark) to be followed by personnel.
- 3. Specific individual(s) belonging to Senior Management who shall be in-charge of the overall responsibility to oversee compliance

B. Give emphasis to education and training

- 1. Personnel whose jobs could have a material impact on compliance risks should be adequately educated and trained.
- 2. The Bank, through its training office, should take steps to communicate effectively its standards and procedures on AML, corporate governance and the code of conduct by requiring participation in training programs or issuing publications that explain in a practical manner what is required of them.
- 3. Periodic testing and self-assessment exercises should go hand-in-hand with training to determine the level of knowledge & understanding on banking laws, rules and regulations.
- 4. A culture of knowledge-sharing among bank personnel by freely communicating compliance concerns in regular meetings should be encouraged.

Corporate Policy

Following is the corporate policy framework relative to the installation and adoption of the Compliance System:

- 1. Compliance is not merely the function of the Compliance Officer but is a matter of concern of all directors, officers and personnel. **It is the direct responsibility of each manager and a personal responsibility of each staff.**
- 2. It is essential that each director, officer and staff comply with the spirit as well as set policies and procedures.
- 3. Compliance is to be regarded as a means of enhancing profitability within the



4. limitation of regulatory requirements and good business practice.

Training

The compliance department must provide all employees of the bank with adequate and effective training concerning all policies and procedures of the bank. Each employee must be tested for comprehensive understanding. Some policy and procedures testing, such as concerning the "Bank Secrecy Act", "Money Laundering Act." and the "Know-Your- Client Policy" must occur on an annual basis.

Providing Advice

During the course of any business day, many compliance questions arise from the employees of other departments within the bank. The compliance department is in-charge with the responsibility of giving advice concerning all questions of compliance control and application.

Reporting

The compliance officer must provide reports to other areas of the bank concerning the results of compliance reviews and training. They must also report changes in laws that result in policy amendments and new policies developed in accordance with new legislation. All changes to the compliance program of the bank must be cleared through and approved by the board of directors.

Management

The compliance officer should manage the compliance staff under his control in order to provide for adequate coverage of all compliance program functions including the goal of safety and soundness

I – STATUS OF COMPLIANCE FUNCTION

The compliance function has a formal status within the Bank. It is established by a Compliance Charter duly approved by the Board of Directors on Aug. 31, 2021 through Board Resolution No. 090-2021. It defines the compliance functions' standing, authority and independence, and addresses the following issues:

- a. measures to ensure the independence of the compliance function from the business activities of the bank;
- b. the organizational structure and responsibilities of the unit or department administering the compliance program;
- c. the relationship of the compliance unit/department with other functions or units of the organization, including the delineation of responsibilities and lines of cooperation;
- d. its right to obtain/have full access to information necessary to carry out its
- e. responsibilities;
- f. its right to conduct investigations of possible breaches of the compliance policy;



- g. its formal reporting relationships to senior management, the Board of Directors, and the appropriate board-level Committee.
- h. its right of direct access to the Board of Directors and to the appropriate Board-Level- Committee.

II- BASIC ELEMENTS OF COMPLIANCE SYSTEM

A. The Compliance Program was duly approved by the Board of Directors and noted through its Board Resolution No. 091-2021, dated Aug. 31, 2021, embodied therein are the following:

1. Risks program covers financial risks that arise from the balance sheet exposures of the bank. The Internal audit program, on the other hand, shall review on ex-post basis whether prescribed guidelines of the bank were followed in administering transactions, handling procedures, making decisions, and undertaking related activities.
2. The Bank ensures that compliance and internal audit department is provided with necessary staff to carry out its function, taking into consideration the size and complexity of the operations of the Bank.

Banking by its nature entails taking a wide array of risks. Risks are exposure to possible loss or inquiry that may affect capital and earnings. Nearly all transactions entered into by a rural bank involves risks. However, risk may also arise from bank's inaction or failure to comply with relevant laws, rules, and regulations issued by regulatory/supervisory bodies. The success of a rural bank is largely dependent on the ability of its directors and officers to prudently manage

these risks. Risk management involves identification, measuring, controlling and reporting risks and disclosing possible consequences. The normal risks in daily operations which may result in loss to earnings and capital are the following:

Credit risks – arising from the borrower's failure to pay interest and/or loan principal at maturity date.

Liquidity risks – arising from the failure to meet maturing obligations due to mismatch in cash flows and incidence of high past due loans which may put pressure on the bank's liquidity position.

Market and Investment risks – arising from the possible decline in the value of acquired assets and investments in equities and debt instruments.

Interest rate risk – risk arising from mismatches of the timing which interest rates on assets and liabilities can be changed.

Operations risks – arising as a result of weakness in organizational structure, poor oversight functions of the Board of Directors and Senior Management, faulty hiring



policies, weak internal control system, inadequate internal and external audit coverage and deficient/inadequate management information system.

Legal risks – arising as a result of unenforceable contracts, lawsuits or adverse judgment.

Reputation risks – arising from negative/adverse public opinion.

Compliance risks – this type of risk has not been given much attention, perhaps because they are difficult to estimate, quantify and provide for in advance. Compliance risk arises from failure to comply with relevant rules and regulations issued by regulatory and/or supervisory bodies and due to unsound banking practices. The risk exposes the bank and its directors and officers to fines, monetary penalties and administrative sanctions.

3. An appropriate organizational structure was put in place to manage the compliance function and execute the approved compliance program. The compliance function is manned by full-time officer/staff either embedded in operating departments, or in a department of its own.
4. In addition to the organizational structure, the duties and responsibilities of the Compliance Officer and other personnel involved in the compliance function must be defined explicitly.

COMPLIANCE FUNCTION

- it is the bank's discipline to stay compliant with regulations on a going-concern basis that is essential to what makes it a bank.

INTERNAL AUDIT FUNCTION

- an essential counter-checking is provided by the internal audit function. Its importance is highlighted by the fact that governance principles require it to be a board-level responsibility. As the bank's conscience and counter-check, this function must be internalized and institutionalized within the workflow of any bank.

B. A constructive working relationship between the bank and BSP

The Bank through its Compliance Officer, may consult with the BSP for clarifications on specific provisions of related laws and regulations. Similarly, BSP may initiate a dialogue with the bank to discuss the compliance program of the bank and its records of implementation of the same.

The Bank is enjoined to discuss clarifications of pertinent laws and regulations with other appropriate agencies that issue market regulations and/or tax guidelines.

C. Clear and open communication lines within the bank to educate and address



compliance matters

Officers and staff shall be trained in the normal course of bank operations with respect to the compliance program of the bank and the identified business risks. The processes for imparting to bank personnel for the necessary appreciation of the bank's compliance culture shall form part of the Compliance Manual.

III – COMPLIANCE OFFICER

- a. The Compliance Officer should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on the bank's operations.
- b. The Compliance Officer should be up-to-date with the development in laws, rules and standards, maintained through continuous training.
- c. The Bank has appointed a full-time Compliance Officer to manage the compliance program. Given the importance of the compliance function, the Compliance Officer is a senior officer functionally reporting to the bank's board-level Audit Committee. Such appointment/designation shall require prior approval of the Monetary Board. The Compliance Officer's qualifications shall be subject to the provisions of the MORB enumerating the qualifications of bank officers, particularly putting consideration to "fit and proper criteria" such as integrity/probity, competence, education, diligence and experience/training.
- d. The Compliance Officer shall oversee the identification and management of the bank's compliance risk and shall supervise the compliance function staff.

IV – DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Aside from the duties and responsibilities of the Board of Directors mentioned under Sec. 132, the Board of Directors shall ensure that a compliance program is defined for the bank and that compliance issues are resolved expeditiously. For this purpose, the board-level Audit Committee, shall oversee the compliance program.

The Board of Directors shall ensure that the bank personnel adhere to the pre-defined compliance standard of the bank. Implementation of the compliance program rests

collectively with senior management, of which the Compliance Officer is the lead operating officer on compliance. Senior management, through the Compliance Officer,

should periodically report to the board-level Audit Committee matters that affect the design and implementation of the compliance program. Any changes, updates and amendments to the compliance program must be approved by the board-level Audit Committee. However, any material breaches of the compliance program shall be reported to and promptly addressed by the Compliance Officer within the mechanisms



defined by the compliance manual.

V. COMPLIANCE ISSUES

In order to ensure compliance with laws and regulatory issuance in the daily operations of the bank, the following shall be observed:

- A. Each department/branch shall be furnished a list of laws, rules and regulations applicable to all their transactions which shall be observed by its officers and staff. A summary of the provisions of laws, rules and regulations relevant to banking is shown in **ANNEX A – (Regulatory Compliance Matrix Monitoring- to be performed quarterly).**

1. Banking Laws
2. BSP Circulars
3. Corporation Code
4. Bureau of Internal Revenue
5. Securities and Exchange Commission
6. Local Government Code
7. Philippine Deposit Insurance Corp.
8. Department of Labor and Employment
9. Social Security System
10. Department of Justice
11. Officer Orders/Memoranda

- B. A list of reports required to be submitted to the BSP and other regulatory agencies shall be furnished each department/branch. Each department/branch responsible for the preparations/submission of such reports shall be identified. Each department/branch shall maintain a logbook containing information when each

report is due and when such report was actually submitted to the regulatory body. Evidence of receipt of reports by the appropriate regulatory office shall be kept on file at all times. A list of required reports to be submitted to BSP is shown in **ANNEX B - (BSP Reportorial Requirements Monitoring-to be performed quarterly).**

- C. To determine compliance of banks with prescribed internal control standards, a

- D. suggested set of **Internal Control Questionnaires** is attached as **ANNEX C-to be performed annually.**

- E. A set of **Questionnaire on Deposit Practices** is also suggested to determine compliance of banks with deposit practices attached **ANNEX D-to be performed annually.**



- F. In order to ascertain compliance with policies and procedures on **Related Party Transactions**, a questionnaire as **ANNEX E-to be performed annually**, is also attached.
- G. **Assessment Checklist** as **ANNEX F- to be performed annually** in every Department/Branch Unit to find out if manual of operations policies and procedures are performed as such.
- H. To monitor compliance with the **Record Keeping of Bank Deposits on Regular Savings Deposit (RSD)**, attached as **ANNEX G** the Assessment Monitoring **to be perform annually**.
- I. To monitor compliance with the **Record Keeping of Bank Deposits on Special Savings Deposit (SSD)**, attached as **ANNEX H** the Assessment Monitoring **to be perform annually**.
- J. To monitor compliance with AMLA, **Covered and Suspicious Transactions Monitoring**, attached as **ANNEX I to be performed quarterly**
- K. **To monitor compliance with the DOSRI (Directors, Officers, Stockholders and Related Interest) of bank.**

The reports of the Compliance Officer on the results of the compliance testing shall be submitted to the President together with his recommendations. The compliance rating of each department/branch shall be based among others, on the number of violations, amount involved and persistence in committing the violations. The level of risks are as follows:

Negligible	-	No effect on the Bank
Low	-	Possibility of losses is minimal
Moderate	-	Risk of losses is manageable
High	-	Exposure to losses are very definite and imminent.

The Compliance rating shall be considered as one of the bases for promotions, awards and other incentives that may be granted by the bank as well as for disciplinary actions.

The compliance risk rating of each department/branch be considered in determining the frequency and scope of the succeeding compliance review to be performed. Initially, the compliance audit shall be conducted quarterly. Thereafter, the audit of a department rated “low” may be reduced to once a year, those rated “moderate” shall continue to be audited quarterly, while those rated “high” shall be audited at least monthly.

- L. The president shall inform in writing, the Heads of each department/branch subject



of the report of the details of the violations noted and shall require the department head/branch manager to correct the violations immediately and to submit written reports on the action taken on the violations noted and the status of the corrective actions taken. Whenever necessary, meetings/discussion between the Compliance Officer, the Department Head/Branch Manager shall be held.

Such meetings shall be supported by minutes of the discussion and commitments made by the department head/branch manager to correct the exceptions noted.

- M. The President shall submit periodic reports, at least quarterly to the Board of Directors on violations noted by the compliance officer, the actions taken by the officer concerned to correct said violations and appropriate recommendations to prevent repetition thereof.

VI. RISK ASSESSMENT AND TESTING

1. The Compliance Officer in coordination with the Internal Auditor or the Bank President shall establish a monitoring and assessment process, a checklist of regulations, to ensure that all directors, officers and staff of the bank are familiar with the compliance program.
2. Once the Compliance program is in place, a periodic compliance review/monitoring and assessment of each department/branch on a regular basis shall be enforced.
3. The internal and external auditors of the bank shall be required to inform the Compliance Officer of any violation of laws, rules and regulations noted in their audit work.

Reports on the monitoring and assessment shall be prepared and submitted to the President/Chief Operating Officer to documents findings, issues, concerns and remedial/corrective measures taken. The reports must be thoroughly reviewed and approved by the department/unit head/branch managers concerned before their submission to the President and the Board of Directors.

EVALUATION CRITERIA TO BE USED IN COMPLIANCE RISK ASSESSMENT

- **Impact on the Business (Significant Rating Guide):**

ASSESSMENT	RATING	IMPACT ON BANK'S BUSINESS
High	1	Consequences will threaten the bank's survival or material impact on operations or could result in PCA or closure of the bank.
Medium	2	Consequences will result in monetary penalties or suspension of directors to be imposed by the regulatory agency.



Low	3	Consequences will result in minimal monetary penalties or failure to attain current objectives of the bank.
Negligible	4	No effect on the bank's operations.

High Risk:

1. Strong concern, even one exception is vital, that should be acted upon immediately;
2. Unsound and unsafe banking practices as per BSP regulations;
3. Those that are classified as major offense by the BSP regulations;
4. Ceiling or limitations on any asset, liability and capital account affecting solvency, liquidity, profitability and capital adequacy and other statutory requirements;
5. Transactions subject to severe administrative and substantial financial sanctions by the BSP regulations.
6. Category A Reports.

Low Risk:

1. Little concern but should be acted upon immediately;
2. Procedural lapses that can be remedied immediately and do not have material impact on the solvency, liquidity and profitability of the Bank and with lesser financial and administrative sanctions;
3. Category B Reports;
4. Reports to BSP, PDIC, etc. other than those categorized above;
5. Those, which after assessment, are not categorized as High Risk.

- **Likelihood Rating Guide:**

ASSESSMENT	RATING	LIKELIHOOD OF EVENT TO HAPPEN
Almost Certain	1	High or strong possibility that the risk of non-compliance or sanction will occur if not given attention.
Likely or Possible	2	At some point, the risk of non-compliance or sanction will occur.
Unlikely	3	Slight or unexpected that risk of non-compliance or sanction will occur.
Rare	4	Risk of non-compliance or sanction is almost unlikely or almost no chance at all.

- **Required Action (Priority Rating Guide):**

ASSESSMENT	RATING	ACTION TO BE UNDERTAKEN
High-Severe	1	Immediate action is required and needs close monitoring in addition to inclusion in training and education.



Moderate-Significant	2	Needs proactive monitoring and mitigating through inclusion in training and education.
Low	3	Risk needs monitoring but no serious threat to the bank.
Trivial	4	Risk may not at all occur; but possibility is still possible, hence contingency plan is only needed.

ORGANIZATIONAL STRUCTURE

The **PANGASINAN BANK (A RURAL BANK), INC.**, is headed by a Chairman with members of the board. It consists of the following committees:

AUDIT COMMITTEE

- shall be composed of members of the board of directors, at least one (1) of whom shall be an independent director, being the Chairman, preferably with accounting, auditing or related financial management expertise. It shall address the company's internal control, financial reporting and the risk management processes. It shall also provide an oversight to both the external and internal auditors.

COMPLIANCE FUNCTION

- it is the bank's discipline to stay compliant with regulations on a going-concern basis that is essential to what makes it a bank.

INTERNAL AUDIT FUNCTION

An essential counter-checking is provided by the internal audit function. Its importance is highlighted by the fact that governance principles require it to be a board-level responsibility. As the bank's conscience and counter-check, this function must be internalized and institutionalized within the workflow of any bank. The IAD personnel should be directly reporting to the Audit Committee.

CREDIT COMMITTEE

- shall be composed of three (3) members:
 - the Bank President
 - the Corporate Secretary
 - the Credit Head

they shall meet at least once a week, to take up loan items within the approval authority of the Credit Committee scaled authority of P100,001.00 to P1,500,000.00M.

- shall formulate loan policies, principles and procedures to be



- recommended to the Board of Directors, prior to their implementation.
- shall adopt types of loan products; loan interest pricings and loan documentation standards that are in compliance with the various regulatory bodies;
 - shall revise, upgrade the company's credit/loan manual, as the need arises.

The bank operations consist of the following departments headed by the **President**:

ADMINISTRATION DEPARTMENT

- > is hereby created to undertake the periodic review and assessment of Bank's Operation

REAL & OTHER PROPERTIES ACQUIRED (ROPA) DEPARTMENT

- responsible for the administration of bank assets, performing the following functions:
1. Maintaining proper accounting for all income and all expenses for each asset held.
 - 2.) Making periodic reports to the board of directors regarding new acquisitions, sale and status of outstanding balance; properties covered by rental leases, as well as those under litigation or with court cases.
 - 3.) Preparing periodic appraisal of asset values to update records with current market prices.
 - 4.) Maintaining adequate insurance coverage.
 - 5.) Updating Real Estate Tax Receipts annually

ACCOUNTING DEPARTMENT

- it shall ensure the timely submission or reports to Bangko Sentral ng Pilipinas, Philippine Deposit Insurance Corporation, Bureau of Internal Revenue, Securities and Exchange Commission and other supervising agencies (SSS, PHIC, HDMF, NSO, etc.).

OPERATION DEPARTMENT

- performs the following functions:
- 1.) Market loans, deposits and other bank products and services;
 - 2.) Accept loan application and conduct preliminary credit evaluation;
 - 3.) Perform customer care services
 - 4.) Perform customer identification process, receive account opening documents and facilitate account activation. Provided, that account opening approval and actual opening of deposit accounts shall be done only at the office.



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- * The bank operations consist of the following departments headed by The Branch Manager or Department Head:

CASH DEPARTMENT

- shall monitor the cash flow of the bank, derived from accepting deposits, loan transactions and capital investments, and other transactions such as expenditures.

ACCOUNTING DEPARTMENT

- shall ensure the timely accounting and proper recording of all financial transactions of its offices and observe adequate internal control procedures to ensure the safety of funds and reliability of financial records and reports emanating from all transactions

CREDIT INVESTIGATION AND APPRAISAL UNIT (CIAU)

- shall be the unit responsible for the centralized processing, maintenance and monitoring of the bank's lending operation being the bank's primary source of income. Although booking of loans remains in the book of the branches, all other transactions pertaining to loan documentations and supervision shall be the primary responsibility of the originating branch/operations.

17. DIVIDEND POLICY

Declaration of Dividends. Dividends may be declared annually or oftener as the Board of Directors may determine. The Board may declare dividends only from the surplus profits of the Corporation after making proper provisions for the necessary reserves in accordance with law and regulations of the Bangko Sentral ng Pilipinas, and the deductions provided in Article X and XI.

Stock Dividends. With the approval of the Stockholders representing two-thirds (2/3) of all stock then outstanding and entitled to vote given at a general meeting or at a special meeting duly called for the purpose, the

Board may declare that dividends be paid in stock.

18. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Board of Directors of Pangasinan Bank (A Rural Bank), Inc. is ultimately responsible in ensuring that consumer protection practices are embedded in the Bank's business operations. The bank must adhere to the highest service standards and embrace a culture of fair and responsible dealings in the conduct of its business through the adoption of a Financial



Consumer Protection Framework embodies in the board-approved Financial Consumer Protection Manual.

Role and Responsibility of the Board of Directors. The Board is responsible for developing the Bank's consumer protection strategy and establishing an effective oversight over the Bank's consumer protection program.

19. CONSUMER PROTECTION PRACTICES

ROLES AND RESPONSIBILITIES OF OVERSIGHT BODIES

CONSUMER PROTECTION OVERSIGHT FUNCTION

The Board of Directors of Pangasinan Bank (A Rural Bank), Inc. is ultimately responsible in ensuring that consumer protection practices are embedded in the Bank's business operations. The Bank must adhere to the highest service standards and embrace a culture of fair and responsible dealings in the conduct of its business through the adoption of a Financial Consumer Protection Framework embodied in this board-approved Financial Consumer Protection Manual.

Role and Responsibility of the Board of Directors:

1. Approve the Consumer Protection Risk Management System (CPRMS) and Financial Consumer Protection Assistance Mechanism (FCPAM) that take into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to risks to Financial Consumer;
2. Promote a culture of ethical behavior and ensure adherence to the Standards and all relevant laws and regulations;
3. Provide adequate resources and adopt policies to effectively implement training and competency requirements for officers and personnel, authorized representatives or any other party acting on behalf of the Bank;
4. Approve a policy on remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest; and performance review which includes provisions for incentives on positive reviews/assessment that could also serve as basis for renewal of contract of third-party service providers;
5. Approve product oversight and governance mechanisms designed to ensure that financial products or services meet the needs of Financial



Consumers in target markets or market segments, as well as universal products which are simple to access so as not to exclude vulnerable groups;

6. Adopt a policy on the imposition of any fees and/or charges of the Bank's financial product or service which shall include among others, the basis and quantitative support for the setting of the fees/charges and rationalization of the fee structure or amount.

7. Approve and periodically review a Code of Conduct applicable to all Bank Directors, Officers, and Staff and Third-Party agents. The Board shall define the Bank's corporate culture and values. It shall establish standards of conduct and ethics and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body; and

8. Review periodically the implementation and effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms are in place to enable adequate oversight; and put in place a regular mechanism to review the relevance of the CPRMS in case of changes in the Bank's business model and/or operating environment.

Role and Responsibility of the Senior Management

1. Ensure that approved CPRMS and FCPAM policies and procedures are clearly documented and appropriately implemented across all levels and business units. This includes the responsibility of identifying the officer which will head the internal complaints handling unit or handle the implementation and regular reporting of consumer-related issues to the Board;

2. Establish an effective monitoring and management information system to promptly identify, regularly measure, aggregate, and analyze FCP related issues to determine the level of Financial Consumer risks. An appropriate and clear reporting and escalation mechanism should also be integrated in the risk governance framework from any area of the Bank to Senior Management and/or from Senior Management to the Board.

3. Ascertain that weaknesses in the FCP practices or emerging risks are addressed and corrective actions are taken in a timely manner.

4. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit; and

5. Ensure that adequate information and actions taken are reported to the Board on a regular basis in terms of the measurement of FCP related risks, reports from FCPAM, compliance with the Standards and requirements, as well as other material FCP related developments that will impact the Bank's Financial Consumers. This includes the responsibility to put in place an effective system where reporting lines are established to promptly detect, analyze, and respond to Financial Consumer concerns and serious infractions.

Role and Responsibility of Administrative Officer/Head Consumer Assistance Officer (HCAO)



1. Monitor consumer assistance process;
2. Keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence;
3. Report to senior management the complaints received on a monthly basis including reasons for such complaints, recommend solutions to avoid recurrence, and the suggestions for process or personnel competency needing improvement; and
4. Ensure immediate escalation of any significant complaint to the President.

Role and Responsibility of Consumer Assistance Officer (CAO)

1. Receive and acknowledge consumer concerns;
2. Record concerns in a Register/Database;
3. Make an initial review and investigation of concerns;
4. Process concerns;
5. Provide official reply to consumer;
6. Request client feedback; and
7. Prepare and submit report to the Administrative Officer who shall be the Head Consumer Assistance Officer.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

RISK MANAGEMENT COMPONENTS

The CPRMS is a means by which the Bank identify, measure, monitor, and control consumer protection risks inherent in its operations. It provides the foundation for ensuring the Bank's adherence to Consumer Protection standards of conduct and compliance with relevant laws, rules and regulations in order to prevent risk to the Bank and any harm or financial loss to the consumer. Failure to establish a consumer

protection risk-management structure that adequately identifies, measures, monitors, and controls the risks inherent in the Bank's various products and lines of business is considered unsafe and unsound conduct.

Identifying Risks

Principles of sound consumer protection risk management apply to the entire spectrum of compliance-related risks facing the Bank, including, but not limited to, compliance, legal, reputational, financial fraud, and operational risk. These risks can be described as follows:

1. **Compliance risk** is the risk of legal or regulatory sanctions, financial loss, or damage to reputation and franchise value for failure to comply with laws, regulations, or standards or the Bank's own policies, procedures, codes of conduct, and ethical standards, or an actual or perceived failure to adhere to principles of integrity and fair dealing in



relation to consumer protection and other inherent operation of the Bank in general. Non-compliance may expose the Bank to fines, civil money penalties, legal damages, voided or unenforceable contracts, and reduce patronage value.

2. **Legal risk** arises from the potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of the Bank.

3. **Reputational risk** is the potential that negative publicity regarding the Bank's consumer protection practices, whether true or not, will cause costly litigation, a decline in the customer base, or a reduction in revenue.

4. **Financial fraud risk** takes many different shapes, and fraudsters wear different masks. Fraudsters consider banks as being "where the money is," and banks have always been vulnerable to fraud, particularly in a rapid growth environment in which internal controls may be compromised, and in economic downturn periods.

5. **Operational risk** arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses.

Consumer Protection Risk Monitoring

Effective risk monitoring requires the Bank to identify and measure all material consumer protection risk exposures. Consequently, risk-monitoring activities must be supported by management information systems (MIS) that provide senior managers and directors with timely report on consumer complaints, operating performance, compliance assessment and other consumer protection risk exposure of the Bank.

In line with this, the Bank shall implement an effective consumer risk monitoring embedded in its Consumer Protection Compliance Program (CPCP) and Consumer Assistance Management System (CAMS) which

will reflect the overall consumer protection risk monitoring performance of the Bank.

Internal Controls

The Bank internal control structure is critical to the effectiveness of its consumer protection risk-management system. It promotes effective operations and reliable consumer protection regulatory reporting, safeguard assets, and helps to ensure compliance with relevant consumer protection laws, regulations, and the Bank's own policies. Internal controls should be regularly reviewed by the Internal Auditor.

Given the importance of appropriate internal controls, the Bank shall adequately document the results of audits or reviews, as should management's complex and sensitive consumer complaints to be reported directly to the Board of Directors. For this purpose, the CP Audit Program, CAMS and Code of Conduct in relation to consumer protection,



has been established by the Bank as guidelines in setting this consumer protection standards.

Board and Senior Management Oversight

The Board of Directors and Senior Management shall periodically review the effectiveness of the CPRMS including how findings are reported and whether the audit mechanism in place enable adequate oversight. They must be certain the CP weaknesses are properly addressed and corrective actions are taken in a timely manner. They also ensure that sufficient resources are devoted to the program.

1. Board Oversight Function to CPRMS:

- Has the ultimate responsibility for the level of consumer protection risk taken by the bank;
- Approve the overall business strategies and significant policies, in relation to managing consumer protection risk appetite of the Bank;
- Responsible for developing and maintaining a sound CPRMS that is integrated into the over-all framework for the entire product and service life-cycle; and
- Ensure that Senior Management is fully capable of managing CPRMS activities that the Bank conduct and is taking the steps necessary to identify, measure, monitor, and control the risks associated with consumer protection.

2. Senior Management Oversight Function to CPRMS:

- Is responsible for implementing strategies in a manner that limits the consumer protection risk associated with each strategy and ensures compliance with laws, rules and regulations; and
- Shall be involved in the CPRMS activities of the Bank and possess sufficient knowledge of all major business lines to ensure that appropriate policies, controls, and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated.

Consumer Protection Compliance Program (CPCP)

A consumer Protection Compliance Program is an essential component of CPRMS. If carefully devised, fully implemented, and regularly monitored, a compliance risk-management program will provide the foundation for ensuring compliance with consumer banking laws and regulations and protect consumers from non-compliance and associated harms or loss. This Consumer Protection Compliance Program shall form part of the over-all Compliance System of the Bank in accordance

with the Revised Compliance Framework under BSP Circular 747 dated 6 February 2012.



Objective of Consumer Protection Compliance Program. For the Bank to have an effective consumer protection risk management, the Bank's CPCP shall have the following objectives:

- To inculcate in the minds of the implementers, from the Board down to the Staff, a corporate culture that emphasizes standard of honesty and integrity in dealing with financial consumers;
- Identify and mitigate risks associated with consumer protection which may erode the franchise value of the Bank;
- Provide a framework that allows regulators to evaluate whether the Bank is effectively implementing the board-approved Consumer Protection Program;
- Ensure that all proponents of an effective consumer protection risk management system are in place, from Board oversight function to implementation and evaluation of the process; and
- Ensures that all pertinent laws, rules and regulations pertaining to Financial Consumer Protection and their subsequent updates/amendments are complied thereto.

Compliance Reporting. The procedure on internal and external reporting as embodied in the Bank's Consumer Assistance Management System (CAMS) approved by the Board per Resolution No. 049-2015 dated March 31, 2015, copy of which is hereto attached and mark as Appendix A, shall prevail. For clarity, a summary of the reporting process is hereby provided:

Internal Reporting:

- Branch Managers, also designated as Consumer Assistance Officer (CAO) in their respective branches, shall submit Complaints Report (CR) to the Head Consumer Assistance Officer (HCAO) on a monthly basis;
- CR submitted to the HCAO shall then be submitted on a monthly basis to the President. Should there be a need for escalation, the President shall report to the Board;

External Reporting:

- The Bank shall submit a consolidated Complaints Report to the Supervisory Data Center (SDC) of the Supervision and Examination Sector on a quarterly basis. Such report to the SDC shall not be later than one (1) month later after the end of every quarter. A Complaints Report is a Category B Report for purposes of applying the appropriate monetary penalty.

Compliance Monitoring and Assessment. The following procedures shall be applied in conducting Consumer Protection Risk Assessment and Testing, in accordance with the overall Compliance System of the Bank:



- The Compliance Officer in coordination with the Internal Auditor shall establish a monitoring and assessment process, a checklist of regulations, to ensure that all directors, officers and staff of the Bank are familiar with the Consumer Protection Compliance Program;
- Once the CPCP is in place, a periodic compliance review/monitoring and assessment on consumer protection of each branch shall be enforced on a regular basis;
- The Internal Auditors shall be required to inform the Compliance Officer of any violation of laws, rules and regulations pertaining to consumer protection noted in their audit work; and
- Report on monitoring and assessment shall be prepared and submitted to the President/COO to documents findings, issues, concerns and remedial/corrective measures taken before their submission to the Board for resolution.

Policies and Procedures

Policies and procedures pertaining to Consumer Protection shall be embodied in the Bank's Consumer Assistance Management System (CAMS) prepared as a separate manual, copy of which is hereto attached and marked as Appendix A. All other policies and procedures already existing in the Bank's Manual of Operations which directly or indirectly affects consumer protection laws, rules and regulation and those provided in this Consumer Protection Manual are enjoined to form part of the policies and procedures of Pangasinan Bank, Inc. consumer protection.

Consumer Protection Audit Program

Independent of the compliance function, the Bank's audit program shall review its consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. The Bank internal audit of the different business units/functions shall include the Consumer Protection Audit Program. A well-designed and implemented Consumer Protection Audit Program ensures that the Board shall be able to make an assessment of the effectiveness of the implementation as well as adequacy of approved policies and standards in meeting the established consumer protection objectives.

Objectives of CP Audit Program. This Consumer Protection Audit Program (CPAP) shall:

- Serve as a guide for the Internal Audit Department in evaluating and ensuring effectiveness in the implementation of the bank's Consumer Protection Program;
- Ensure the Board's Credit Committee that approved policies and standards in meeting the established consumer protection objectives are adequate;



- Review and appraise the soundness, application and control of policies, processes and procedures in the implementation of the bank's Consumer Protection Program in accordance with BSP Circular No. 857; and
- Assist the Board and the Management in developing operational improvements in the implementation of the Program.

Authority of the Internal Audit Department. The Internal Audit Department has the full authority vested upon it to perform examinations, audits, and investigations of all records, operations, activities and affairs of the bank in dealing with and providing services with the customers. It shall have full access to all bank's records, properties and personnel relevant to the subject under review.

Responsibility of the Internal Auditor. Consistent with the internal audit program, the following are the Internal Auditor's responsibilities:

- To inform and advise management and to discharge this responsibility in such manner that is consistent with and in compliance to BSP Circular No. 857 or the regulation on Financial Consumer Protection;
- To coordinate consumer protection audit activities with the Board, Senior Management, employees and the customers themselves to best achieve the objective of the audit and the bank in general; and
- To submit its reports to the Audit Committee in such manner as the Board of Directors may prescribe.

Frequency of Audit. As a matter of policy, audit engagement for consumer protection activities shall be integrated in the annual regular audit of branches/units in its fullest extent covering all operational and procedural aspects of the Consumer Protection Program of the bank. In addition, periodic assessment of a branch's implementation of the program may be conducted, or as the need arises, such as, but not limited to, increased volume of complaints received by the branch.

Key Areas of Audit Activities. Generally, the internal audit activities shall focus on the following key areas:

- **Disclosure and Transparency** – ensure that the customers have a reasonable holistic understanding of the products and services which they may be acquiring or availing;
- **Protection of Customer's Information** – financial transactions, as well as relevant personal information disclosed in the course of a transaction, are kept confidential;
- **Fair Treatment** – ensure that the financial consumers are treated fairly, honestly, professionally, and are not sold inappropriate and harmful financial products and services;



- **Effective Recourse** – financial consumers should be provided with accessible, affordable, independent, fair, accountable timely and efficient means for resolving complaints with their financial transactions; and
- **Financial Education and Awareness** – initiatives that give consumers the knowledge, skills, and confidence to understand and evaluate the information they receive and empower them to make informed financial decisions.

General Audit Procedures per Area of Activity

- **Disclosure and Transparency**
 - a. The Internal Audit Department (IAD) verifies if customers are provided with documents containing information about the products or services for the latter to make informed decision.
 - b. Check if a written copy of the Terms and Condition (T&C) that apply to a product or service is readily and consistently available to the customer.
 - c. IAD verifies if such copy of the T&C are signed before the actual delivery of the products or consummation of the service being procured.
- **Protection of Clients Information**
 - a. IAD periodically re-validates procedures in handling the personal information of the customers. Evaluates how these information's are gathered, stored, processed, used and distributed, and how are they eventually disposed.
 - b. Check if a written agreement is signed by the customer authorizing the bank to disclose specific information of the former when the account is past due, under litigation or already foreclosed before such information are shared or reported to a third party such as the NFIS or CMAP.
 - c. Check the reliability or vulnerability of the bank's Management Information System (MIS) in securing sensitive customer's information to ensure that no breach of confidentiality is committed.
 - d. Check if appropriate policies and practices for employment management and training to assess and address the risk to customer information.
- **Fair Treatment**
 - a. Conduct random interview from customers, taking into account their satisfaction level with the products or services availed with the bank. The interview should focus on ethical staff behavior and affordability or suitability of the product or service offered to them.
 - b. Coordinate with the designated Consumer Assistant Officer (CAO) to evaluate the effectiveness of the bank's consumer assistance mechanism in handling complaint from the customers. Recommend



improvement to strengthen the Consumer Assistance Management System (CAMS).

- c. Evaluate to ensure that all complaints have been attended to and resolved timely and efficiently in accordance with the guidelines and procedures governing the CAMS of the bank.
- d. Check that none of the prohibitions embodied in the Consumer Protection Code of Conduct of the Bank is committed.
- **Effective Recourse**
 - a. Check if a written policy for an effective consumer assistance management system is in place which will ensure the accessible, affordable, independent, fair, accountable, timely and efficient means of resolving complaints.
 - b. Check if internal policies and practices, including timeframe for processing, complaint response and customer access are in place and operational.
 - c. Check if an up-to-date log and records of all complaints from customers subject to the complaint's procedure is being maintained.
 - d. Check if information on how to make a complaint is clearly visible in the bank premises, and/or if a complaint/suggestion box is available and working in each branch where such complaint/suggestion can be lodged.
- **Financial Education and Awareness**
 - a. Verify if a clear and defined financial education and awareness program as part of a wider financial consumer protection and education strategy, is present within the system of the bank, such as, but not limited to distribution to customer, from initial stage of transaction, a pamphlet on questions, which consumers need to ask before accepting financial product or service.
 - b. Make an assessment on campaigns and programs and use the result of the evaluation for continuous improvement.

Continuing Audit Files (CAF) – Unless otherwise specified, all reports, records, documents, files, complaints, requests, suggestions and information including supporting and other relevant documents thereto, gathered as a result of the implementation of the Consumer Protection Program of the bank, shall be retained for a minimum period of 2 years from date of resolution, in accordance with the CAMS of the bank approved by the Board. As a matter of option, digital copies of original documents may be maintained from permanent keeping.

Consumer Protection Training

The Bank shall allow personnel to have a continuing education on CP laws, rules and regulations as well as internal policies and procedures to maintain a sound CP Compliance Program. It shall ensure that relevant



Bank personnel with whose roles and responsibilities have customer interface, received specific and comprehensive training that reinforces and helps implement written policies and procedures, and provided in a timely manner.

1. **Training Programs.** The Human Resource Head, who is also designated as Head of Consumer Assistance Officer (CAO), shall be responsible in developing a training program for personnel assigned to handle customer interface, product marketing and promotion and Consumer Protection laws, rules and regulations, as part of it continuing education on consumer protection.
2. **Training Module, Schedule and Cost.** An annual training schedule relative to consumer protection shall be prepared by the HR Head/Head CAO in a manner consistent with the general Compliance Program of the Bank, indicating therein, among other things, the module, projected date and cost. Such training shall include, but need not be limited to, relevant laws, rules and regulation on Consumer Protection, Customer Care and Communication Skills.

CONSUMER PROTECTION STANDARDS OF CONDUCT

CONSUMER PROTECTION STANDARDS

As reflection of core principles, the bank is expected to observe at all times in its dealings with financial consumer utmost consumer protection standards which shall be embedded in its corporate cultures, enhancing further its defined governance framework while addressing conflicts that are inimical to the interest of the financial consumer.

Disclosure and Transparency

The Bank shall ensure that its customers have a reasonable holistic understanding of the products and services they are acquiring or availing in order to empower them to make informed financial decisions. This assurance shall include the following:

- Provide up to date information about the products and services to consumers;
- Provide clear, simple to understand, easily accessible, accurate, not misleading information on the products and services, including the potential risk that may be associated with them;
- Information that spells the rights and responsibility of each party;
- Information on the mechanism for either party to end the banking relationship; and
- Information on the details of fees, pricing and any potential penalties that the consumer may incur.



Salient Features of Disclosure and Transparency – To adhere with the objective of an efficient disclosure and transparency mechanism, the Bank shall observe the following:

- Offer documents (terms and conditions) that contains the information necessary for customer to be able to make an informed judgment;
- Advise customers to read and understand the applicable T&C when considering a loan or deposit in the Bank;
- Provide customers adequate time to review the T&C of the product or services, ask questions and received additional information prior to signing contracts or executing the transaction;
- Ensures that staff assigned to deal directly with customers are fully knowledgeable about the product or service being offered;
- Effective communication channel responsive to address the literacy limitations of the customer;
- Notifies customers in writing of any change in the T&C of the product or service availed by them. If the customer does not agree, he or she has the right to exit the contract without penalty within a reasonable period;
- Provides customers with a proof of the transaction immediately after the transaction has been completed. Hard copies of the following documents shall be provided: (a.) Disclosure Statement; (b.) Official Receipt/s; (c.) Promissory Note; (d.) Real Estate Mortgage; (e.) Terms and Conditions;
- Inform the customers of their rights and responsibilities including their right to complain and the manner of its submission

1. Terms and Conditions – The Bank shall readily and consistently provide to the customer a written copy of the Terms and Conditions (T&C) that apply to a product or service presented in a manner that facilitates the consumer's comprehension.

2. Minimum Information on Terms and Conditions. The T&C shall include all or a combination of the following:

- Full price or cost to the customer including all interest, fees, charges, and penalties and the method for computing said interest, fees and charges;
- General information about the operation of the products or services including the customer's obligations and liabilities;
- Cooling-off period;
- Cancellation of transactions policies and any related cost; and
- Actions and remedies by the Bank in the event of a default by the customer.

Product Manual. An updated Product Manual shall be provided by the Bank in order to inform the customer of the different products and services and their corresponding terms and conditions a customer may avail. For purposes of transparency, the following table is the latest and updated Product Manual of the Bank as of this writing, subject to changes approved by the Board:



DEPOSIT

PRODUCT	DESCRIPTION	TERMS AND CONDITION
Regular Savings	Interest-bearing deposit which can be withdrawn on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook	Term. On demand Interest Rate. 0.25% p.a. Maintaining Bal. For an account to earn an interest, a balance of P500 must be maintained, otherwise, a maintaining fee of P10 per month is imposed as service charge. Dormancy Period. An account is considered dormant if no transaction (<i>deposit or withdrawal</i>) has taken place within the period of 2 years. Dormancy Fee 1. Imposition of dormancy fee, aside from the required 60 days prior notification, shall be done consistent with the provision of Section X263 of the MORB. 2. Only dormant account falling under the minimum daily balance of PhP500.00 shall be charged with dormancy fee of P30.00 per month.
Basic Deposit Savings Account	Interest-bearing deposit which can be withdrawn on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook.	Term. On demand Interest Rate. 0.25% p.a. Opening Amount. Not more than P100.00 Maintaining Bal. None Dormancy Charges. None Maximum Balance. Not more than P50,000.00; should the depositor exceed the P50,000.00 maximum balance, the bank should convert the basic deposit account to a regular deposit account.
Special Savings	Interest-bearing deposit which can be	Term. – Minimum of 30 days and maximum of one (1) year but can be withdrawn/pre-



withdrawn or renewed upon maturity, or on demand by depositor upon presentation of duly accomplished withdrawal slip and corresponding passbook

terminated on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook. In which case, the contracted interest rate is reduced to the rate given to RSD

Interest Rate – The Board shall determine the interest rate based on prevailing market prices without prior notice. It is understood that the bigger the amount and the longer the term, the higher the interest rate.

P 10,000.00 – P 49,999.00 0.50%

Amount	30 days	61 days	91 days	181 days	365 days	5 yrs + 1 day
50,000-99,999	1.60%	1.60%	1.90%	2.00%	2.00%	2.50%
100,000-149,999	1.70%	1.70%	2.00%	2.00%	2.10%	2.60%
150,000-199,999	1.70%	1.70%	2.00%	2.00%	2.10%	2.60%
200,000-299,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
300,000-399,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
400,000-499,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
500,000-599,999	2.00%	2.00%	2.30%	2.40%	2.40%	2.90%
600,000-999,999	2.00%	2.00%	2.30%	2.40%	2.40%	2.90%
1,000,000-2,999,999	2.30%	2.30%	2.60%	2.70%	2.70%	3.40%
3,000,000-3,999,999	2.60%	2.60%	2.80%	2.90%	3.00%	3.70%
4,000,000-4,999,999	2.70%	2.70%	3.00%	3.00%	3.20%	3.80%
5,000,000 - above	2.80%	2.80%	3.00%	3.20%	4.00%	4.00%

Minimum placement of P 10,000.00

Dormancy Period. Same as regular savings

Manner of interest computation – interest is computed as follows:

If the term is completed

Interest=Principal X Rate X (Term/365)

If pre-terminated

Interest=Principal X RSD rate X (no. of



		days/365) Depositor's Option – The depositor has the following options under the circumstances: Upon placement: Make additional placement before maturity Full or partial pre-termination Upon maturity: Withdraw the interest income earned, principal being rolled-over Partial termination, the balance being rolled-over Roll-over and additional placement Full termination/closed account For proper recognition of interest expense, the system computes the accrued interest at the end of each month to be recorded in the books of the Bank Documentary Stamp – The Depositor is bound to pay the documentary stamp due in accordance to the applicable revenue regulation. There shall be three (3) instances when the DST will be collected from a SSD account: 1st – All new account openings 2nd – Any additional placements 3rd – Any partial or full pre-termination made
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LOANS

PRODUCT	DESCRIPTION	TERMS AND CONDITION
Agrarian Reform Loan	A credit extended to production and other types of loans granted to beneficiaries of agrarian reform for purposes of: a. Acquisition of work animals, farm equipment, seeds, fertilizer and other similar items b. Acquisition of lands authorized under existing laws c. Construction/acquisition of facilities for production, processing, storage and marketing	Term. Minimum of 30 days and maximum of five (5) years, with possible extension of another 5 years, payable thru monthly amortization. Interest Rate. Loans 3 Million and below: 1 yr. 16% (over the term) 2 yrs. 24% (over the term) 3 yrs. 32% (over the term) 4 yrs. 40% (over the term) 5 yrs. 48% (over the term) Service Charge (one time) 3% Loans more than 3 Million: 1 yr. 12% (over the term) 2 yrs. 18% (over the term) 3 yrs. 24% (over the term)



		4 yrs. 30% (over the term) 5 yrs. 36% (over the term) Service Charge (one time) 3% Other Charges. Penalty charge of 5% p.a. of past due account; other charges incidental to the extension of the loan. Mode of Interest Payment. Via an amortization schedule spread over the term of the loan using either the straight or diminishing balance method.
Agricultural Loan	Loans granted to borrowers, whether beneficiaries of agrarian reform or not, to finance activities relating to agriculture, and for processing, marketing, storage, and distribution of products resulting from the activities of tillers, tenant-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers' cooperatives and compact farms.	Same terms and conditions as with other loans, except for Auto Loan.
Real Estate Loan	A credit to finance the acquisition of lot, or improvement of residential units and down-payment to acquire a residential lot.	Same terms and conditions as with other loans, except for Auto Loan
Consumption Loan	A credit to purchase household or equipment for personal use, or meet expenses for educational, medical or emergency needs of the clients/borrowers and their immediate family and processing/placement fee for application of OFWs.	Same terms and conditions as with other loans, except for Auto Loan
Commercial Loan	A credit extended to small and medium enterprises engaged in any business activity in the industry, agri-	Same terms and conditions as with



	business and/or services, whether single proprietorship, cooperative, partnership or corporation.	other loans, except for Auto Loan														
Motor Vehicle Loan	Loans granted to individuals as well as businessman to acquire their motor vehicle and additional working capital in which the said motor vehicle unit (as evident of their original OR/CR) will serve as their collateral.	Term. Minimum of 1 year and maximum of 5 years, via monthly amortization schedule Interest Rate. 10% to 58% add-on rate, depending on the term and status of collateral. Mode of Payment. Based on amortization schedule Note: a separate Motor Vehicle Loan Manual is available for detailed policies and procedures														
Employee Loan	Loans granted to officers and employees of the Bank under the Financial Assistance Program approved by the BSP	Term. Minimum of 1 year and maximum of 5 years. Other terms and condition in accordance with Sec. 135 of the MORB. Interest Rate. <table><tr><td>Real Estate Loan</td><td>12%</td></tr><tr><td>Multi-Purpose Loan:</td><td></td></tr><tr><td> Motor Vehicle Loan</td><td>10%</td></tr><tr><td> Auto Vehicle Loan</td><td>10%</td></tr><tr><td> Other Multi-Purpose</td><td>10%</td></tr><tr><td>Salary Loan</td><td>10%</td></tr><tr><td>Calamity Loan</td><td>8%</td></tr></table> Mode of Payment. Amortization schedule applied as deduction to payroll every 10th and 25th day of the month.	Real Estate Loan	12%	Multi-Purpose Loan:		Motor Vehicle Loan	10%	Auto Vehicle Loan	10%	Other Multi-Purpose	10%	Salary Loan	10%	Calamity Loan	8%
Real Estate Loan	12%															
Multi-Purpose Loan:																
Motor Vehicle Loan	10%															
Auto Vehicle Loan	10%															
Other Multi-Purpose	10%															
Salary Loan	10%															
Calamity Loan	8%															

*In addition to the preceding products, the bank is also an agent of ECPay for bills payment and other related services.

Protection of Client Information.

As trusted custodian of our customer's financial transactions, as well as relevant personal information, the Bank is committed to protecting these financial and personal information disclosed during the course of transaction through appropriate control and protection mechanism. The Bank shall also actively and continuously work to protect our customer's information.

Policies and procedures. In line with the responsibility of the Bank to protect the privacy of its customer's information, the following policies and procedures shall be observed:



- The MIS/IT is designated as accountable employee to coordinate its Information Security. She is in charge of assigning, resetting or deleting password required to access the Bank's Management Information System (MIS);
- The Byte per Byte Software Center is selected as the Bank's service provider that will maintain appropriate safeguards in relation to securing customer's information;
- The HR Head shall make reference and background check before hiring an employee who will access the customer information system.
- New employee shall be made to sign the Consumer Protection Code of Conduct of the Bank to follow confidentiality and security standards for handling customer information. The CPCC of the Bank is provided in succeeding section of this manual;
- Access to customer information shall be limited only to authorized personnel having business to access the same. Any breach of confidentiality shall be meted with the penalty as provided in the Bank's personnel policies;
- Authorized user of customer information shall be required to use "strong" password and shall be changed on a regular basis;
- Require mandatory automatic time-out or log-off controls to lock employee computers after a period of inactivity;
- Train employees to take basic steps to maintain the security, confidentiality, and integrity of customer information;
- Regularly remind all employees of company policy to keep customer information secure and confidential;
- Barring terminated employees from accessing customer information system by immediately deactivating their passwords and usernames.

Sharing of Customer Information. As a matter of policy, the Bank prohibits the sharing of customer information by any means or medium, except when a written consent, unless in situations allowed as an exception by law or BSP-issued regulations or confidentiality of customer's information, is obtained before sharing customer's personal information to third party such as credit bureaus and collection agencies. In this regard, the Bank requires an Addendum to the Terms of Condition to be signed by the applicant/borrowers at the initial stage of the loan process.

Fair Treatment. The Bank is committed to treat its customers fairly, honestly, professionally and are not sold inappropriate and harmful financial products and services. In treating its customers fairly, the following principle of fairness shall be exercised by the Bank's personnel:

- Ensure affordability and suitability of the product or service;
- Counsel the customer not to engage in over-indebtedness;
- Provide customer enough time (*cool-off period*) to think whether to pursue the transaction within 48 hours without penalty. The Bank may however collect or recover reasonable amount of processing fees;



- Objectivity, that is, presenting the product or services of the Bank in a fair, honestly and balance perspective.

Consumer Protection Code of Conduct.

To uphold the Bank's values and standards of professional conduct, the Board has approved its Consumer Protection Code of Conduct on July 14, 2015 per Resolution No. 098-2015, signed and acknowledged by the staff that they will abide by the Code and not engage in the behaviors prohibited as provided in the Code. The Code is embodied in a separate file, copy of which is hereto attached and marked as **Appendix B.**

Remuneration Structure/Accountability and Rewards

1. **Remuneration and Rewards.** The Bank will include remuneration and rewards for Officers and Staff who have conducted fair treatment and avoidance/mitigation of conflict of interest in its annual gathering for excellent behavior.
2. **Disclosure.** Disclose to the customers the remuneration structure where appropriate, such as when potential conflicts of interest cannot be managed or avoided.
3. **Procedures and Controls.** The Bank shall include in its HR Manual adequate procedures and controls to that sales staff are not remunerated based solely on sales performance but that other factors, including customers satisfaction (in terms of number of customer complaints served/settled) and compliance with regulatory requirements, best practices, guidelines, and Code of Conduct in which certain principles are related to best interest of customers, satisfactory audit/compliance review results and complaint investigation results, are taken into account.

Effective Recourse.

The Bank shall provide consumers, accessible, affordable, independent, fair, accountable timely and efficient means for resolving complaints with their financial transactions. It is for this reason that a mechanism for complaint handling and redress has been in place and embodied in the Bank's Consumer Assistance Management System (CAMS) approved by the Board on March 31, 2015 per Resolution No. 049-2015, a copy of which is hereto attached as **Appendix A** and made as integral part hereof.

SUSTAINABLE FINANCE FRAMEWORK

Duties and Responsibilities of the Board of Directors:

Consistent with the expectations set out under Sec. 132 to promote the long-term financial interest of the bank and ensure that it



has beneficial influence on the economy, the Board of Directors shall:

- a. Institutionalize the adoption of sustainability principles, including those covering E&S risk areas in the bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the bank's strategic objectives and operations taking into account the bank's risk appetite and ability to manage risk;
- b. Promote a culture that fosters environmentally and socially responsible business decisions. The Board of Directors shall ensure that sustainability implications are considered in the overall decision-making process;
- c. Approve the bank's ESRMS that is commensurate with the bank's size, nature, and complexity of operations and oversee its implementation. The Board of Directors shall ensure that the ESRMS is aligned with internationally recognized principles, standards and global practices and forms part of the enterprise-wide risk management (ERM) system;
- d. Ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;
- e. Adopt an effective organizational structure to ensure attainment and continuing relevance of the bank's sustainability objectives. The Board of Directors or the designated board-level or management committee shall monitor the bank's progress in attaining sustainability objectives;

Duties and Responsibilities of the Senior Management:

The Senior Management shall be responsible for the overall implementation of the board-approved strategies and policies in relation to the sustainability objectives of the bank. It shall:

- a. Assess on a periodic basis the continuing relevance of said policies considering the developments in the business environment;



- b. Facilitate the identification, assessment, monitoring and mitigation of E&S risks. The senior management shall ensure that the bank takes a holistic approach in managing these risks aligned with the strategic objectives set by the Board of Directors;
- c. Assess consistency of operations and performance of personnel with the bank's sustainability objectives;
- d. Apprise the Board of Directors on a regular basis on the bank's exposure to E&S risks which shall include potential issues associated with both internal and external activities of the bank and the activities of its clients that may have material impact on the bank's portfolio or reputation. Moreover, the senior management shall report its progress in implementing the bank's sustainability policies and ESRMS; and
- e. Integrate E&S risks in stress testing exercises covering both short-term and long-term horizons following the principles and requirements provided under Sec. 151. The results of stress testing shall feed into bank's capital and liquidity planning and management exercises as well as in the business continuity and disaster recovery plans.

Role of the Internal Auditor and Compliance Functions:

The audit and compliance functions shall incorporate in their respective programs the assessment of adherence to policies related to the management of E&S risks and evaluation of the appropriateness and continuing relevance of said policies. The internal audit function shall also review the bank's adherence to international sustainability standards and principles as well as relevant laws and regulations.



SUSTAINABILITY FRAMEWORK:

SUSTAINABLE DEVELOPMENT GOALS



a. Use of Proceeds

Environmental Project Category	ELIGIBILITY CRITERIA/ SUSTAINABILITY INDICATORS	UN SUSTAINABLE DEVELOPMENT GOALS (SGD)
Environmentally Sustainable Management of Living Natural Resources and Land Use	<u>Agrarian Reform Loan:</u> A credit extended to production and other types of loans granted to beneficiaries of agrarian reform for purposes of:	

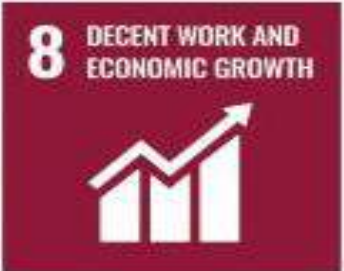


Food Security	d. Acquisition of work animals, farm equipment, seeds, fertilizer and other similar items; e. Acquisition of lands authorized under existing laws; f. Construction/acquisition of facilities for production, processing, storage and marketing. <u>Agricultural Loan:</u> Loans granted to borrowers, whether beneficiaries of agrarian reform or not, to finance activities relating to agriculture, and for processing, marketing, storage, and distribution of products resulting from the activities of tillers, tenant-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers' cooperatives and compact farms.	   
Green Buildings	<u>Real Estate Loan:</u> A credit to finance the acquisition of lot, or improvement of residential units and down-payment to acquire a residential lot.	



		
Socioeconomic Advancement	<u>Consumption Loan:</u> A credit to purchase household or equipment for personal use, or meet expenses for educational, medical or emergency needs of the clients/borrowers and their immediate family and processing/placement fee for application of OFWs.	   



Employment Generation	<u>Commercial Loan:</u> A credit extended to small and medium enterprises engaged in any business activity in the industry, agri-business and/or services, whether single proprietorship, cooperative, partnership or corporation.	 
Clean Transportation	<u>Motor Vehicle Loan:</u> Loans granted to individuals as well as businessman to acquire their motor vehicle and additional working capital in which the said motor vehicle unit (as evident of their original OR/CR) will serve as their collateral.	  



Exclusion List:

The bank shall consider specific loan purposes ineligible for financing or refinancing using proceeds under the sustainable framework:

- Illegal activities, such as illegal fishing, illegal logging, illegal gambling, illegal mining and the like;
- Production of activities involving forced labor, child labor, and violence against women;
- Production or trade in weapons and munitions;
- Production or trade of dangerous drugs as defined under Republic Act. No. 9165 (Comprehensive Dangerous Drug Act of 2022);
- Any other activity that the Bank may find in violation of its sustainability objectives.

Project Evaluation and Selection Process

Pangasinan Bank (A Rural Bank), Inc. shall maintain a “Sustainable Finance Portfolio”.

Pangasinan Bank (A Rural Bank), Inc. has established a recommended a bank personnel/unit to oversee the management of sustainable finance and E&S risks: Credit Head- the lead or focal person; co-chaired by the Branch Managers or Customers Relations Officer; and members of at least two (2), of the following designated bank staff: ROPA Section Head; Loan Account Officers; Appraisers; IA or Compliance Office Staff.

The group oversees the selection of projects which starts from the collection of data and information; due diligence and risks identification. It also includes the evaluation of adequacy and eligibility of selected projects against the categories of eligible projects as well as processes used to assess social/environmental risks associated with the nominated projects. For the selected projects and/or acquisitions, the group are responsible for ensuring compliance with any Use of Proceeds requirements and preparing the documentation.



Management of Proceeds

Considering the “simple” investment mechanisms of the Pangasinan Bank (A Rural Bank), Inc., where funds for loans are sourced from existing deposits and the expected financing lines from the Land Bank of the Philippines, there shall be no changes on the existing operation.

Reporting and External Review

Pangasinan Bank (A Rural Bank), Inc. values transparency as part of its good governance practice. It is committed to provide its stakeholders with information on the allocation of proceeds and the various activities undertaken on sustainable finance at least on an annual basis. This shall be incorporated in the Bank’s Annual Report to be published in the bank’s website.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM

Existing Philippine Environmental Laws Related to Climate Change:

Various laws have already been passed by different legislative bodies that address the effects of climate change, among which are:

- R.A. 8749 or the Philippine Clean Air Act of 1999, which provides for a comprehensive air quality management policy and programs and aims to achieve and maintain healthy air for all Filipinos; to reduce air pollution and incorporate environmental protection into the development plans of the government. The three sources of air pollution: (1.) mobile sources-all vehicles; (2.) point sources-stationary sources such as industrial firms and the smokestacks of power plants, hotels and other establishments; (3.) area sources-smoking; burning of garbage; dust from constructions.
- R.A. 9275 or the Philippine Clean Water Act of 2004, which aims to protect the country’s water bodies from pollution from land-based sources (industrial and commercial establishments, agriculture and community/household activities).
- R.A. 6969 or Act to Control Toxic Substances and Hazardous and Nuclear Wastes.



- R.A. 9003 or the Act Providing for an Ecological Solid Waste Management Program.
- R.A. 9512 or an Act to Promote Environmental Awareness thru Environmental Education

Climate Change and a Short Discussion of it:

It is defined as a long-term change in the average weather patterns that have come to define the Earth's local, regional and global climates.

Elements of Climate Change:

- temperature
- atmospheric pressure
- humidity
- precipitation or rain
- wind
- solar irradiance
- topography: soil erosion; landslides
sinkholes & fissures
river/water tributary siltation
presence of big water dams

Impacts of Climate Change:

- alter the rainfall amount
- influence crop yields
- cause damage to forests and other ecosystems: African swine fever (ASF); Bird Flu; Fish kills caused by lower dissolved oxygen level.
- affect human health
- impact even our energy supply
- stronger weather systems are being experienced nowadays

Eleven signs of Climate Change:

1. higher temperature
2. wilder weather conditions (ex. change in weather pattern in the Philippines: where before the "rainy season" is usually from July, August



3. and Sept. now, the “wet season” is felt more during the months of Sept., Oct., Nov. and sometimes even up to December).
4. rising sea levels due to melting polar caps
5. more droughts
6. warmer oceans
7. increased ocean acidity, acid rainfall experience
8. changing rain or typhoon patterns
9. melting glaciers
10. shrinking sea ice
11. throwing permafrost
12. less snowpack

The main cause of the climate change is the burning of the fossil fuels such as: oil, gas and coal. When they are burnt, they release carbon dioxide into the air causing the planet to heat-up. Another primary cause of climate change is human activity. People burn fossil fuels and also convert the land from forest to agriculture thru the “kaingin” system. The carbon dioxide produced from these burning activities is a greenhouse gas and it is called as such as it produces “a greenhouse effect”. There is a need for the populace to temper its over-reliance in the use of fossil fuel and should instead tap: solar, wind, hydro, geothermal, biomass and other renewable sources of energy.

Top five (5) Environmental Problems in the Philippines aside from Global Warming and Climate Change:

- Pollution
- Deforestation
- Landslides and Coastal Erosion
- Wildlife Extinction
- Dynamite Fishing or use of poison in catching aqua-marine products

Likewise, the national government of our country must exercise an “iron-fist policy” in eliminating/stopping the following “unregulated” business/industries that affect heavily the environment:

- illegal logging



- illegal mining and quarrying
- illegal fishing and poaching
- illegal reclamation

Adoption of Various Principles of Climate Change to be Institutionalized Covering E&S Risk Areas in the Bank:

A great challenge to the 21st century will be to prepare communities to adapt to climate change while reducing human impacts on the climate system (known as mitigation). Additional factors such as poverty, lack of resources, the absence of political will and the necessity for nations to work together, add further complexity to this challenge. Many jobs if not entire industries, will be affected by the changes that are happening or are anticipated for the future.

Six Key Concepts of Climate Change that are now readily apparent in our changing world are:

1. The impacts of human-caused climate change can already be readily seen, from Polar Regions, to our backyards, to communities around the world.
2. Consequences of climate change will affect the biosphere on many levels; from coral bleaching to dying forest, to species extinction.
3. Human infrastructure is threatened by the changing climate, such as encroachment of coastlines, stress to energy grid, and shifting structures due to the melting permafrost. Health and the environment are totally linked to climate change.
4. Warming climate threatens mountain snowpack, fresh water supplies and hydropower that serve millions of people.
5. Changes in climate and precipitation patterns will impact agriculture and food security.
6. Populations that are already vulnerable in terms of sea level rise and food security are poised for the greatest hardships. Political arrest, mitigation of refugees and global economics impacts are all possible outcomes.



To address and to mitigate possible impacts of climate change and the other environmental and social risks to the Bank, the following action plans will be observed:

- a. Constant and careful monitoring of the advises; issuances, pronouncements and similar announcements coming from various government agencies such as: DENR, Department of Agriculture (DA); BFAR; PAGASA; PhilVolcs; National Power Corporation (NPC); NIA and others.
- b. Give importance and greater reliance on the “topography mapping projects” conducted/provided by the Mines and Geosciences Bureau (MGB) and its Geohazard and Engineering Geology Section.
- c. Revisit the existing protocols covering the observance/enforcement of the “Dam Water Release” that was put in place following the Typhoon Pepeng/San Roque Dam incident in 2009 which flooded a wide swath of Pangasinan and was recently replicated by the Typhoon Ulysses/Magat Dam event that inundated the Cagayan and Isabela provinces.
- d. Continued observance of the minimum health and safety protocols/standards during the Covid-19 pandemic, for its prevalent effect to all levels of the social strata and age brackets. The entire nation must remain vigilant and not become complacent in spite of vaccines developed. Their efficacy is not yet fully proven, and thus, making the SARS-CoV2 virus an “endemic” disease that need to safeguarded against!
- e. Other Related Matter/Issues/Developments that could have Social/Societal Risks:
 - Outcome of the investigation of the Phil Health controversial care programs during the Covid-19 pandemic, which could affect the servicing of the Universal Healthcare Program;
 - Passage of the “Divorce law” in the Philippines;
 - Acceptance or Eventual recognition of the “Same-Sex Marriage” in the country.

**Levels of the Risk Appetite and Limits/Thresholds of Breaches:**

RISK APPETITE FOR:	THRESHOLDS
a. For Aqua-Culture/Fishponds and Related Fishing Industries;	2% of Total Loan Type
b. For Poultry/Piggery and similarly classified Animal Industry businesses;	4% of Total Loan Type
c. All Agricultural Production Horticulture Industry and related cut flower business;	4 % of Total Loan Type
d. Lumber/Timber and Logging Business and Related Forest cover Industry;	2 % of Total Loan Type
e. Construction and Other Similar Resources Related Business;	3% of Total Loan Type
f. Auto/Car Loans (follow guidelines/policies of the latest revision of the Phil. Clean Air Act)	40% of Total Loan Type

Measures to be taken in case of Breaches in Limits or Thresholds or the Non-Compliance of a Particular Industry or Sector:

- Temporary suspension of the grant of new loans.
- Stoppage of new and/or the additional loan releases in the areas affected
- Cancellation/Termination of the particular type of loan that is heavily affected/or is a “non-compliant” industry or sector.

Recommended Bank Personnel/Unit to Oversee the Management of the E&S risks:

- Credit Risk Review Officer - Lead or Focal Person



- Branch Managers or Customer Service Relations Officers – Co-Chairpersons
- Member shall be at least two (2), of the following designated bank staff: ROPA Section Head; Loan Account Officers; Appraisers; IA or Compliance Office Staff

Disclosure Requirements:

To comply/follow the requirements under Sec. 175 of the MORB on Public Disclosures. It shall include the following:

- a. Sustainability strategic objectives and risk appetite
- b. Overview of the ESRMS
- c. Breakdown of E&S risk exposures of the Bank per industry or sector
- d. Information on existing and emerging E&S risks and their effect on the bank
- e. Initiatives to promote compliance to globally accepted sustainability standards and practices
- f. Progress of implementation being done to integrate sustainability principles to the governance framework, risk management system, business strategy and operations.



PANGASINAN BANK (A RURAL BANK), INC.

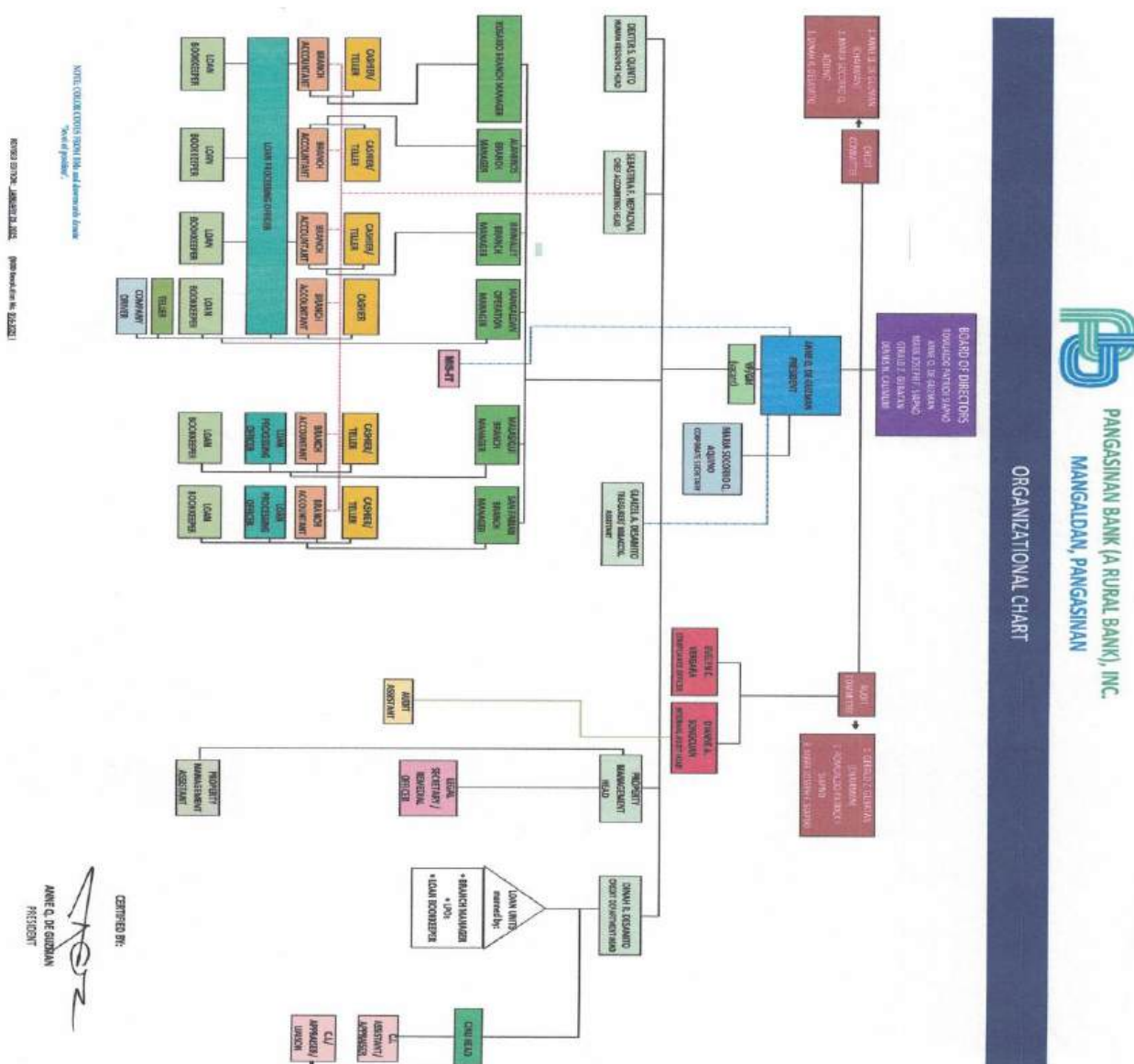
Rizal Avenue, Poblacion, Mangaldan, 2432 Pangasinan

2024 Annual Report

CORPORATE INFORMATION

F. CORPORATE INFORMATION

1. BANK'S ORGANIZATIONAL STRUCTURE





2. LIST OF MAJOR STOCKHOLDERS OF THE BANK

PANGASINAN BANK (A Rural Bank), INC.
List of Major Directors
Major Stockholders (5% Up)
As of December 31, 2024

Name	Nationality	Common	Preferred	Total	Amount (In Million P)	Percent to Total Shares Paid-In
Siapno Family	Filipino	148,460	11,550	160,010	16.001	32.00
De Guzman Family	Filipino	108,416	10,139	118,555	11.855	23.71
Quinto Family	Filipino	73,584	19,165	92,749	9.275	18.55
Aquino Family	Filipino	57,268	2,235	59,503	5.950	11.90
Gubatan Family	Filipino	32,275	3,510	35,785	3.579	7.16
Calimlim Family	Filipino	20,551	-	20,551	2.055	4.11
Others (47 Individual)	Filipino	9,446	3,401	12,847	1.285	2.57
TOTAL		450,000	50,000	500,000	50.000	100.00

3. PRODUCTS AND SERVICES OFFERED

To help achieve its mission of encouraging the people to practice the habit of saving and the judicious use of credit in the communities that it serves, help eradicate usurious practices and provide quality services whether they are depositors or borrowers so that they can improve their economic standing, the bank hereby offers financial products which will help in nation-building in terms of giving economic benefits to the people.

DEPOSIT

PRODUCT	DESCRIPTION	TERMS AND CONDITION
Regular Savings	Interest-bearing deposit which can be withdrawn on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook	Term. On demand Interest Rate. 0.25% p.a. Maintaining Bal. For an account to earn an interest, a balance of P500 must be maintained, otherwise, a maintaining fee of P10 per month is imposed as service charge.



		Dormancy Period. An account is considered dormant if no transaction (<i>deposit or withdrawal</i>) has taken place within the period of 2 years.														
		Dormancy Fee 1. Imposition of dormancy fee, aside from the required 60 days prior notification, shall be done consistent with the provision of Section X263 of the MORB. 2. Only dormant account falling under the minimum daily balance of Php500.00 shall be charged with dormancy fee of P30.00 per month.														
Basic Deposit Savings Account	Interest-bearing deposit which can be withdrawn on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook.	Term. On demand Interest Rate. 0.25% p.a. Opening Amount. Not more than P100.00 Maintaining Bal. None Dormancy Charges. None Maximum Balance. Not more than P50, 000.00; should the depositor exceed the P50, 000.00 maximum balance, the bank should convert the basic deposit account to a regular deposit account.														
Special Savings	Interest-bearing deposit which can be withdrawn or renewed upon maturity, or on demand by depositor upon presentation of duly accomplished withdrawal slip and corresponding passbook	Term. – Minimum of 30 days and maximum of one (1) year but can be withdrawn/pre-terminated on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook. In which case, the contracted interest rate is reduced to the rate given to RSD Interest Rate – The Board shall determine the interest rate based on prevailing market prices without prior notice. It is understood that the bigger the amount and the longer the term, the higher the interest rate. P 10,000.00 – P 49,999.00 0.50%														
		<table><tr><td>Amount</td><td>30 days</td><td>61 days</td><td>91 days</td><td>181 days</td><td>365 days</td><td>5 yrs + 1 day</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	Amount	30 days	61 days	91 days	181 days	365 days	5 yrs + 1 day							
Amount	30 days	61 days	91 days	181 days	365 days	5 yrs + 1 day										



		50,000-99,999	1.60%	1.60%	1.90%	2.00%	2.00%	2.50%
		100,000-149,999	1.70%	1.70%	2.00%	2.00%	2.10%	2.60%
		150,000-						
		199,999	1.70%	1.70%	2.00%	2.00%	2.10%	2.60%
		200,000-299,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
		300,000-399,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
		400,000-499,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
		500,000-599,999	2.00%	2.00%	2.30%	2.40%	2.40%	2.90%
		600,000-999,999	2.00%	2.00%	2.30%	2.40%	2.40%	2.90%
		1,000,000-2,999,999	2.30%	2.30%	2.60%	2.70%	2.70%	3.40%
		3,000,000-3,999,999	2.60%	2.60%	2.80%	2.90%	3.00%	3.70%
		4,000,000-4,999,999	2.70%	2.70%	3.00%	3.00%	3.20%	3.80%
		5,000,000 - above	2.80%	2.80%	3.00%	3.20%	4.00%	4.00%
		Minimum placement of P 10,000.00 Dormancy Period. Same as regular savings Manner of interest computation – interest is computed as follows: If the term is completed $\text{Interest} = \text{Principal} \times \text{Rate} \times (\text{Term}/365)$ If pre-terminated $\text{Interest} = \text{Principal} \times \text{RSD rate} \times (\text{no. of days}/365)$ Depositor's Option – The depositor has the following options under the circumstances: Upon placement: Make additional placement before maturity Full or partial pre-termination Upon maturity: Withdraw the interest income earned, principal being rolled-over						



		Partial termination, the balance being rolled-over Roll-over and additional placement Full termination/closed account
		For proper recognition of interest expense, the system computes the accrued interest at the end of each month to be recorded in the books of the Bank Documentary Stamp – The Depositor is bound to pay the documentary stamp due in accordance to the applicable revenue regulation. There shall be three (3) instances when the DST will be collected from a SSD account: 1st – All new account openings 2nd – Any additional placements 3rd – Any partial or full pre-termination made

LOANS

PRODUCT	DESCRIPTION	TERMS AND CONDITION																				
Agrarian Reform Loan	A credit extended to production and other types of loans granted to beneficiaries of agrarian reform for purposes of: a. Acquisition of work animals, farm equipment, seeds, fertilizer and other similar items b. Acquisition of lands authorized under existing laws c. Construction/acquisition of facilities for production, processing, storage and marketing	Term. Minimum of 30 days and maximum of five (5) years, with possible extension of another 5 years, payable thru monthly amortization. Interest Rate. Loans 3 Million and below: <table><tr><td>1 yr.</td><td>16% (over the term)</td></tr><tr><td>2 yrs.</td><td>24% (over the term)</td></tr><tr><td>3 yrs.</td><td>32% (over the term)</td></tr><tr><td>4 yrs.</td><td>40% (over the term)</td></tr><tr><td>5 yrs.</td><td>48% (over the term)</td></tr></table> Service Charge (one time) 3% Loans more than 3 Million: <table><tr><td>1 yr.</td><td>12% (over the term)</td></tr><tr><td>2 yrs.</td><td>18% (over the term)</td></tr><tr><td>3 yrs.</td><td>24% (over the term)</td></tr><tr><td>4 yrs.</td><td>30% (over the term)</td></tr><tr><td>5 yrs.</td><td>36% (over the term)</td></tr></table> Service Charge (one time) 3%	1 yr.	16% (over the term)	2 yrs.	24% (over the term)	3 yrs.	32% (over the term)	4 yrs.	40% (over the term)	5 yrs.	48% (over the term)	1 yr.	12% (over the term)	2 yrs.	18% (over the term)	3 yrs.	24% (over the term)	4 yrs.	30% (over the term)	5 yrs.	36% (over the term)
1 yr.	16% (over the term)																					
2 yrs.	24% (over the term)																					
3 yrs.	32% (over the term)																					
4 yrs.	40% (over the term)																					
5 yrs.	48% (over the term)																					
1 yr.	12% (over the term)																					
2 yrs.	18% (over the term)																					
3 yrs.	24% (over the term)																					
4 yrs.	30% (over the term)																					
5 yrs.	36% (over the term)																					



		Other Charges. Penalty charge of 5% p.a. of past due account; other charges incidental to the extension of the loan.
		Mode of Interest Payment. Via an amortization schedule spread over the term of the loan using either the straight or diminishing balance method.
Agricultural Loan	Loans granted to borrowers, whether beneficiaries of agrarian reform or not, to finance activities relating to agriculture, and for processing, marketing, storage, and distribution of products resulting from the activities of tillers, tenant-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers' cooperatives and compact farms.	Same terms and conditions as with other loans, except for Auto Loan.
Real Estate Loan	A credit to finance the acquisition of lot, or improvement of residential units and down-payment to acquire a residential lot.	Same terms and conditions as with other loans, except for Auto Loan
Consumption Loan	A credit to purchase household or equipment for personal use, or meet expenses for educational, medical or emergency needs of the clients/borrowers and their immediate family and processing/placement fee for application of OFWs.	Same terms and conditions as with other loans, except for Auto Loan
Commercial Loan	A credit extended to small and medium enterprises engaged in any business activity in the industry, agri-business and/or services, whether single proprietorship, cooperative, partnership or corporation.	Same terms and conditions as with other loans, except for Auto Loan



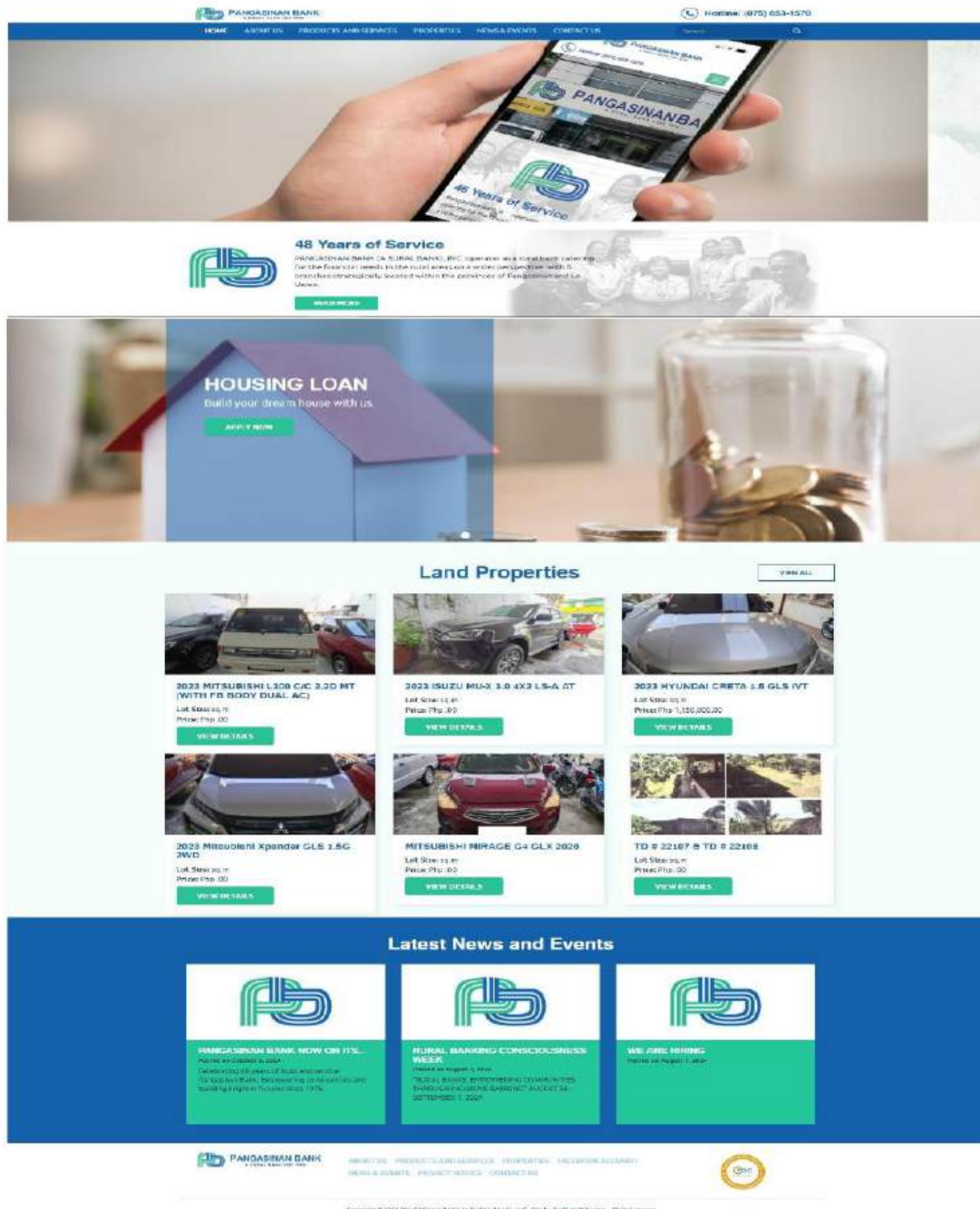
Motor Vehicle Loan	Loans granted to individuals as well as businessman to acquire their motor vehicle and additional working capital in which the said motor vehicle unit (as evident of their original OR/CR) will serve as their collateral.	Term. Minimum of 1 year and maximum of 5 years, via monthly amortization schedule Interest Rate. 10% to 58% add-on rate, depending on the term and status of collateral.
		Mode of Payment. Based on amortization schedule Note: a separate Motor Vehicle Loan Manual is available for detailed policies and procedures
Employee Loan	Loans granted to officers and employees of the Bank under the Financial Assistance Program approved by the BSP	Term. Minimum of 1 year and maximum of 5 years. Other terms and condition in accordance with Sec. 135 of the MORB. Interest Rate. Real Estate Loan 12% Multi-Purpose Loan: Motor Vehicle Loan 10% Auto Vehicle Loan 10% Other Multi-Purpose 10% Salary Loan 10% Calamity Loan 8% Mode of Payment. Amortization schedule applied as deduction to payroll every 10 th and 25 th day of the month.

*In addition to the preceding products, the bank is also an agent of ECPay for bills payment and other related services.



4. BANK'S WEBSITE

www.pangasinanbank.com



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Contact Us

Main Branch
Address: Rizal Street, Poblacion, Mangaldan, Pangasinan
Contact Person: Ms. Anne Q. De Guzman
Email: anna_t28@yahoo.com
Contact Person: Mr. Sebastian P. Nipacilla
Email: spnib@yahoo.com
Contact Numbers: (075) 653-1570 / (075) 643-5013 / 0933-037-1313 / 0956-556-5752

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We are glad to serve you, do you have questions or comments? Use our online form.

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Branch Info

Mangaldan Branch (Main)
Address: Rizal Ave., Poblacion Mangaldan, Pangasinan
Contact Person: Presida B. Quillem
Landline: (075) 513-5013
CP No.: 09330371313 / 0965341712
Email: pbmangaldan@yahoo.com

Alaminos Branch
Address: 3p. Quezon Ave. Poblacion Alaminos City, Pangasinan
Contact Person: Lyn E. Rabanal
Landline: (075) 529-5972
CP No.: 09595544510513519858
Email: cityalaminos@yahoo.com

Binalatay Branch
Address: Public Market, Poblacion Binalatay, Pangasinan
Contact Person: Rachelle J. Sumitoy
Landline: (075) 633-9332
CP No.: 09330371331/09327269320
Email: pangbank.binalatay@yahoo.com.ph

Malasiqui Branch
Address: Don Vicente Quintans St., Poblacion, Malasiqui, Pangasinan
Contact Person: Mrs. John Della Cruz
Landline: (075) 632-2401
CP No.: 09325971352/09310614606
Email: pblmalasiqui0421@yahoo.com

Rosario Branch
Address: Aguilana St., Poblacion East, Rosario, La Union
Contact Person: Gina G. Valdez
Landline: (072) 619-6524
CP No.: 09330371415/09062702864
Email: pangasinanbankrosario@yahoo.com

San Fabian Branch
Address: Rizal St., Poblacion San Fabian, Pangasinan
Contact Person: Lily B. Quejido
Landline: (075) 653-1446
CP No.: 09330371316/09063021745
Email: pblsanfabian@yahoo.com

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5. BANKING UNITS

MANGALDAN-HEAD OFFICE

Rizal Avenue, Poblacion
Mangaldan, Pangasinan

Administration:

Tel. No. 653-1570 (Admin)
0930-771-8741 (Compliance)
0923-991-4091 (ROPA Dept.)
0922-478-0330 (CIAU Dept.)

Email Addresses:

pbrb@pangasinanbank.com
ppbrb@yahoo.com

enna_726@yahoo.com
marie.aquino67@gmail.com
ropapb@yahoo.com
pbiauditdepartment@yahoo.com
pbhrd@yahoo.com
pbi_mis_it@yahoo.com
pbriskdept@yahoo.com
pbi.remedial@yahoo.com
pbi_ciau@yahoo.com

Bank's Official Email
Compliance Officer/
Chief Accounting Head
President
Credit Head
ROPA Dept.
Audit Dept.
HR Dept.
IT Dept.
Credit Risk Review Dept.
Remedial Dept.
Appraisal Dept.

Operations

Tel. No. (075)-513-5013
0906-556-5712

Email Addresses:

pbmangaldan.bm@yahoo.com
pbmangaldan@yahoo.com





ALAMINOS BRANCH

30 Quezon Avenue, Poblacion

Alaminos City, Pangasinan

Tel. No. (075) 529-5972

0985-955-6493

0961-632-3105

Email Addresses:

pbalaminos.bm@yahoo.com

cityalaminos@yahoo.com





BINMALEY BRANCH

Public Market, Poblacion
Binmaley, Pangasinan
Tel. No. (075) 633-9312
0933-037-1331
0932-726-9320

Email Addresses:

pbbinmaley.bm@yahoo.com
pangbank.binmaley@yahoo.com.ph





MALASIQUI BRANCH

Don Vicente Quintans Street
Poblacion, Malasiqui, Pangasinan
Tel. No. (075) 632-2407
0932-597-1300

Email Addresses:

pbmalasiqui.bm@yahoo.com

pbmalasiqui0421@yahoo.com.





ROSARIO BRANCH

Aquitania, Poblacion
Rosario, La Union
Tel. No. (072) 619-6524
0933-037-1415

Email Addresses:

pbrosario.bm@yahoo.com
pangasinanbankrosario@yahoo.com.





SAN FABIAN BRANCH

Rizal Street, Poblacion
San Fabian, Pangasinan
Tel. No. (075) 653-1446
0906-302-1745
0933-037-1376

Email Addresses:

pbsanfabian.bm@yahoo.com

pbsanfabian@yahoo.com.





AUDITED FINANCIAL STATEMENTS (AFS) WITH AUDITOR'S OPINION



**G.AUDITED FINANCIAL STATEMENTS (AFS) WITH AUDITOR'S
OPINION**

PANGASINAN BANK (A RURAL BANK), INC.

Rizal Avenue, Mangaldan Pangasinan

AUDITED FINANCIAL STATEMENTS

December 31, 2024



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR
ANNUAL INCOME TAX RETURN**

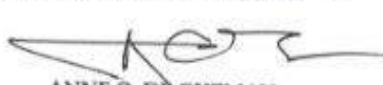
The Management of PANGASINAN BANK (A RURAL BANK), INC. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended 2024 and the accompanying Annual Income Tax Return are in accordance with the books and records of PANGASINAN BANK (A RURAL BANK), INC. complete and correct in all material respects. Management likewise affirms that:

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


**ROMUALDO PATRICK F.
SIAPNO**
Chairman

(Signature over printed name)


ANNE Q. DE GUZMAN
President

(Signature over printed name)


GLAIZEL A. DESAMITO
Chief Finance Officer

(Signature over printed name)

March 20, 2025



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of PANGASINAN BANK (A RURAL 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, 2024 and 2023, 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 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 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 no 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 approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

DAROYA & CO., the independent auditors, appointed by the stockholders has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


ROMUALDO PATRICK F.
SIAPNO
Chairman

(Signature over printed name)


ANNE Q. DE GUZMAN
President

(Signature over printed name)


GLAIZEL A. DESAMITO
Chief Finance Officer

(Signature over printed name)

March 20, 2025



D A R O Y A & C O .
Certified Public Accountants

4th Floor, Benning Square Building
Arellano Street, Barangay Pantan
Dagupan City, Pangasinan
Philippines 2400
Tel. Nos. (075) 522-7098 / (075) 522-4333
Email address: benjedaroya@daroya.com.ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PANGASINAN BANK (A RURAL BANK), INC.
Rizal Avenue, Mangaldan Pangasinan

Opinion

We have audited the financial statements of PANGASINAN BANK (A RURAL BANK), INC., which comprise the statements of financial position as at December 31, 2024 and 2023, and the 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 Company as at December 31, 2024 and 2023, and of 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 audit 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the submitted 'Comparison of Audited Financial Statement and Consolidated Statement of Financial Position and Income', 'Adjusting Journal Entries', 'Reconciliation between FRP and PFRS', 'Reconciliation of Retained Earnings Available for Dividend Declaration' and 'Certificate Authorizing Registration (if any)'. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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:



DAROYA & CO.
Certified Public Accountants

4th Floor, Benning Square Building
Arellano Street, Barangay Pantal
Dagupan City, Pangasinan
Philippines 2400
Tel. Nos. (075) 522-7098 / (075) 522-4333
Email address: benjledaroya@daroya.com.ph

- 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.
- 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 Company'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 Company 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and alike in the Notes to Financial Statements and the "Other Information" mentioned above are presented for purposes of additional analysis and filing with the Bureau of Internal Revenue, SEC and BSP and are not required to be part of the basic financial statements. Such information is the responsibility of management. 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.

DAROYA & CO.
BOA AN. 221, valid until September 20, 2027
BSP AN. 0221 Group C (Audit Period Covered 2020-2025)


JOVENIO N. DAROYA JR.

Partner

CPA Certificate No. 90369, valid until April 10, 2026
BOA AN. 221/P-001, valid until September 20, 2027
BSP AN. 90369 Group C (Audit Period Covered 2020-2025)
BIR AN. 010081190022023, valid until February 16, 2026
TIN 161-520-408
PTR No. 1575955 (2025) Dagupan City

Dagupan City, Pangasinan
March 20, 2025



DAROYA & CO.
Certified Public Accountants

4th Floor, Benning Square Building
Arellano Street, Barangay Pantat
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Philippines 2400
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SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
PANGASINAN BANK (A RURAL BANK), INC.
Rizal Avenue, Mangaldan Pangasinan

We have audited the financial statement of **PANGASINAN BANK (A RURAL BANK), INC.** for the year ended December 31, 2024, on which we have rendered the attached report dated March 20, 2025.

In compliance with SRC Rule 68, we are stating that the Company has 41 Stockholders owning 100 or more shares each as of December 31, 2024.

DAROYA & CO.
BOA AN. 221, valid until September 20, 2027
BSP AN. 0221 Group C (Audit Period Covered 2020-2025)


JOVENIO N. DAROYA JR.

Partner
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March 20, 2025



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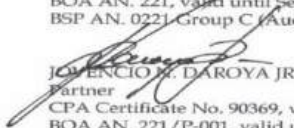
INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
PANGASINAN BANK (A RURAL BANK), INC.
Rizal Avenue, Mangaldan Pangasinan

We have audited the financial statements of **PANGASINAN BANK (A RURAL BANK), INC.** as of and for the year ended December 31, 2024, on which we have rendered the attached report dated March 20, 2025.

The supplementary information shown as Reconciliation of Retained Earnings Available for Dividend Declaration is presented for the purpose of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, the computation and information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAROYA & CO.
BOA AN. 221, valid until September 20, 2027
BSP AN. 0221 Group C (Audit Period Covered 2020-2025)


JOVENCIO M. DAROYA JR.
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PTR No. 1575955 (2025) Dagupan City

Dagupan City
March 20, 2025

**PANGASINAN BANK (A RURAL BANK), INC.**

Rizal Avenue, Poblacion, Mangaldan, Pangasinan

STATEMENT OF FINANCIAL POSITION

As of December 31, 2024 and 2023

(Amounts in Philippine Pesos)

	Notes	2024	2023
ASSETS			
Cash and Cash Equivalents	2,5	3,241,272	3,172,617
Due from Bangko Sentral ng Pilipinas	2,6	5,351,698	5,418,764
Due from Other Banks	2,7	164,459,000	142,200,416
Loans and Receivables	2,8	190,435,295	208,717,467
Held-to-Maturity Financial Assets	2,9	28,065,351	26,829,841
Bank Premises, Furniture, Fixtures and Equipment	2,10	6,851,092	8,957,618
Investment Properties	2,11	12,570,091	11,079,711
Other Assets	2,12	3,346,448	3,858,105
TOTAL ASSETS		414,320,245	410,234,540
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit Liabilities	2,13	330,297,329	330,257,122
Unearned Income	2,14	1,109,273	3,142,034
Other Liabilities	2,15	2,904,901	2,117,176
Income Tax Payable	2,16	1,091,168	27,488
Total Liabilities		335,402,671	335,543,820
EQUITY			
Paid-in Capital	2,17	50,000,000	50,000,000
Retained Earnings Reserve	2,17	11,477,581	11,280,803
Retained Earnings Free	2,17	17,504,321	12,710,980
Accumulated Other Comprehensive Income	2	(64,327)	698,937
Total Equity		78,917,574	74,690,719
TOTAL LIABILITIES AND EQUITY		414,320,245	410,234,540

This statement should be read in conjunction with the accompanying notes.



PANGASINAN BANK (A RURAL BANK), INC.
Rizal Avenue, Poblacion, Mangaldan, Pangasinan

STATEMENT OF INCOME

For the years ended December 31, 2024 and 2023

(Amounts in Philippine Pesos)

	Notes	2024	2023
INTEREST INCOME	18		
Loans and receivables		26,035,999	24,324,393
Held-to-maturity Investments		1,242,496	1,064,951
Deposits with banks		3,634,452	2,725,533
		30,912,947	28,114,877
INTEREST EXPENSE	19		
Deposit Liabilities		3,126,769	1,910,826
		3,126,769	1,910,826
OTHER INCOME	20		
Miscellaneous		11,912,643	6,292,087
TOTAL OPERATING INCOME		39,698,821	32,496,138
OPERATING EXPENSES	21		
Employees' compensation and other benefits		14,675,509	16,251,245
Director's Fees		317,470	290,800
Taxes and Licenses		3,659,255	2,956,474
Other Administrative Expenses		6,891,269	7,520,081
Depreciation/Amortization		3,234,821	2,033,956
Losses/Recoveries of Financial Assets		1,919,305	(826,803)
		30,697,630	28,225,753
INCOME BEFORE TAX		9,001,191	4,270,385
PROVISION FOR INCOME TAX	16 & 22	(1,754,735)	(435,453)
PROFIT/(LOSS) FOR THE PERIOD		7,246,457	3,834,931
OTHER COMPREHENSIVE INCOME			
Unrealized market gain on plan assets	2		
TOTAL COMPREHENSIVE INCOME		7,246,457	3,834,931

This statement should be read in conjunction with the accompanying notes.



PANGASINAN BANK (A RURAL BANK), INC.
Rizal Avenue, Poblacion, Mangaldan, Pangasinan

STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2024 and 2023
(Amounts in Philippine Pesos)

	Paid-in Capital		Retained Earnings			Accumulated Other Comprehensive Income	Total Equity
	Preferred	Common	Reserve	Free	Undivided Profits		
Balance at 31 December, 2022	5,000,000	45,000,000	11,102,506	8,849,511	3,007,153	-	72,959,170
Dividends				(2,750,000)			(2,750,000)
Reserve for contingencies and self-insurance			178,297	128,625			306,921
Deficiency tax 2022				(452,125)			(452,125)
Transfers				3,007,153	(3,007,153)		
Bank entries in 2023				(393,730)		957,638	(393,730)
Adjustment on amortized HTM				138,918			138,918
Reversal of adjustment				393,730		(957,638)	393,730
Remeasurement of defined benefit assets and liabilities						698,937	698,937
Adjustment of Provision for income tax				(46,034)			(46,034)
Undivided Profits ending 12/31/2023					3,834,931		3,834,931
Balance at 31 December, 2023	5,000,000	45,000,000	11,260,803	8,876,048	3,834,931	698,937	74,690,719
Transfer				3,834,931	(3,834,931)		
Dividends				(2,750,000)			(2,750,000)
Reserve for contingencies and self-insurance			196,778	(196,778)			-
Claim received from Export Bank				885,169			885,169
Remeasurement of defined benefit assets and liabilities						(763,265)	(763,265)
Adjustment of Provision for income tax				(2,087)			(2,087)
Adjustment of Provision for income tax				(389,419)			(389,419)
Undivided Profits ending 12/31/2024				7,246,457			7,246,457
Balance at 31 December, 2024	5,000,000	45,000,000	11,477,581	17,504,321	-	(64,327)	78,917,574

This statement should be read in conjunction with the accompanying notes.



PANGASINAN BANK (A RURAL BANK), INC.

Rizal Avenue, Poblacion, Mangaldan, Pangasinan

STATEMENT OF CASH FLOWS

For the years ended December 31, 2024 and 2023

(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT BEFORE TAX		9,001,191	4,270,385
Adjustments to reconcile net income/retained earnings to net cash provided by operating activities:			
Depreciation - BPFPE	10	2,361,956	1,298,770
Depreciation - ROPA		872,864	735,186
Acc. Depreciation, Adjustments - BPFPE	10	(158,350)	(165,049)
Acc. Depreciation, Adjustments - ROPA	11	(206,959)	(26,919)
Provision for Credit Losses	8	1,919,305	-
Allowance for credit losses	8	(597,658)	(3,027,144)
Allowance for losses - Other Assets	12	(885,169)	-
Adjustments (see SCE)		(269,602)	646,618
Changes in operating assets and liabilities			
Decrease (Increase) in:			
Loans and Receivables	8	16,960,526	(6,911,771)
Unearned Interest and Discounts	7	152,490	(11,013)
Other Asset	12	1,396,826	574,456
Increase (Decrease) in:			
Deposit Liabilities	13	40,207	(12,264,755)
Other Liabilities	15	787,725	(375,906)
Unearned Income	14	(2,032,761)	(1,149,627)
Cash generated from operations		29,342,593	(16,406,768)
Income Taxes	16	(691,055)	(454,000)
NET CASH FROM OPERATING ACTIVITIES		28,651,538	(16,860,768)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in:			
Held-to-Maturity Financial Assets Additions	9	(1,388,000)	(845,896)
Investment Properties Acquisitions	11	(2,156,285)	(1,359,574)
PPE Acquisitions	10	(97,080)	(538,284)
NET CASH FROM INVESTING ACTIVITIES		(3,641,365)	(2,743,754)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Dividends		(2,750,000)	(2,750,000)
Capital Infusion			
NET CASH FROM FINANCING ACTIVITIES		(2,750,000)	(2,750,000)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		22,260,173	(22,354,522)
CASH BALANCE AT BEGINNING OF YEAR			
Cash and Cash Equivalents	5	3,172,617	2,713,809
Due from Bangko Sentral ng Pilipinas	6	5,418,764	10,522,781
Due from Other Banks	7	142,200,416	159,909,729
		150,791,797	173,146,319
CASH BALANCE AT END OF YEAR			
Cash and Cash Equivalents	5	3,241,272	3,172,617
Due from Bangko Sentral ng Pilipinas	6	5,351,698	5,418,764
Due from Other Banks	7	164,459,000	142,200,416
		173,051,969	150,791,797

This statement should be read in conjunction with the accompanying notes.



PANGASINAN BANK (A RURAL BANK), INC.
Rizal Avenue, Mangaldan, Pangasinan

NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - COMPANY INFORMATION

Pangasinan Bank (A Rural Bank), Inc. was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) under registration number 69494. The Bank's main purpose is to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries and enterprises and to have and exercise all authority and powers and to do and perform all acts and transacts all business which may legally be had and done by rural bank organized under and in accordance with the Rural Bank's Act and transacts all business which may legally exist or be amended and to have all other things thereto and necessary and proper in connection with said purposes within such authority as may be determined by the Monetary Board of Bangko Sentral ng Pilipinas.

The bank's principal place of business is located at Rizal Avenue, Mangaldan, Pangasinan with branches in Pangasinan in the towns of Binmaley, San Fabian, Alaminos, Malasiqui and in Rosario, La Union.

The Board of Directors (BOD) of the bank has reviewed and approved the release of the accompanying financial statements for the year ended December 31, 2024 (including comparative figures for December 31, 2023) on March 14, 2025.

NOTE 2 - MATERIAL ACCOUNTING POLICY INFORMATION

A summary of more significant policies and practices of the bank are set forth below to facilitate the understanding of data presented in the financial statements.

2.1 Basis of Preparation

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

2.2 Currency of Presentation

Unless otherwise stated, all amounts are expressed in Philippine Pesos (Php), the domestic currency. All financial information presented in Philippine Peso has been rounded off to the nearest peso.

2.3 Presentation of Financial Statements

The statements of financial position of the Bank are presented in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the succeeding notes.

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.

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks that are highly liquid, readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and which are subject to insignificant risk of changes in value. Due from BSP includes statutory reserves required by the



PANGASINAN BANK (A RURAL BANK), INC.

Notes to Financial Statements

December 31, 2024 and 2023

Bank which the Bank considers as cash and cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

2.4 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended standards, which became effective in year 2024. 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:

i. Amendments to PAS 7 and PFRS 7, Supplier Finance Arrangements

The International Accounting Standards Board (IASB) has amended IAS 7, Cash flow Statements, and IFRS 7, Financial Instruments: Disclosures, through the increase of disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments require additional disclosures that complement the existing disclosures in these two standards. They require entities to disclose:

- the terms and conditions of the arrangement;
- the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are included on the statement of financial position;
- ranges of payment due dates; and,
- liquidity risk information.

The additional disclosure requirements address investors wanting more visibility around supplier finance arrangements, which in some jurisdictions around the world are better known as reverse factoring arrangements.

ii. Amendments to PAS 1, Non-current Liabilities with Covenants

PAS 1 requires entities to classify debt as current if the entity is unable to avoid settling the debt within 12 months after the reporting date. However, the entity may need to comply with covenants during that same period, which may question whether the debt should be classified as non-current. For example, a long-term debt may become current if the entity fails to comply with the covenants during the 12-month period after the reporting date.

The amendments set out in Non-current Liabilities with Covenants (Amendments to PAS 1) state that at the reporting date, the entity does not consider covenants that will need to be complied with in the future, when considering the classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements.

The IASB aims for these amendments to enable investors to understand the risk that such debt could become repayable early and therefore improving the information being provided on the long-term debt.

iii. Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

The International Accounting Standards Board (IASB) has issued amendments to PFRS 16, Leases, adding requirements for accounting for a sale and leaseback after the date of the transaction. A sale and leaseback is a transaction for which a company sells an asset and leases that same asset back for a period of time from the new owner.



PANGASINAN BANK (A RURAL BANK), INC.
Notes to Financial Statements
December 31, 2024 and 2023

The IASB has issued additional guidance in PFRS 16 on accounting for sale and leaseback transactions. Previously, PFRS 16 only included guidance on how to account for sale and leaseback transactions at the date of the transaction itself. However, the standard did not specify any subsequent accounting when reporting on the sale and lease back transaction after that date.

As a result, without further requirements, when the payments include variable lease payments, there is a risk that a modification or change in the leaseback term could result in the seller lessee recognizing a gain on the right of use retained even though no transaction or event would have occurred to give rise to that gain.

Consequently, the IASB decided to add subsequent measurement requirements for sale and leaseback transactions to PFRS 16.

At the date of authorization of these financial statements, the Bank has not applied the following new and revised PFRS Standards that have been issued but are not yet effective.

i. Annual Improvements to PFRS Accounting Standards - Volume 11 January 1, 2026

A summary of the issues addressed is set out below:

Accounting Standard	Subject of amendment	IASB's summary of amendment
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	Hedge accounting by a first-time adopter	Amends paragraphs B5-B6 of IFRS 1: 1. to improve consistency with the requirements in IFRS 9 'Financial Instruments', and 2. to add cross-references to improve the understandability of IFRS 1.
IFRS 7 'Financial Instruments: Disclosures'	Gain or loss on derecognition	Amends paragraph B38 of IFRS 7: 1. to replace an obsolete reference to paragraph 27A of IFRS 7 with a reference to paragraphs 72-73 of IFRS 13 'Fair Value Measurement', and 2. to replace the phrase 'inputs that were not based on observable market data' with 'unobservable inputs' to make the wording consistent with the wording in paragraph 72 of IFRS 13.
Guidance on implementing IFRS 7 'Financial Instruments: Disclosures'	Disclosure of deferred difference between fair value and transaction price	Amends paragraph IG14 to make its wording consistent with the requirements in paragraph 28 of IFRS 7 and with the wording and concepts in IFRS 9 and IFRS 13.
	Introduction and credit risk disclosures	Improved clarity by: amending paragraph IG1 to clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, and amending paragraph IG20B to simplify the explanation of the aspects of the requirements that are not illustrated.
FRS 9 'Financial Instruments'	Derecognition of lease liabilities	Amends paragraph 2.1(b)(ii) of IFRS 9 to add a cross-reference to paragraph 3.3.3 of IFRS 9 to clarify that when a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.



PANGASINAN BANK (A RURAL BANK), INC.
Notes to Financial Statements
December 31, 2024 and 2023

	Transaction price	Amends paragraph 5.1.3 of IFRS 9 to replace 'their transaction price (as defined in IFRS 15 'Revenue from Contracts with Customers')' with 'the amount determined by applying IFRS 15' due to an inconsistency between 5.1.3 and the requirements in IFRS 15. As a result, IFRS 9 Appendix A was also amended to remove the term.
IFRS 10 'Consolidated Financial Statements'	Determination of a 'de facto agent'	Amends paragraph B74 of IFRS 10 'Consolidated Financial Statements' to use less conclusive language and to clarify that the relationship described in paragraph B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.
IAS 7 'Statement of Cash Flows'	Cost method	Amends paragraph 37 of IAS 7 to replace the term 'cost method' with 'at cost'.

ii. IFRS 19, Subsidiaries without Public Accountability January 1, 2027

The objective of the Standard is to alleviate the reporting burden for subsidiaries without public accountability.

In order to apply IFRS 19, an entity must meet all of the following criteria at the end of its reporting period:

- is a subsidiary;
- does not have public accountability, and
- has a parent that produces consolidated financial statements available for public use that comply with full application of IFRS.

For purposes of applying IFRS 19, an entity has public accountability if:

- it has debt or equity instruments that are traded on a public market or is in the process of issuing such instruments, or
- holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary business activities.

Disclosure requirements:

IFRS 19 includes reduced disclosures for almost all existing IFRS, the details of which are specific to each impacted standard. To apply IFRS 19, entities will first apply the recognition, measurement, and presentation requirements in each applicable IFRS. The entity will then not apply the disclosure requirements in the applicable IFRS but will instead refer to IFRS 19 for required disclosures.

Standards with no reduced disclosures:

The International Accounting Standards Board assessed each individual standard to determine whether to reduce disclosures and how best to do so while still meeting the fair presentation requirements and investor needs. The following standards do not have reduced disclosure requirements under IFRS 19 and the disclosures set out in each standard still apply:

1. IAS 33 'Earnings per Share'
2. IFRS 17 'Insurance Contracts'
3. IFRS 8 'Operating Segments'



PANGASINAN BANK (A RURAL BANK), INC.
Notes to Financial Statements
December 31, 2024 and 2023

Subsidiaries that are eligible to apply IFRS 19 are not required to apply IAS 33 or IFRS 8 but may do so voluntarily. If either are applied, the full disclosures required by IAS 33 or IFRS 8 will apply.

- iii. **Amendments to PFRS 9 and PFRS 7, Amendments to the Classification and Measurement of Financial Instruments January 1, 2026**
Derecognition of financial instruments when an electronic payment system is used:
 New guidance has been added to IFRS 9 to specifically address when a financial liability should be derecognized when it is settled by electronic payment. Previously, an entity was required to wait until the settlement date of the transaction to discharge the liability, but the new guidance allows for the liability to be discharged before the settlement date if:
- the payment cannot be withdrawn, stopped or cancelled
 - the entity no longer has the practical ability to access the cash, and settlement risk associated with the electronic payment system is insignificant.

Classification of financial assets:

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

IFRS 9 has always required an entity to consider the characteristics of its contractual cash flows to appropriately classify a financial asset. The amendments provide some additional guidance to help an entity assess whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. Given the importance of this determination, new guidance has been provided, including examples of contractual cash flows that are solely payments of principal and interest on the principal outstanding, to ascertain whether or not the arrangements would be consistent with a basic lending arrangement.

IFRS 9 also describes certain situations where financial assets may have contractual cash flows that are described as principal and interest, but the payments made do not actually represent a basic lending arrangement. This may be the case if a financial asset has non-recourse features. The amendments to IFRS 9 provide a clearer definition of a non-recourse feature, which is now outlined as a financial asset where the entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

Contractually linked instruments

IFRS 9 has also been updated to provide additional guidance to clarify the characteristics of contractually linked instruments as well as the definition of the underlying pool used to assess whether a transaction contains contractually linked instruments. The amendments also specify that transactions that contain multiple debt instruments are not automatically contracts with multiple contractually linked instruments, and so they must be carefully assessed before a final determination is made.

IFRS 7: Disclosures:

Investments in equity instruments designated at fair value through other comprehensive income

The amendments to IFRS 7 added new required disclosures for any investments in equity instruments designated at fair value through other comprehensive income. These include disclosures of the fair value gain or loss presented in other comprehensive income for the period, showing separately the fair value gain or loss related to investments derecognized or held, as well as the transfer of cumulative gain or loss within equity related to derecognized investments.

Contractual terms that could change the amount of contractual cash flow based on contingent events



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IFRS 7 has been amended to require additional new disclosures for each class of financial asset measured at amortized cost or fair value through other comprehensive income, as well as financial liabilities measured at amortized cost. When there are contractual terms that could change the contractual cash flows based on the outcome of a contingent event not directly related to basic lending risk, an entity must now disclose certain information surrounding the related contingent event as well as possible changes to cash flows and the gross carrying value and amortized cost of the related financial asset or liability. These new disclosures are also now reflected in IFRS 19.

iv. PFRS 18, Presentation and Disclosure in Financial Statements January 1, 2027

The Standard introduces two new defined subtotals:

- Operating profit, and
- Profit before financing and income taxes

These new required subtotals are intended to increase comparability by ensuring that information presented for investors is consistent across different entities.

Additionally, the Standard requires an entity to classify all income and expenses into one of the following five categories:

- operating
- investing
- financing
- income taxes, and
- discontinued operations

The investing category includes income and expenses from investments in associates, joint ventures and unconsolidated subsidiaries, cash and cash equivalents, and any other assets (such as cash and cash equivalents) that generate returns separately from the entity's other resources.

The financing category distinguishes between transactions that are solely for the purpose of raising finance, and those that are not. Income and expenses from all liabilities that result solely from the raising of finance are included in this category, along with some elements of interest income or expense recognized by applying other IFRS. This category, together with the subtotal for profit before financing and income taxes enables investors to assess the reporting entity's performance before the effects of its financing.

The income taxes and discontinued operations categories include income and expenses resulting from the application of IAS 12, Income taxes, and any related foreign exchange differences, and IFRS 5, Non-current assets held for sale and discontinued operations, respectively.

Finally, the operating category includes all other items of income and expense that are not allocated to one of the other four categories. It is a default category, so it is important to note this category will include income and expenses from an entity's main business activities, regardless of whether the income or expenses are volatile or unusual. The operating profit subtotal provides not only a measure of past performance, but also a starting point for forecasting an entity's future cash flows.

Foreign exchange differences

IFRS 18 requires foreign exchange differences to be classified in the same category of the SPL as the income and expenses from items that gave rise to the foreign exchange differences. This means, for example, that foreign exchange differences on bank loans

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would be classified in the financing category. However, if classifying foreign exchange differences this way would involve undue cost or effort, an entity is permitted to classify them in the operating category. Careful attention should be given to specific requirements for classifying income and expenses from hybrid contracts and fair value gains and losses on derivatives.

Entities with specified main business activities

While the above applies to most entities, it is complicated for reporting entities such as investment firms, financial institutions and insurers where their main business activities (for which income and expenses would usually be classified in the operating category), would fall into the definition of investing or financing activities.

When a reporting entity has assessed that it invests in assets as its main business activity, income and expenses are split between the investing category and operating category, depending on how the underlying assets are accounted for. For all assets accounted for using the equity method, income and expenses are included in the investing category, and for all other assets income and expenses are included in the operating category.

When a reporting entity has assessed that it provides financing to customers as its main business activity, it will classify income and expenses from liabilities relating to providing such finance in the operating category.

The assessment of an entity's main business activities is therefore going to be a key judgement which may significantly impact the geography of where items appear in the SPL. This is likely to prove particularly challenging for mixed groups and groups of reporting entities which provide multiple services.

New requirements to be included in the NFS

The Standard introduces new disclosures:

- Management-defined performance measures (MPMs), and
- Specified expenses by nature

MPMs are subtotals of income and expenses other than those listed by IFRS 18 or specifically required by another IFRS, that an entity uses:

- in public communications outside financial statements, and/or
- to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole.

Alongside any MPMs that are disclosed, a reporting entity will also be required to disclose information including:

- a reconciliation between the MPM and the most directly comparable IFRS 18 subtotal, total or subtotal required by another IFRS
- a description of how the MPM communicates management's view and how it is calculated\an explanation of changes to the MPMs disclosed or to how any of the measures are calculated, and
- a statement indicating that measures used reflect management's view of the financial performance of the entity as a whole and indicates that the measure may not always be directly comparable to any measures sharing similar labels and descriptions provided by other reporting entities.

These disclosures will be required for any measure that meets the definition of a MPM and when applicable and they must be included in a single note in the reporting entity's financial statements.



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Updated guidance for the aggregation and disaggregation of information

The Standard provides specific guidance to ensure that aggregation and disaggregation in the financial statements is consistent and provides investors with the information they need for analysis. The basic principles set out in IFRS 18 require entities to:

- aggregate or disaggregate items based on whether they share similar characteristics or have different characteristics
- ensure that the method of grouping items does not obscure material information or reduce understanding, and
- apply aggregation or disaggregation based on characteristics in both in the primary financial statements and the NPS

Changes to how expenses in the operating category are presented

Consistent with IAS 1, IFRS 18 requires an entity to present in a structured and meaningful way its operating expenses based either on their nature or their function. This means some entities might decide to classify some expenses by nature and other expenses by function. The Standard requires entities that present expenses classified by function to disclose the amount of depreciation, amortization, employee benefits, impairment losses and write-down of inventories included in each line in the operating category of the SPL.

Consequential changes to other standards

Consequential changes have been made to the standard on cash flow statements. IAS 7, Statement of Cash Flows, now requires entities to use the operating profit total as defined in IFRS 18 as the starting point for reporting cash flows from operating activities using the indirect method. In addition, the interest and dividend presentation alternatives that previously existed have also been removed to simplify practice and reduce diversity in preparation.

Elsewhere, IAS 33, Earnings per Share (EPS), requirements have been amended to permit an entity to disclose additional EPS information over and above reporting basic and diluted EPS amounts. However, additional amounts can only be included in the EPS calculation if the numerator is either a total or subtotal identified in IFRS 18 or a MPM. IAS 34, Interim Financial Reporting, has also been updated to require disclosure of information about MPMS in interim financial statements and guidance is now provided on how subtotals should be dealt with in interim financial statements.

v. Amendments to PAS 21, Lack of Exchangeability January 1, 2025

The amendments include both updates to guidance to assist preparers in correctly accounting for foreign currency items and increases the level of disclosure required to help users understand the impact of a lack of exchangeability on the financial statements. The amendments:

- introduce a definition of whether a currency is exchangeable, and the process by which an entity should assess this exchangeability. This includes application guidance included in a new Appendix A
- provide guidance on how an entity should estimate a spot exchange rate in cases where a currency is not exchangeable
- require additional disclosures in cases where an entity has estimated a spot exchange rate due to a lack of exchangeability, including the nature and financial impact of the lack of exchangeability, and details of the spot exchange rate used and the estimation process.
- The additional disclosure requirements provide useful information about the additional level of estimation uncertainty, and risks arising for the entity due to the lack of exchangeability.



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vi. Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – Comparative Information January 1, 2025

The amendment adds a transition option for a classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of PFRS 17. The amendments would be available for:

- any financial assets, including those held in respect of an activity that is unconnected to contracts within the scope of PFRS 17; and
- both entities that initially apply PFRS 9 at the same time as they apply PFRS 17, and entities that had already applied IFRS 9 before the initial application of PFRS 17 where those entities redesignate financial assets applying paragraph C29 of PFRS 17.

The transition option would:

- be available, on an instrument-by-instrument basis;
- allow an entity to present comparative information as if the classification and measurement requirements of PFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of PFRS 9; and
- require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying PFRS 9.

The amendment does not amend the transition requirements in PFRS 9. At the date of initial application of IFRS 9, an entity is required to apply the transition requirements in IFRS 9 to a financial asset, regardless of whether it has applied the classification overlay to that asset.

vii. PFRS 17, Insurance Contracts January 1, 2025

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

2.5 Fair Value Measurement

For measurement and disclosure purposes, the Bank determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.



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The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: a.) in the principal market for the asset or liability, or b.) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask 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 at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The carrying amounts of the financial assets and liabilities as at December 31 for both years approximate their fair values based on the bank's fair value hierarchy.

2.6 Classification, Measurement and Reclassification of Financial Assets
Classification and measurement of financial assets

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, Financial Instruments: Presentation). All other non-derivative financial instruments are 'debt instruments'. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTOCI, and FVTPL. The classification depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. 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.



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Business model test

A business model refers to how an entity manages its financial assets in order to generate cash flows. It is determined at a level that reflects how groups of financial assets are managed rather than at an instrument level. PFRS 9 identifies three types of business models: 'hold to collect', 'hold to collect and sell' and 'other'. Many entities may only have one business model but it is possible to have more than one.

Hold to collect

The objective of the 'hold to collect' business model is to hold financial assets to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. However, there is no requirement that financial assets are always held until their maturity, and PFRS 9 identifies some sales that are considered consistent with the 'hold to collect' business model irrespective of their frequency and significance. This is in contrast to the held to maturity category under PAS 39 which penalized entities for sales in all but exceptional circumstances (commonly known as 'tainting rules'). Nevertheless, it is expected that sales would be incidental to this business model and consequently an entity will need to assess the nature, frequency and significance of any sales occurring. Only financial assets that meet the SPPI test and are held in a 'hold to collect' business model can be classified at amortized cost.

Hold to collect and sell

Under the 'hold to collect and sell' business model, the objective is to both collect the contractual cash flows and sell the financial asset. In contrast to the 'hold to collect' business model, sales are integral rather than incidental, and consequently this business model typically involves a greater frequency and volume of sales.

Only financial assets that meet the SPPI test and are held in a 'hold to collect and sell' business model can be classified at fair value through other comprehensive income for debt. One example would be government or corporate bonds that are held with the dual objective of holding those bonds to earn interest and selling those bonds before their maturity in order to generate cash for investment or liquidity purposes.

Other

Other business models are all those that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

SPPI test

The SPPI test requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding ie cash flows that are consistent with a basic lending arrangement. Unlike the business model test, this assessment must be carried out on an instrument-by-instrument basis.

Principal is defined as being the fair value of the financial asset at initial recognition. Interest is defined narrowly as being compensation for the time value of money and credit risk although it can also include compensation for other lending risks such as liquidity, administrative costs and a profit margin. Cash flows that provide compensation for other risks such as equity or commodity risk will fail the SPPI test because they are inconsistent with a basic lending arrangement.

Classification of financial assets

Financial Assets at Amortized Cost

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

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



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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 effects of restatement on foreign currency-denominated financial assets at amortized cost are recognized in the statement of income.

The Bank classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Loans and receivables', 'Investment securities at amortized cost', if any, and certain financial assets, if any, under 'Other assets' as financial assets at amortized cost. This will also include, as prescribed by BSP Circular 1011 Appendix 33 Annex A, Held-to-Maturity Financial Assets.

Financial Assets at FVTOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets at FVTOCI include Available for Sale (AFS) Financial Assets.

Financial Assets at FVTPL

Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Bank has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Investments in equity instruments are classified as at FVTPL, unless the Bank designates an equity instrument that is not held for trading as at FVTOCI at initial recognition. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. The Bank's financial assets at FVTPL include government securities and private bonds held for trading purposes, or Financial Assets Held for Trading.

Derivative Instruments

Derivative instruments are initially recorded at fair value and carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of PFRS 9 (for example, financial liabilities and non-financial host contracts) are treated as separate derivatives when their risks and economic characteristics are not closely related to those of the host contracts and the host contracts



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are not measured at FVTPL. The Bank assesses the existence of an embedded derivative on the date it first becomes a party to the contract and performs re-assessment only when there is a change to the contract that significantly modifies the contractual cash flows.

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:

1. From amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met;
2. From FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
3. From amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVTOCI 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.

2.7 Classification and Measurement of Financial Liabilities

Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL or other financial liabilities at amortized cost.

Financial liabilities at amortized cost

These liabilities are classified as such when 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 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.

These financial liabilities are measured initially at fair value, net of directly attributable transaction costs. After initial measurement, these liabilities are subsequently measured at amortized cost using the effective interest 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 accounting policy relates to the statement of financial position captions 'Deposit liabilities', 'Bills payable', 'Outstanding acceptances', 'Manager's checks', and certain financial liabilities under 'Accrued interest, taxes and other expenses' and 'Other liabilities' which are not designated at FVTPL.

Financial Liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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Gains or losses on liabilities held for trading are recognized in the statements of comprehensive income.

A financial liability may be designated at FVPL if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch);
- a host contract contains one or more embedded derivatives; or,
- a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Bank's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in OCI.

The Bank has not designated any financial liability at FVPL. As of reporting date, the Bank has no financial liability at FVPL.

2.8 Classification of Financial Instruments Between Debt and Equity

Financial instruments are classified as debt or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or
- 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.

If the Bank does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity 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.

2.9 Derecognition

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

- the rights to receive cash flows from the asset have expired;
- 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 substantially all the risks and rewards of the asset, but has transferred control of the asset.



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The Bank has no Financial Assets Held for Trading for the two years ended 31 December.

2.15 Available-for-Sale (AFS) Financial Assets

This refers to securities that are designated as available-for-sale, which shall be measured upon initial recognition at their fair value plus transaction costs that are directly attributable to the acquisition of securities. After initial recognition, a bank shall measure AFS at their fair values, without any deduction for transaction costs it may incur on sale or other disposal. A gain or loss arising from a change in the fair value of an AFS security shall be recognized directly in equity under the account "Net Unrealized Gains/(Losses) on AFS Financial Assets" and reflected in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss. Dividends on an AFS equity security are recognized in profit or loss when the financial institution's right to receive payment is established.

The Bank has no AFS Financial Assets for the two years ended 31 December.

2.16 Held-to-Maturity (HTM) Financial Assets

This refers to debt securities, quoted in an active market with fixed or determinable payments and fixed maturity that a bank has the positive intention and ability to hold to maturity other than:

- those that meet the definition of Financial Assets Designated at Fair Value Through Profit or Loss; or
- those that the financial institution designates as Available for Sale Securities (AFS).

2.17 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. Loans and receivables shall be measured at amortized cost using the effective interest method. Loans and receivables are stated at the outstanding balance reduced by allowance for credit losses and impairment losses.

Interest on non-supervised loans collected in advance (Unearned Income) is amortized to income over the term of the loans. Interest income on past due loans arising from discount amortization (and not from the contractual interest of the accounts) shall be accrued as provided in PAS 39. Interest on charges on supervised credits are recognized as income upon collection. Such assets are carried at cost or amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Specific and general loan loss provision were determined and set-up after conducting a loans and other assets review classification, through aging, analysis and other criteria and after considering the guidelines in the classification of loans and the provisioning requirements for classified and unclassified loan accounts. After classifying loans as either current, past due or items in litigation the same are qualitatively appraised and categorized. Loans and other credit accommodations shall be grouped into the following classification:

- 1) **Pass.** These are loans and other credit accommodations that do not have a greater-than normal credit risk. The borrower has the apparent ability and willingness to satisfy obligations in full and therefore no loss in ultimate collection is anticipated.
- 2) **Especially Mentioned (EM).** These are loans and other credit accommodations that have potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may affect the repayment of the loan.



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- 3) **Substandard.** These are loans and other credit accommodations that have well-defined weaknesses that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
- 4) **Doubtful.** These are loans and other credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors which strengthen the assets.
- 5) **Loss.** These are loans and other credit accommodations which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. This shall be viewed as a transitional category for loans and other credit accommodations which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

Credit exposures shall be classified into three stages using the following time horizons in measuring ECL:

Stage of credit impairment	Characteristics	Time horizon in measuring ECL
Stage 1	Credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	Twelve (12) months
Stage 2	Credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	Lifetime
Stage 3	Credit exposures with objective evidence of impairment, thus, considered as "non-performing"	Lifetime

Following the "Basic Guidelines in Setting Up of Allowance for Credit Loss", as a general rule, Especially Mentioned and Substandard - Underperforming (e.g., substandard accounts that are unpaid or with missed payment of less than ninety (90) days) shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss accounts shall be considered as Stage 3 accounts.

The loan loss estimation of the bank be subject to the following guidelines:

1. **Individually Assessed Credit Exposure:** (include investments in debt securities measured at fair value through other comprehensive income and amortized cost, loan commitments, sales contract receivables, accounts receivables, accrued interest receivables, and advances).
 - a. Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments as follows:



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For unsecured loans and other credit exposures:			
No. of Days Unpaid/with Missed Payment	Classification	Minimum ACL	Stage
31 - 90 days	Substandard (underperforming)	10%	2
91 - 120 days	Substandard (non-performing)	25%	3
121 - 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3
For secured loans and other credit exposures:			
No. of Days Unpaid/with Missed Payment	Classification	Minimum ACL	Stage
31 - 90 days x	Substandard (underperforming)	10%	2
91 - 180 days x	Substandard (non-performing)	10%	3
181 - 365 days	Substandard (non-performing)	25%	3
Over a year-5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

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

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

- b. Loans and other credit exposures that exhibit the characteristics for classified accounts described under Subsection x178.17/4178Q.17/4191N.16 shall be provided with ACL as follows:

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

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

2. Collectively Assessed Loans and Other Credit Exposures. (Include microfinance loans, micro enterprises and small business loans and consumer loans such as salary loans, credit card receivables, auto loans, housing loans and other consumption loans, and other loan types which fall below the FI's materiality threshold for individual assessment!.)



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For unsecured loans and other credit exposures:			
No. of Days Unpaid/with Missed Payment *	Classification	Minimum ACL	Stage
1 - 30 days	Especially Mentioned	2%	2
31 - 60 days /1st restructuring	Substandard	25%	2 or 3 x
61 - 90 days	Doubtful	50%	3 #
91 days and over / 2nd restructuring	Loss	100%	3

* Par for microfinance loans
x The stage depends on whether the accounts are classified as non-performing (Stage 3) or underperforming (Stage 2).
Subsection X306.2/4306Q.2/4306N.2 provides that doubtful accounts are considered as non-performing hence, shall be classified under Stage 3 notwithstanding the number of missed amortizations.

For secured loans and other credit exposures:				
No. of Days Unpaid/with Missed Payment	Classification	ACL %		
		Other Types of Collateral	Secured by Real Estate	Stage
31 - 90 days	Substandard (underperforming)	10%	10%	2
91 - 120 days	Substandard (non-performing)	25%	15%	3
121- 360 days	Doubtful	50%	25%	3
351 days - 5 years	Loss	100%	50%	3
Over 5 years	Loss	100%	100%	3

General and Specific Provisions for Loan Accounts

1. The Bank shall treat Stage 1 provisions for loan accounts as General Provision (GP), while Stages 2 and 3 provisions shall be treated as Specific provisions (Sp).
2. The Bank shall set up general loan loss provision (GLLP) equivalent to one percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. The Banks is not required to provide a one percent (1%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments.
3. Allowance for credit losses for Stages 1, 2, and 3 accounts shall be recognized in profit or loss statement. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1 percent GP required, the deficiency shall be recognized by appropriating the Retained Earnings account (Bank shall use Retained Earnings Reserve - others as temporary account of Retained Earnings- General Provision). GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in RE shall be considered as Tier 2 capital subject to the limit provided under the Capital Adequacy Ratio (CAR) framework.



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(As a temporary presentation in CAR reports, the Retained Earnings (RE) included in Common Equity Tier (CET)/Core Tier 1 shall be net of RE-GP. In computing Tier 2 Capital, the General Loan Loss provision (GLLP) shall include the RE-GP. However, the GLLP added back to on-balance sheet assets subject to risk-weight shall not include the RE-GP since when appropriating the RE, total assets is not affected.)

2.18 Sales Contract Receivables

This refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price. This shall be recorded initially at the present value of the installment receivable discounted at the imputed rate of interest. Discount shall be accreted over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PAS 18.

2.19 Investment in Associates

This refers to the cost of the bank's investments in the equity instruments of associates, which shall be accounted for using the equity method. As provided under PAS 28, an associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist if an investor holds, directly or indirectly through subsidiaries, 20 percent or more of the voting power of the investee, unless it can be clearly demonstrated that that is not the case. Conversely, if the investor holds, directly or indirectly through subsidiaries, less than 20 percent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. Under the equity method, profit and loss from the investee increase the investment account by an amount proportionate to the bank's shares in the investee. This is known as the "equity pick-up." Dividends paid out by the investee are deducted from this account.

The Bank has no Investment in Associates for the two years ended 31 December.

2.20 Bank Premises, Furniture, Fixtures and Equipment

Properties and equipment are initially measured at cost less any subsequent accumulated depreciation. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of properties and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the bank. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Major spare parts and stand-by equipment qualify as properties and equipment when the bank expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of properties and equipment, they are accounted for as properties and equipment.

Estimated future dismantlement costs of items of properties and equipment arising from legal or constructive obligations are recognized as part of properties and equipment and are measured at present value at the time when the obligation was incurred.

Depreciation is computed on the straight-line method with estimated useful lives of the assets as follows:



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Building, leasehold improvements	20 years
Furniture and fixtures	1-5 years
Transportation equipment	1-5 years
IT equipment	5-10 years
Leasehold improvement	Term of Contract
Right of use assets	Term of Contract

Stand-by equipment is depreciated from the date it is made available for use over the shorter of the life of the stand-by equipment or the life of the asset the stand-by equipment is part of while major spare parts are depreciated over the period starting when it is brought into service, continuing over the lesser of its useful life and the remaining expected useful life of the asset to which it relates. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The useful lives and depreciation or amortization method are being reviewed by the Bank periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of premises, furniture, fixtures and equipment. Fully depreciated assets are retained in the accounts at one peso (P1.00) net value until they are no longer and retired or otherwise disposed of. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

2.21 Investment Properties

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dation in payment shall be booked initially at the carrying amount of the loan plus booked accrued interest less allowance for probable losses plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property): Provided, That where the booked amount of ROPA exceeds the appraised value of the acquired property, an allowance for probable losses equivalent to the excess of the amount booked over the appraised value shall be set up: Provided, further, That if the carrying amount of ROPA exceeds P5 million, the appraisal of the foreclosed/ purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

The carrying amount of ROPA shall be allocated to land, building, other non-financial assets and financial assets (e.g., receivables from third party or equity interest in an entity) based on their fair values, which allocated carrying amounts shall become their initial costs.

The non-financial assets portion of ROPA shall remain in ROPA and shall be accounted for as follows:

1. Land and buildings shall be accounted for using the cost model under PAS 40 "Investment Property"
2. Other non-financial assets shall be accounted for using the cost model under PAS 16 "Property Plant and Equipment"
3. Buildings and other non-financial assets shall be depreciated over the remaining useful life of the assets, which shall not exceed ten years and three years from the date of acquisition, respectively; and
4. Land, buildings and other non-financial assets shall be subject to the impairment provisions of PAS 36 "Impairment".

ROPAs that comply with the provisions of PFRS 5 "Non-Current Assets Held for Sale" shall be reclassified and accounted for as such.



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2.22 Other Assets

Other assets are recognized at cost. The account includes prepaid expenses, deferred income taxes, accrued interest receivables and other resources. Unused supplies, if any, are measured initially at cost. Subsequent measurement of unused supplies is at cost less impairment loss, if any. Intangible assets, at cost less amortization and impairment loss, also included.

2.23 Deposit Liabilities

Deposits are measured at cost, which is a reflection of their fair values.

2.24 Bills payable

This refers to the amortized cost of obligations to the BSP or the amortized cost of borrowings from other banks and non-bank financial institutions with quasi-banking authority.

2.25 Unearned Income

Interest on non-supervised loans collected in advance is amortized to income over the term of the loans.

2.26 Other Liabilities

Other liabilities are recognized upon incurrence of transaction/s wherein the Bank has an obligation to settle the same in the future. The account includes accrued interest expense, accrued taxes and other expenses and other payables.

2.27 Paid-in Capital / Share Capital

Share capital is determined using the nominal value of shares that have been issued and fully paid. The costs of acquiring bank's own shares are shown as a deduction from equity attributable to the bank's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the bank's equity holders.

2.28 Deposits for Stock Subscription

Deposits for stock subscription, if any, refer to payments made by existing stockholders or new subscribers of the bank on subscription to the increase in the authorized capital, which may be recognized either as a liability or equity. Deposits for stock subscription shall be recognized as part of equity for prudential reporting purposes when all of the conditions set forth in the latest MORB Section 123.

2.29 Retained Earnings

Retained earnings include all current and prior period results as disclosed in the statement of income. Retained earnings free pertains to unappropriated portion of the retained earnings. Retained earnings reserve pertains to appropriated portion of the retained earnings. Accumulated Other Comprehensive Income pertains to unrealized gains and losses in the fair market value of retirement and other investment items.

2.30 Dividend Distribution

Dividend distribution to the Bank's shareholders is recognized as a liability and deducted from equity in the period in which the dividends are declared and approved by the BOD. Dividends that are approved after the reporting period are disclosed as events after the end of the reporting period.



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2.31 Effective Interest Rate (EIR) Method

Interest income is recognized using the EIR method for all financial instruments measured at amortized cost. The EIR method is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument.

The EIR is calculated by taking into account any discounts or premium on acquisition, fees and costs that are an integral part of EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive (negative) adjustment to the carrying amount of the asset in the statement of financial position with an increase (reduction) in interest income. The adjustment is subsequently amortized through interest and similar income in the statement of comprehensive income.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

2.32 Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services.

Revenue Streams

Revenue Covered by PFRS 9 – Financial Instruments

- **Interest Income:** Interest income is recognized using the effective interest method for financial instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income. This method allocates interest income over the relevant period based on the effective interest rate (EIR).
- **Gains or losses on the sale or fair value remeasurement of financial instruments** are recognized in profit or loss in accordance with the requirements of PFRS 9.
- **Dividend Income:** Dividend income is recognized when the Bank's right to receive payment is established.

Revenue Covered by PFRS 15 – Revenue from Contracts with Customers

- **Loan Origination Fees:** Loan origination fees that are not included in the effective interest rate calculation under PFRS 9 are recognized as revenue when the loan is disbursed.
- **Transaction Processing Fees:** Revenue from processing customer transactions, such as service fees and commissions in various banking services, and gains on sale of properties, is recognized at a point in time when the transaction is completed.
- **Revenue or gain from the sale of properties classified as inventories** is recognized at a point in time when control is transferred to the buyer, typically upon completion of the sale and transfer of title.



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Disaggregation of Revenue

The table below disaggregates revenue by type, scope of applicable standards, and timing of recognition.

Revenue Source	Scope	Timing of Recognition
Interest Income	PFRS 9	Over time
Gains on Financial Instruments	PFRS 9	Point in time
Dividend Income	PFRS 9	Point in time
Loan Origination Fees	PFRS 15	Point in time
Transaction Processing Fees	PFRS 15	Point in time
Gain on Sale of Properties	PFRS 15	Point in time
Other Fees and Commissions	PFRS 15	Point in time

Amounts pertaining to the above table, if applicable, are indicated on the succeeding notes.

Contract Balances

The Bank's contract balances represent the net position of its rights and obligations under contracts with customers under PFRS 15 – Revenue from Contracts with Customers.

Contract Assets

Contract assets arise when the Bank satisfies its performance obligations before receiving payment from customers. This typically occurs when revenue is recognized over time, and the Bank's right to consideration is conditional on completing additional performance obligations.

Contract Liabilities

Contract liabilities arise when customers pay consideration in advance, and the Bank has not yet satisfied the related performance obligations.

Practical Expedients

Costs to obtain a contract are expensed when the amortization period is one year or less. Furthermore, the Bank elected not to disclose information about remaining performance obligations for contracts with an expected duration of one year or less.

2.33 Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Costs and expenses are recognized in profit or loss in the statements of comprehensive income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or,
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the statements of financial position as an asset.



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Finance Costs

All finance costs are reported in profit or loss on accrual basis, except to the extent that they are capitalized.

Other Operating Expenses

Other operating expenses normally include costs of administering the business as incurred by administrative departments. Other expenses encompass losses as well as expenses that arise in the ordinary course of business of the Bank. Other expenses are recognized when incurred.

2.34 Leases

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

Bank as Lessee

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

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 cost to be incurred by the Bank 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.

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 (unless they are incurred to produce inventories) 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 at the date of initial application. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. 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 has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



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Remeasurement of Lease Liabilities

A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

- a.) there is a change in the amounts expected to be payable under a residual value guarantee.
- b.) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments.

A lessee shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognize any remaining amount of the remeasurement in profit or loss.

2.35 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees or for the termination of employment.

Short-term Benefits

These benefits are recognized as expense in the period when the economic benefit is given or as an asset when such costs may be capitalized and is measured at an undiscounted basis. These include salaries, wages and social security contributions, leave entitlement, profit-sharing, bonuses, and other non-monetary benefits.

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Bank's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefits, or other long-term employee benefits.

Retirement Benefits

Under the existing regulatory framework, Republic Act No. 7641, otherwise known as the Philippine Retirement Pay Law, 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 agreement and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan.

Republic Act No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. The Bank's defined



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benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the statements of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate.

Service costs are recognized in profit or loss which include current service costs, past service costs, and gains or losses on non-routine settlements. Past service costs are recognized when plan amendment or curtailment occurs.

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

Re-measurement, comprising of actuarial gains and losses from experience adjustments and changes in actuarial assumptions, is recognized in Other Comprehensive Income (OCI) in the period which they arise. Re-measurements are not classified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined Benefit Plan

The Bank has set up a wholly funded pension scheme for its employees and the scheme is available to certain employers after completing five years of service. The plan assets are managed by a pension fund that is legally separated from the Bank.

The plan exposes the Bank to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk:

1. Interest rate risk – The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the DBO and it is denominated in pesos. A decrease in market yield on high quality corporate bonds will increase the Bank's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.
2. Investment risk – The plan assets at 31 December are predominantly equity and debt instruments. Their fair values significantly dependent on inflation risk.
3. Longevity risk – The Bank is required to provide benefits for life for the employees of the defined benefit liability. Increase in the life expectancy of the members will increase the defined benefit liability.
4. Inflation risk – A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Bank's liability. A portion of the plan



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assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

The assets recognized for retirement/pensions consist of the following amounts:

	2024	2023
Fair Value of Plan Assets	10,773,681	10,783,687
Less: Benefit Obligations	(9,341,948)	(8,588,689)
Net Defined Benefit Asset/(Liability)	1,431,733	2,194,998

A reconciliation of the Bank's benefit obligation and plan assets to the amounts presented in the statement of financial position for each of the reporting periods is presented below:

Plan assets	2024	2023
Principal beginning	8,232,099	8,999,283.32
Retained Earnings	2,240,498	1,461,203.00
Contributions	-	-
Withdrawals	-	(500.00)
Net Income	301,084	323,700.59
Unrealized Market Gain/(loss) - Other	-	-
Fair Value of Plan Assets	10,773,681	10,783,686.91

Defined benefit obligation

	2024	2023
Defined benefit obligation, beginning	8,588,689	9,077,421
Current service cost	-	1,622,314
Remeasurement - actuarial demographic assumptions	753,259	(2,111,045)
Benefits paid	-	-
Defined benefit obligation, end	9,341,948	8,588,689

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy.

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each period-end by reference to market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the DBO was measured using the projected unit credit method.

As additional information for funding, a 5-year cash flow projection is as follows: (assuming 3% annual interest to be earned by the retirement fund and no optional retirement availed)

Year	Fund beg.	Contribution	Benefit Payments	Interest	Fund end.
2025	10,773,681	-	-	323,210	11,096,891
2026	11,096,891	-	-	332,907	11,429,798
2027	11,429,798	-	-	342,894	11,772,692
2028	11,772,692	-	-	353,181	12,125,873
2029	12,125,873	-	-	363,776	12,489,649
Total				1,715,968	



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2.36 Related Parties

Parties are considered related if one party has control, joint control, significant influence over the other party in making financial and operating decisions. The key management personnel of the bank and post-employment benefit plans for the benefit of bank's employees are also considered to be related parties.

2.37 Basic Earnings per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to the common shareholders by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

2.38 Taxation

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 tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.39 Provisions and Contingencies

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and when it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When 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. When discounting is used, the increase in the provision due to the passage of time is recognized as an 'Interest expense' in the statement of income.

Contingent Assets and Contingent Liabilities

Contingent assets are not recognized but are disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial



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statements but are disclosed in the notes to financial statements, unless the possibility of an outflow of assets embodying economic benefits is remote.

2.40 Events After the Reporting Period

The bank identifies subsequent events as events that occurred after the balance sheet date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the bank's financial position at the balance sheet date are reflected in the financial statements. Events that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

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

3.1 Judgments

In the application of the bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not easily apparent from other source. The estimates and associated assumption are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

a.) Application of ECL to Financial Assets

The Banks utilizes several ECL models to calculate the allowance for credit losses for its financial assets. These models require several judgments from the aspects of staging assessment, selection of accounts for specific impairment, as well as selection of macroeconomic scenarios. These judgments require assessments that may involve concurrence from the BOD and/or Senior Management.

PFRS 9 requires the Bank to perform staging assessment on its financial assets to determine their proper ECL measurement. This requires judgment as to the definition of default, as well as the presence of SICR since initial recognition. Defining these terms requires assessment of internal credit risk management, as well as the product features and industry practice. Based on the Bank's assessment, there is an existence of SICR, across all loans, when a borrower becomes 31 days past due, while a borrower is defaulted at 91 days past due.

PFRS 9 also requires the Bank to measure ECL based on probability-weighted outcomes or scenarios, as well as reasonable and supportable information available, without undue cost and effort, considering, among others, future economic conditions. These macroeconomic scenarios and their forecasts should be based on the macroeconomic outlook by the BOD, as well as the trend current and historical macroeconomic variables. The Bank identifies several scenarios which is applied in the ECL.

b.) Evaluation of Business Model Applied in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high-quality liquid

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assets while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost and those sales are more than insignificant in value (either individually or in aggregate), the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

c.) **Testing the Cash Flow Characteristics of Financial Assets**

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d.) **Distinction between Investment Properties and Bank-occupied Properties**

The Bank determines whether a property qualifies as investment property or bank-occupied property. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by the Bank. Investment property comprises of real and other properties acquired (ROPA) in settlement of loans through foreclosure or dation in payment. Bank-occupied properties generate cash flows that are attributable not only to the property but also to the other resources used in the supply process.

e.) **Classification and Fair Value Determination of Acquired Properties**

The Bank classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, chattels as Non-current Assets Held for Sale (presented under Other Assets account) if expected to be recovered through sale rather than use, real properties as Investment Properties if intended to be held for capital appreciation or lease, as financial assets if qualified as such in accordance with PFRS 9 or as Other Properties (presented under Other Assets account) if held for sale but the depreciable properties (other than building) are not yet disposed within certain years. At initial recognition, the Bank determines the fair value of the acquired properties through internally or externally generated appraisals. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

f.) **Provisions and Contingencies**

In the normal course of the Bank's operations, there are various legal proceedings. The estimate of the probable costs for the resolution of claims has been developed in consultation with the outside legal counsel handling the Bank's defense in these matters and is based on an analysis of potential results. Management does not believe that the outcome of these matters will significantly affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to this proceeding.



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g.) Recognition and Realizability of Deferred Tax Assets

The Bank's assessment on the recognition of deferred tax assets as deductible temporary differences is based on projected taxable income in the following periods. Based on the Bank's projection and assessment, the deferred tax assets recognized from deductible temporary differences are expected to be realized in the following periods.

h.) Determination of Lease Term

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of land and office spaces, the factors that are normally the most inherent are (i) if there are significant penalties should the Bank pre-terminate the contract, and (ii) if any leasehold improvements are expected to have a significant remaining value, the Bank is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Bank did not include the renewal period as part of the lease term because the terms of most of the contracts are renewable upon the mutual agreement of the parties.

The lease term is reassessed if an option is actually exercised or not or the Bank becomes obliged to exercise or not. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

i.) Revenue Recognition

Performance Obligations: Management assessed that certain advisory contracts include multiple performance obligations, such as initial feasibility studies and follow-up recommendations. These are considered distinct services and are accounted for separately.

Variable Consideration: For contracts with performance-based fees, the Bank applies the expected value or most likely amount method to estimate the transaction price, subject to a constraint to ensure it is highly probable that there will be no significant revenue reversal.

Timing of Revenue Recognition: Advisory and consulting fees are recognized over time based on the input method (cost-to-cost), as this best reflects the transfer of services to customers.

3.2 Estimates and Assumptions

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a.) Fair Values of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. Valuation techniques are used to determine fair values which are validated and periodically reviewed by management. To the extent practicable, models use observable data, however, areas such as counterparty credit risk, volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments.



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b.) Estimation of ECLs on Financial Assets

The Bank's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Credit risk characteristics of the portfolio and its segments, and its corresponding correlation with macroeconomic variables;
- Recoverability from an asset upon its default;
- Expected exposures from financial assets;
- Appropriate models to be used in each component of ECL;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

For provisions calculated on an individual basis, judgment made by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors including the credit rating of the counterparty based on Bank's policies, the estimated net selling prices of collateral, including the hold-out period of such collateral, and actual results may differ, at which event, the Bank adjusts the impairment loss and ensures that allowance for it remains adequate.

c.) Estimating Useful Lives of Depreciable and Amortizable Assets

The Bank estimates the useful lives of depreciable and amortizable assets based on the period over which the assets are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The EUL of depreciable and amortizable assets are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. The amounts and timing of recording of depreciation and amortization expense for any period would be affected by changes in these factors and circumstances.

d.) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in the financial statements is determined by the Bank using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Company uses assumptions that are mainly based on market conditions existing at each reporting period, such as selling price under installment sales, expected timing of sale and appropriate discount rates.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

e.) Impairment of Non-financial Assets

The Bank assesses impairment on its non-financial assets and considers factors such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators.

If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length



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transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset.

Determining the recoverable amounts of the non-financial assets, which involve determination of future cash flows expected to be generated from continued use and ultimate disposition of such assets, require the use of estimates and assumptions that can materially affect the financial statements. Future events could indicate that these non-financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and performance of the Bank.

f.) Realizability of Deferred Tax Assets

The Bank reviews the carrying amount of deferred tax assets at each reporting date and reduces the amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized in the future. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

g.) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR). The IBR for lease liability is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

NOTE 4 – FINANCIAL RISK MANAGEMENT

Risk Management Framework

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and financial risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risks are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate and other price risk.

The bank is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risks are credit risk, liquidity risk, market risk, operational risk and capital risk.

4.1 Credit Risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities.



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'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities.

i. Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transaction, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

ii. Credit Methodology

The Bank's credit methodology is designed to manage credit risk effectively while serving the financing needs of the rural communities it serves. The key components of the Bank's credit methodology are:

- **Loan Portfolio Diversification:** The Bank diversifies its loan portfolio across various sectors, including agriculture, micro, small, and medium enterprises (MSMEs), and consumer loans, as well as geographically across its service area, to mitigate concentration risk.
- **Credit Risk Assessment:** The Bank employs a comprehensive credit risk assessment process that includes:
 - **Borrower Character Evaluation:** Assessment of the borrower's credit history, reputation, business experience, and commitment to repay. Emphasis is placed on local knowledge and community relationships.
 - **Financial Capacity Analysis:** Analysis of the borrower's financial statements, cash flow projections, and ability to generate sufficient income to service the debt.
 - **Collateral Evaluation:** Thorough appraisal of collateral offered, including real estate, agricultural assets (crops, livestock), and other assets. The Bank utilizes qualified appraisers and considers the unique characteristics of rural collateral.
 - **Loan Purpose Assessment:** Evaluation of the viability and feasibility of the borrower's business or project.
- **Loan Structuring:** Loans are structured with appropriate terms, including loan amount, interest rate, repayment schedule, and collateral requirements, tailored to the borrower's specific circumstances and the loan purpose.
- **Loan Approval Process:** The Bank has a clearly defined loan approval process, with delegated authority levels and a Credit Committee that reviews and approves larger or higher-risk loans.
- **Loan Monitoring and Collection:** The Bank actively monitors loan performance and borrower's financial condition. Early warning systems are in place to identify potential delinquencies. The Bank has established collection procedures for past-due loans, including loan restructuring options.
- **Credit Risk Management Framework:** The Bank's credit risk management framework includes comprehensive credit policies and procedures, risk limits, internal controls, and regular review and updates to the framework.
- **Agricultural Lending Expertise:** The Bank has developed specialized expertise in agricultural lending, including knowledge of farming practices, crop cycles, weather patterns, and government agricultural programs.
- **Regulatory Compliance:** The Bank adheres to all relevant regulations and guidelines issued by the Bangko Sentral ng Pilipinas (BSP) regarding lending practices, loan classification, provisioning, and capital adequacy.



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The Bank's credit methodology is regularly reviewed and updated to reflect changes in the economic environment, best practices, and regulatory requirements.

iii. Management of credit risk

The board of directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
2. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Bank Credit, the Head of Bank Credit, the Bank Credit Committee or the board of directors, as appropriate.
3. Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
4. Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
5. Developing and maintaining the Bank's risk gradings to categorize exposures according to the degree of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank Risk.
6. Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:
 - a. initial approval, regular validation and back-testing of the models used;
 - b. determining and monitoring significant increase in credit risk; and
 - c. incorporation of forward-looking information.
7. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
8. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

iv. Credit granting and approval process

The processing of loans is done by the Loan Processor who shall determine the completeness of documentation requirements. Approval of loans are done by designated levels depending on the amount of loans, while the Cashier disburses the loan proceeds. The Accounting section separately record the loans granted by the Bank. A monthly schedule of loan amortizations is generated for collections. Summary of loans granted, and collections are reported to the President, and to the Board of Directors.



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Credit rating model

The BRR is based on a 100-point scoring system as follows:

Credit Risk Rating	Score Range	Rating Assessment	Provisioning	Classification
1	>89	Very Low Risk	1%	Pass
2	80-89	Low Risk	1%	
3	70-79	Moderate Risk	1%	
4	60-69		1%	
5	55-59	High Risk	5%	LEM
6	50-54		10%	SSP
7	45-49	Very High Risk	25%	SSNP
8	40-44		50%	Doubtful
9	35-39		100%	Loss
10	<35		100%	

v. Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by industry sector are set out in the credit policy. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

vi. Maximum exposure to credit risk before collateral held

The table below represents a worst-case scenario of credit risk exposure to the Bank at 31 December, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. As shown below, the total maximum exposure is derived from loans and receivables.

	2024	2023
Loans and receivables	190,435,295	208,717,467
Loan Commitments	None	None

vii. Credit Quality Analysis and Methodology

The Bank, considered as a simple bank, adopted its loan loss methodology based on the revised Appendix 15 of the MORB.

viii. Contingencies, Commitments, Secured Liabilities and Pledged Assets

Contingencies and commitments arising from off-balance sheet items include direct credit substitutes (e.g., export LCs confirmed, underwritten accounts unsold), transaction-related contingencies (e.g., performance bonds, bid bonds, standby LCs), short-term self-liquidating trade related contingencies arising from the movement of goods (e.g., sight/usance domestic LCs, sight/usance import LCs), sale and repurchase agreements not recognized in the balance sheet; interest and foreign exchange rate related items; and other commitments.

The Bank has the following significant commitments and contingencies:

- Pending collection suits against borrowers. Amounts are disclosed under Items in Litigation in the succeeding notes under Loans and Receivables.
- No pending legal cases as defendant for client/depositor violations.



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- No outstanding bank guarantees or similar credit instruments.
- The Bank's lease agreement to Binamely branch is accounted for as operating lease. In accordance with PFRS 16, right-of-use assets and corresponding lease liabilities are recognized on the balance sheet, except for short-term leases and leases of low-value assets. The Bank leases its Binmaley premise as a low-value asset. The following table presents the lease term as of December 31, 2024:

Branch	Lease Properties	Date Commenced	Term	Monthly Rental
Binmaley	Commercial	June 1, 2020	5 years	P21,100

Future Minimum Lease Payments as of December 31, 2024 are as follows:

Maturity	Amount	
	Operating leases	Finance leases
Within one year	105,500	-
One to five years	-	-
More than five years	-	-
Total Future Minimum Lease Payments	105,500	-

4.2 Market Risks

Market risk is the risk of loss resulting from adverse movements in the value of financial instruments. It encompasses exposure to interest rates, foreign exchange rates, equity prices and commodity prices. Sound market risk management practices include the measurement and monitoring of market risk as well as the communication and enforcement of risk limits throughout the Bank's trading businesses.

Foreign Exchange Risk Management

Foreign exchange risk is the risk that the Bank's earnings and economic value will be adversely affected with the movements in the foreign exchange rate, though it may sometimes have an insignificant effect. The Bank is exposed to this risk since interest rate risks arises when the total present value of assets in a particular currency does not equal the present value of liabilities in that currency.

The Bank monitors its foreign exchange risk exposure based on BSP's rate publications.

Interest Rate Risk Management

Interest rate risk results from mismatches between asset and liability positions which are subject to unfavorable movements in interest rates with potentially adverse impact on margins, net interest income and economic value of a bank's assets, liabilities and shareholders' value. Interest rate risk may be measured using methods which include sensitivity analysis and simulation modelling. The Bank has its Interest Rate Risk Policy in which risks limits are laid down. The Average Yield of Interest-Generating Assets and Average Cost of Interest-Bearing Deposits for both years are presented as follows:



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2024	Average balance	Interest Inc/Exp	Average return/cost
Assets			
Loan and receivables	199,576,381	26,035,999	13.05%
Investments	27,447,596	1,242,496	4.53%
Due from local banks	153,329,708	3,634,452	2.37%
Total interest-generating assets	380,353,685	30,912,947	8.13%
Total non-interest generating assets	23,841,548	-	0.00%
Total average assets	404,195,233	30,912,947	7.65%
Liabilities			
Deposits	330,277,225	3,126,769	0.95%
Bills payable	-	-	0.00%
Total interest-earning liabilities	330,277,225	3,126,769	0.95%
Total non-interest bearing liabilities	5,084,334	-	0.00%
Total average liabilities	335,361,559	3,126,769	0.93%
Net interest income	73,824,945		
Net interest spread	22,661,399		
Net interest margin	6.97%		
2023	Average balance	Interest Inc/Exp	Average return/cost
Assets			
Loan and receivables	203,748,010	24,324,393	11.94%
Investments	26,401,386	1,064,951	4.03%
Due from local banks	151,055,072	2,725,533	1.80%
Total interest-generating assets	381,204,469	28,114,877	7.38%
Total non-interest generating assets	24,154,728	-	0.00%
Total average assets	405,359,196	28,114,877	6.94%
Liabilities			
Deposits	336,389,499	1,910,826	0.57%
Bills payable	-	-	0.00%
Total interest-earning liabilities	336,389,499	1,910,826	0.57%
Total non-interest bearing liabilities	6,058,738	-	0.00%
Total average liabilities	342,448,237	1,910,826	0.56%
Net interest income	26,885,149		
Net interest spread	24,240,603		
Net interest margin	6.93%		

4.3 Liquidity Risk Management

Liquidity risk is defined within the Bank's policy framework as 'the risk that, at any time, the Bank does not have sufficient realizable financial assets to meet its financial obligations as they fall due'.

The liquidity policy of the Bank is to ensure that it:

- can meet its financial obligations as they fall due in the normal course of business; and
- maintains an adequate stock of highly liquid assets to enable it to meet unexpected funding needs at short notice.

The Bank's liquidity policy requires establishment and maintenance of three lines of defense:

- Cashflow management where the Bank creates a continuously maturing stream of assets and liabilities;
- Maintenance of a liquid assets portfolio; and
- Maintenance of a diversified liability base.

The following table presents the Bank's **Maturity Profile of Financial Assets and Liabilities** for both years, analyzed according to when they are expected to be recovered or settled within one year and beyond one year:



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2024	Within 1 year	1-5 years	5 years over
Cash and Cash Equivalents	3,241,272		
Due from Bangko Sentral ng Pilipinas	5,351,698		
Due from Other Banks	164,459,000		
Loans and Receivables (gross less discount)	190,435,295		
Held-to-Maturity Financial Assets	-	28,065,351	
Deposit liabilities	(330,297,329)		
Total	33,189,935	28,065,351	-
2023	Within 1 year	1-5 years	5 years over
Cash and Cash Equivalents	3,172,617		
Due from Bangko Sentral ng Pilipinas	5,418,764		
Due from Other Banks	142,200,416		
Loans and Receivables (gross less discount)	208,717,467		
Held-to-Maturity Financial Assets	-	26,829,841	
Deposit liabilities	(330,257,122)		
Total	29,252,142	26,829,841	-

The Minimum Liquidity Ratios for both years are shown below:

	2024	2023
A. Stock of Liquid Assets		
Cash on hand		3,172,617
Bank reserves on the BSP	3,241,272	5,418,764
Deposits with other local banks	164,459,000	142,200,416
Total	173,051,969	150,791,797
B. Qualifying Liabilities		
Total on-balance sheet liabilities	235,894,271	335,516,332
Minimum Liquidity Ratio (after audit adjustments)	73.36%	44.94%

4.4 Operational Risks

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks - e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations. A wide range of potential events, including:

- Internal Process Failures: Inefficient or inadequate processes related to loan origination, disbursement, collections, deposit taking, and other banking operations.
- Human Error: Errors or omissions by employees, including fraud, mis-selling, and data entry mistakes.
- System Failures: Disruptions or failures in the Bank's IT systems, including core banking systems, internet banking platforms, and data security systems.
- External Events: Events outside the Bank's control, such as natural disasters, cyberattacks, regulatory changes, and economic downturns.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements. The Bank manages operational risk through a comprehensive framework that includes:

- Risk Identification and Assessment: Regular identification and assessment of operational risks across all business units.
- Control Framework: Implementation of preventive and detective controls to mitigate identified risks.
- Monitoring and Reporting: Ongoing monitoring of key risk indicators and regular reporting to management and the Board of Directors.



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- **Training and Awareness:** Training programs for employees on operational risk management and awareness of potential risks.
- **Business Continuity Planning:** Development and maintenance of business continuity plans to ensure the Bank can continue operations in the event of a disruption.

The Bank regularly reviews and updates its operational risk management framework to reflect changes in the business environment and best practices. While the Bank strives to minimize operational risk, it is recognized that such risks cannot be entirely eliminated.

4.5 Capital Risk Management

The Bank's capital management objectives are to:

- Maintain a strong capital base to support sustainable growth and profitability.
- Comply with all applicable regulatory capital requirements set by the [Relevant Regulatory Authority, e.g., Bangko Sentral ng Pilipinas (BSP)].
- Provide adequate capital buffers to absorb unexpected losses.
- Maintain a healthy capital position relative to its risk profile.

The Bank's capital management framework includes:

- **Capital Planning:** Developing and implementing a capital plan that projects future capital needs and outlines strategies for raising capital.
- **Capital Adequacy Assessment:** Regularly assessing the Bank's capital adequacy using various metrics, including risk-weighted assets and capital ratios.
- **Stress Testing:** Conducting stress tests to evaluate the Bank's resilience to adverse economic scenarios, such as credit downturns, interest rate fluctuations, and operational disruptions.
- **Regulatory Compliance:** Ensuring compliance with all regulatory capital requirements, including minimum capital ratios and capital conservation buffers.

The Bank's capital position is regularly monitored by management and the Board of Directors. The Bank's capital management framework is subject to periodic review and enhancement to reflect changes in the regulatory environment and best practices. Composition of managed capital is disclosed in the notes under Disclosures on Capital Adequacy.

4.6 Regulatory Framework

The Bank's operations are governed by the regulations and guidelines issued by the Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines. These regulations cover various aspects of the Bank's business, including:

- **Capital Adequacy:** The Bank maintains capital levels that meet or exceed the minimum regulatory requirements set by the BSP, including Common Equity Tier 1 (CET1), Tier 1, and Total Capital ratios.
- **Liquidity Management:** The Bank adheres to liquidity regulations and maintains sufficient liquid assets to meet its short-term obligations.
- **Lending Operations:** The Bank's lending activities are conducted in accordance with BSP regulations, including those related to loan concentration limits, loan classification, and provisioning.
- **Deposit Taking:** The Bank accepts deposits in accordance with BSP regulations and ensures the safety and security of depositors' funds.
- **Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT):** The Bank has implemented a comprehensive AML/CFT program to comply with relevant regulations and prevent financial crimes.
- **Corporate Governance:** The Bank adheres to corporate governance principles and guidelines issued by the BSP to ensure sound and prudent management.



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The Bank is subject to regular on-site examinations and off-site monitoring by the BSP. The Bank also submits regular reports to the BSP on its financial condition and operations. The Bank's management is committed to maintaining a strong compliance culture and adhering to all applicable regulations.

The operation of the bank is also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

The bank is subject to the inherent risk that the application of prescribed standards may conflict or differ from the application of regulations as prescribed from other regulatory bodies resulting to disparity of financial reports. Hence, there is a need to reconcile the disparity in a systematic and clear manner. The BOD ensures that management are updated in relation to pronouncements made by concerned regulatory bodies.

However, in cases where there are differences between BSP regulations and PFRS/PAS as when more than one (1) option are allowed or certain maximum or minimum limits are prescribed by the PFRS/PAS, the option or limit prescribed by BSP regulations shall be adopted by the bank.

NOTE 5 – CASH AND CASH EQUIVALENTS

	2024	2023
Cash on hand and in vault	3,241,272	3,172,617

Cash on hand & in vault refer to moneys under the custody of the tellers and cashiers. Checks & other cash items refer to the total amount of checks and other cash items received after the selected clearing cut-off time until the close of the year-end regular banking day.

NOTE 6 – DUE FROM BANGKO SENTRAL NG PILIPINAS

	2024	2023
Due from Bangko Sentral ng Pilipinas	5,351,698	5,418,764

'Due from BSP' account represents the aggregate balance of noninterest-bearing peso deposit account with the BSP which the Bank maintains primarily to meet reserve requirements.

Circular 1092 series of 2020 prescribed the required rates on the required reserves against demand, savings and time deposits of 2%. However, BSP issued Circular 1175 series of 2023 prescribes a 1% reserve requirements effective 30 June 2023. Furthermore, Section 251 of the Manual of Regulations for Banks on Required reserves against deposit and deposit substitute liabilities, as amended by Circular Nos. 1154 dated September 14, 2022, 1175 dated June 23, 2023, 1176 dated June 29, 2023, and 1185 dated December 13, 2023, is hereby further amended to read as follows: The rates of required reserves against deposit and deposit substitute liabilities in local currency of banks effective reserve week starting October 25, 2024, shall be:

- For demand deposits, Negotiable Order of Withdrawal (NOW) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits, long-term non-negotiable tax-exempt certificates of time deposits, and deposit substitutes: Thrift Banks - 1%; Rural and Cooperative Banks - 0%



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NOTE 7 - DUE FROM OTHER BANKS

	2024	2023
Private Banks		
Commercial Banks	140,791,315	114,924,032
Rural Banks & Thrift Banks	9,306,312	11,286,989
Government Banks		
Land Bank of the Phils	3,354,216	5,137,705
Development Bank of the Phils	11,007,157	10,851,690
	164,459,000	142,200,416

NOTE 8 - LOANS AND RECEIVABLES

	2024	2023
Receivables from borrowers	197,239,798	211,943,747
Sales Contract Receivable	1,297,288	3,553,864
	198,537,085	215,497,611
Allowance for credit losses		
Receivable from borrowers	(8,101,791)	(6,780,144)
SCR		
	(8,101,790.64)	(6,780,144)
Unearned interest and discounts		
Loans and receivables, net	190,435,295	208,717,467

The following table shows the percentage of loans receivable, net of unamortized discount, to equity as at December 31:

	2024	2023
Percentage of loans to equity	238%	298%
Percentage of DOSRI to equity	0%	0%
Percentage of RPT to equity	4%	5%

The movements in allowance for credit losses on loans and receivables from borrowers are as follows:

	2024	2023
Balance at beginning of year	6,780,144	9,807,287
Provision for credit losses on loans and receivables	1,919,305	11,053
Others (Transfer to ROPA/write-offs/other adjustments)	(597,658)	(3,038,197)
Balance at end of year	8,101,791	6,780,144

The following table shows the secured and unsecured portions of receivables from borrowers, as at December 31:

	2024		2023	
	Amount	%	Amount	%
NON-DOSRI				
Secured portion				
REM Residential	5,120,152	3%	2,811,036	1%
REM Commercial	16,083,091	8%	17,222,420	8%
REM Agricultural	4,912,184	2%	6,016,142	3%
Other Collateral	170,768,079	87%	185,364,397	87%
Unsecured portion	356,293	0%	529,751	0%
	197,239,798	100%	211,943,747	100%



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The following table shows the receivables from borrowers, classified as to terms as at December 31:

Classified as to terms:	2024	2023
Short term (1 year or less)	3,610,089	4,206,625
Medium term (Over 1 year to 5 years)	193,629,709	207,737,122
Long term (Over 5 years)		
	197,239,798	211,943,747

As at December 31 information on the concentration of loans and receivables, as to industry follows:

	2024		2023	
	Amount	%	Amount	%
Agriculture, Forestry and Fishing	4,912,184	2.49%	4,826,900	2.28%
Construction			3,842,258	1.81%
Wholesale and Retail Trade				
Repair of Motor Vehicles and Motorcycles	16,083,091	8.15%	5,591,508	2.64%
Transportation, Storage & Comm.			46,758,176	22.06%
Financial Intermediation			593,201	0.28%
Real Estate Activities	5,120,152	2.60%	3,540,562	1.67%
Public Administration & Defense			421,886	0.20%
Education			347,238	0.16%
Health and Social Work			111,159	0.05%
Other Community, Social & For.			5,439,133	2.57%
Private Households			983,308	0.46%
Other Service Activities	3,406,337	1.73%		
Motor loans	167,361,742	84.85%	138,677,324	65.43%
For Household Consumption	356,293	0.18%	811,094	0.38%
	197,239,798	100%	211,943,747	100%

The BSP considers that loan concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentrations of credit risks are controlled and managed accordingly except those that are under 'Motor Loans'.

As per MORB section 344, the Bank discloses loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.0% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.0% of total loan portfolio, whichever is lower. As at December 31 the Bank is in compliance with the regulatory requirements. As at December 31 DOSRI accounts under the existing regulations are shown in the table below (as reported to BSP):

The following table shows the receivables from borrowers, net of unamortized discount, classified as to status as at December 31:

	2024		2023	
	DOSRI loans	Related Party Loans	DOSRI loans	Related Party Loans
Outstanding loans	-	3,221,795	-	3,366,820
Percentage to total loan portfolio	0%	1.63%	0%	1.59%
Percentage of unsecured to total loan portfolio	0%	1.63%	0%	1.59%
Percentage of past due to total loan portfolio	0%	0%	0%	0%
% of unsecured to DOSRI/RPL	0%	100%	0%	100%
% of non-performing unsecured to DOSRI/RPL	0%	0%	0%	0%
Percentage of non-performing to total loan portfolio	0%	0%	0%	0%



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Classified as to status of loans for 2024

	Current	Past Due	Non-Performing	Total
1. Agrarian reform/Other agri. Cr.				
a. Agrarian reform loans	1,305,559			
b. Other agricultural credit loans			3,606,625	4,912,184
2. SME loans				
a. Small scale	10,667,582	567,574	209,489	11,444,645
b. Medium scale	4,638,445			4,638,445
3. Loans for housing purposes	4,407,153	559,453	153,545	5,120,152
4. Loans for auto loans	157,754,662	6,961,367	2,645,712	167,361,742
5. Loans for other personal use	356,293			356,293
6. Loans for other purposes	3,119,574		286,762	3,406,337
Total	182,249,269	8,088,395	6,902,134	197,239,798

Classified as to status of loans for 2023

	Current	Past Due	Non-Performing	Total
1. Agrarian reform/Other agri. Cr.				
a. Agrarian reform loans			42,512	42,512
b. Other agricultural credit loans	2,360,299		3,613,331	5,973,630
2. SME loans				
a. Small scale	11,530,060	1,390,141	69,462	12,989,663
b. Medium scale	4,232,757			4,232,757
3. Loans for housing purposes	2,361,832	232,210	216,994	2,811,036
4. Loans for auto loans	168,568,991	8,967,719	3,530,167	181,066,876
5. Loans for other personal use	529,751			529,751
6. Loans for other purposes	3,971,249		326,272	4,297,521
Total	193,554,939	10,590,070	7,798,738	211,943,747

NOTE 9 - HELD-TO-MATURITY FINANCIAL ASSETS

	2024	2023
HTM Investments	28,400,000	27,012,000
Unamortized interest and discounts	(334,649)	(182,159)
	28,065,351	26,829,841

Classified as Financial Assets at Amortized Cost, these quoted T-bills and bonds have fixed annual interest rates ranging from 3.150% to 10.00%. The terms of these investments range from 1 to 7 years. These refer to debt securities, quoted in an active market with fixed or determinable payments and fixed maturity that a bank has the positive intention and ability to hold to maturity.

These securities are recognized initially at cost, including transaction costs, and are subsequently measured at amortized cost using the effective interest method. Amortized cost reflects the principal amount of the security, adjusted for any amortization of premium or discount, and any impairment losses.

The Bank has no significant concentrations in its debt securities measured at amortized cost portfolio.

No impairment losses have been recognized on the Bank's debt securities measured at amortized cost as of December 31.



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NOTE 10 - BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

2024				
Cost	Beg. Balance	Additions	Disposal/Adj.	Ending Balance
Land	2,449,775			2,449,774.39
Bank premises-building	20,400,626			20,400,625.63
IT Equipment	4,422,820	41,254.6		4,464,074.89
Furniture and Fixtures	3,065,350	55,825		3,121,174.95
Transportation equipment	3,710,513			3,710,513.15
Leasehold improvement	463,192			463,192.43
Total	34,512,276	97,080		34,609,355.44
Accumulated Depreciation and Amortizations				
Bank premises-building	15,160,927	1,725,043		16,885,969.80
IT Equipment	4,174,578	247,197	79,155	4,342,620.03
Furniture and Fixtures	2,782,867	251,792	79,195	2,955,463.34
Transportation equipment	3,227,850	91,606		3,319,455.06
Leasehold improvement	208,436	46,319		254,755.38
Total	25,554,657	2,361,956	158,350	27,758,263.61
2023				
Cost	Beg. Balance	Additions	Disposal/Adj.	Ending Balance
Land	2,449,774			2,449,774
Bank premises-building	20,400,626			20,400,626
IT Equipment	4,419,727	3,093		4,422,820
Furniture and Fixtures	3,041,623	23,727		3,065,350
Transportation equipment	3,199,049	511,464		3,710,513
Leasehold improvement	463,192			463,192
Total	33,973,991	538,284	-	34,512,276
Accumulated Depreciation and Amortizations				
Bank premises-building	14,445,182	715,745		15,160,927
IT Equipment	3,986,370	248,732	60,525	4,174,578
Furniture and Fixtures	2,645,220	242,171	104,524	2,782,867
Transportation equipment	3,182,047	45,803		3,227,849
Leasehold improvement	162,117	46,319		208,436
Total	24,420,936	1,298,770	165,049	25,554,657
Carrying Values				
		2024	2023	
Land		2,449,774	2,449,774	
Bank premises-building		3,514,656	5,239,699	
IT Equipment		121,455	248,243	
Furniture and Fixtures		165,712	282,483	
Transportation equipment		391,058	482,664	
Leasehold improvement		208,437	254,756	
Total		6,851,092	8,957,618	
Schedule of Depreciation				
		2024	2023	
Bank premises-building		1,725,043	715,745	
IT Equipment		247,197	248,732	
Furniture and Fixtures		251,792	242,171	
Transportation equipment		91,606	45,803	
Leasehold improvement		46,319	46,319	
Total Depreciation		2,361,956	1,298,770	

As at December 31, 2024 and 2023, there were no indication of any impairment on the carrying amount of bank premises, furniture, fixtures and equipment.



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None of the properties were used as security for any of the Bank's liabilities.

NOTE 11 - INVESTMENT PROPERTIES

	2024	2023
Real and other properties acquired	17,213,824	15,057,539
Accumulated depreciation	(4,354,819)	(3,688,913)
Allowance for losses	(288,915)	(288,915)
	<u>12,570,091</u>	<u>11,079,711</u>

The Bank's ROPA portfolio primarily consists of properties acquired through foreclosure of agricultural loans and real estate loans.

These properties are held for sale and are stated at the lower of cost and net realizable value. Cost includes the original loan balance, accrued interest, legal fees, and other direct costs associated with the acquisition of the property. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 12 - OTHER ASSETS

	2024	2023
Petty cash fund	13,000	13,000
Accounts receivable	8,767,942	9,281,036
Stationeries and supplies	129,725	121,332
Prepaid expenses	1,201,696	69,023
Deficiency judgment receivable	166,070	166,070
Other investments - telecom/others	70,602	70,602
Net defined benefit asset	1,431,733	2,194,998
Miscellaneous assets	78,091	454,456
Deposits with Closed Banks	15,216,154	16,101,323
Impairment allowance	(23,728,566)	(24,613,735)
	<u>3,346,448</u>	<u>3,858,105</u>

NOTE 13 - DEPOSIT LIABILITIES

	2024	2023
Savings deposits - active	330,297,329	330,257,122
Savings deposits - dormant		
Total Deposit Liabilities	330,297,329	330,257,122

	2024		2023	
	No. of Accounts	Amount	No. of Accounts	Amount
Savings deposits - active	5,222	330,297,329	5,326	330,257,122
Savings deposits - dormant				
Total	5,222	330,297,329	5,326	330,257,122

Interest rates for regular deposits is at 0.25% per annum. Time deposits, however, is at .5% to .75% per annum depending on the amount and duration of the holding period.



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NOTE 14 - UNEARNED INCOME

	2024	2023
Other deferred credits		19,313
Deferred gross profit in asset sold	1,109,273	3,122,721
Total Unearned Income	1,109,273	3,142,034

NOTE 15 - OTHER LIABILITIES

	2024	2023
Accrued interest payable	521,586	352,416
Contributions payable	241,342	237,834
Accrued expenses	1,146,845	886,896
Net defined benefit liability		
Other liabilities:	4,882	508,946
Accounts payable	247,067	-
Accounts payable - ROPA	634,841	
Withholding taxes payable	108,339	131,084
Total Other Liabilities	2,904,901	2,117,176

Other liabilities represent obligations of the Bank that are not classified as deposits, borrowings, or other specific liability categories. These are generally classified as current liabilities.

NOTE 16 - INCOME TAX PAYABLE / (INCOME TAX CREDIT)

Income Tax Payable is computed as follows:

	Note	2024	2023
Minimum Corporate Income Tax	22	408,984	195,462
Regular Income Tax	22	1,754,735	435,453
Regular Income tax / MCIT (whichever is higher)		1,754,735	435,453
Add: Previous year's accountability			
Less: Payments			
Prior year's excess credit			
Quarterly tax payments		(28,726)	
Creditable tax withheld (see attached schedule)		(634,841)	(407,965)
Income tax payable / (Income tax credit)		1,091,168	27,488

NOTE 17 - SHARE CAPITAL / RETAINED EARNINGS

	2024		2023	
	Common	Preferred	Common	Preferred
Authorized Capital Stock				
Amount	45,000,000	5,000,000	45,000,000	5,000,000
No of shares	450,000	50,000	450,000	50,000
Par value per share	100	100	100	100
Issued and Outstanding				
Amount	45,000,000	5,000,000	45,000,000	5,000,000
No of shares	450,000	50,000	450,000	50,000

Preferred shares have the following features: (a) Both Class A and B with a total of 50,000 shares have a fixed 10.0% cumulative dividends and are non-voting, (b) 25,000 Class A preferred shares are convertible after five (5) years and its optional, and (c) 25,000 Class B preferred shares are non-convertible.



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On January 10, 2025, the board of directors has approved the declaration of 15% cash dividends to all common shares and 10% cash dividend to all preferred shares based on the list of stockholders as of December 31, 2024.

NOTE 18 - INTEREST INCOME

	2024	2023
Loans and receivables	26,035,999	24,324,393
Held-to-maturity investments	1,242,496	1,064,951
Deposits with banks	3,634,452	2,725,533
Total Interest Income	30,912,947	28,114,877

This account refers to interest earned and/ or actually collected from the borrowers. The bank follows the accrual method of accounting in recognizing interest income on customer accounts. Accordingly, unearned discount is amortized over the term of the loan.

The interest rates applied to loans and receivables varies depending on type of loans or services provided. It ranges from 8% to 31% for terms 12 months to 60 months respectively for financing of brand-new cars. Rates of financing second hand cars, REM loans and Hold-out deposits charge different rates.

NOTE 19 - INTEREST EXPENSE

	2024	2023
Interest expense	3,126,769	1,910,826
	3,126,769	1,910,826

This account refers to payments and or monthly accruals of interest on deposits. The computation of savings deposit is on quarterly basis while the time/special savings deposit are on monthly accruals.

NOTE 20 - NON - INTEREST INCOME

	2024	2023
Service charges and commissions	260,415	119,371
Gain from sale of non-financial asset (ROPA)	9,726,373	4,023,446
Miscellaneous income	1,925,855	2,149,271
Total Non-Interest Income	11,912,643	6,292,087

Some non-interest income is derived from a variety of service fees and other charges, which are essential for supporting its operations and diversifying its revenue streams. These fees are generally recognized when the related service is performed.

The Bank's income from ROPA is derived from several sources, including, gains/losses on the sale of ROPA, and interest income from sales contract receivables. The Bank manages its ROPA portfolio to maximize recoveries and generate income, while also considering the impact of local real estate market conditions. ROPA properties are subject to periodic impairment testing, and any impairment losses are recognized in the income statement.

The Bank periodically recovers amounts from loans that were previously charged off as uncollectible. These Bad Debts Recoveries are recognized as non-interest income in the period they are received.



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Other non-interest income encompasses various revenue streams not classified as service charges and fees, or other specific income categories.

NOTE 21 - NON - INTEREST EXPENSES

	2024	2023
Employees' Compensation & Other Benefits		
Salaries and Wages	9,838,121	9,847,662
Fringe Benefits	3,091,667	3,075,657
SSS, Philhealth, and other contributions	1,356,489	1,290,411
Medical, Dental and Hospitalization	389,232	415,201
Contribution to Retirement/Provident Fund	-	1,622,314
Director's Fees	317,470	290,800
Taxes and Licenses	3,659,255	2,956,474
Other Administrative Expenses		
Advertising and publicity	109,035	67,425
Documentary stamps used	20,530	176
Donations and charity	21,723	6,500
Fines and penalties	4,476	40,500
Fuels and lubricants	221,117	246,181
Information and technology	41,283	39,299
Insurance PDIC	672,551	674,486
Insurance expenses	347,705	216,096
Litigation	2,876	357,234
Management & other professional fees	261,708	380,605
Membership fees and dues	100,940	78,106
Other expenses	626,974	556,096
Periodicals and magazines	6,387	6,414
Postage, telephone, cable and telegrams	671,116	676,817
Power, light and water	575,906	664,270
Rent	253,200	253,200
Reparis and maintenance	185,586	747,135
Representation and entertainment	150,572	196,665
Security, clerical, messenger & janitorial	2,025,268	1,779,805
Stationery and supplies used	227,422	184,142
Supervision	62,591	63,517
Traveling expenses	302,305	285,413
Depreciation/Amortization	3,234,821	2,033,956
Losses/Recoveries of Financial Assets	1,919,305	(826,803)
Total Non-Interest Expenses	30,697,630	28,225,753

Other expenses include notarial expenses, local fares, seminars and trainings, foreign currency exchange losses (if any), PR-related expenses, some meals during official meetings, bookbinding costs, and other small value expenses that are non-recurring.

NOTE 22 - INCOME TAX EXPENSE

RA 11534 cuts corporate income tax rate to 25 percent from the current 30 percent. This is retroactive from July 1, 2020. Corporations with net taxable income not exceeding PHP5 million and with total assets not exceeding PHP100 million, excluding land on which the particular business entity's office, plan, and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20 percent.

RA 11534 cuts minimum corporate income tax rate to 1 percent from the current 2 percent. This is retroactive from July 1, 2020 to June 30, 2023. This means that starting 1 July 2023, the MCIT for corporations (except non-profit proprietary educational institutions and hospitals, and non-



PANGASINAN BANK (A RURAL BANK), INC.
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resident foreign corporations) will now revert to its original 2% rate based on the gross income of such corporations. Furthermore, non-deductible interest expense is 20% of interest income subjected to final tax.

Revenue Regulation No. 25-2020 of the Bureau of Internal Revenue prescribes that the operating loss of the business for taxable years 2020 and 2021, if applicable, shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss

Minimum Corporate Income Tax is computed as follows:

	2024	2023
GROSS INCOME	42,825,590	34,406,964
Total interest income	30,912,947	28,114,877
Total other income	11,912,643	6,292,087
Less: Non-taxable income & income subjected to final tax	4,876,947	3,790,484
Gross taxable income	37,948,643	30,616,480
COST OF SERVICE		
Interest expense, net of tax arbitrage	2,151,379	659,966
Employees' compensation and other benefits	14,675,509	16,251,245
Insurance - PDIC	672,551	674,486
COST OF SERVICE	17,499,439	17,585,698
GROSS INCOME FOR MCIT PURPOSES	20,449,203	13,030,783
MCIT, January 1 to December 31		
MCIT, January 1 to June 30 (1%)		65,154
MCIT, July 1 to December 31 (2%)	408,984	130,308
TOTAL MCIT	408,984	195,462

Regular Income Tax is computed as follows:

	2024	2023
Profit (loss) per books	9,001,191	4,270,385
Non-deductible expense (including tax arbitrage)	975,389	1,250,860
Provision for credit losses on loans and receivables	1,919,305	11,053
Total	11,895,886	5,532,298
Less: Non-taxable income & income subjected to final tax	(4,876,947)	(3,790,484)
Net taxable income (loss)	7,018,938	1,741,814
RCIT, January 1 to December 31	1,754,735	435,453
RCIT, January 1 to June 30 (30%)		
RCIT, July 1 to December 31 (25%)		
Regular Income Tax / Income Tax Expense	1,754,735	435,453

NOTE 23 - EARNINGS PER SHARE / BOOK VALUE PER SHARE

The earnings per share is computed as follows:

	2024	2023
Profit for the period	7,246,457	3,834,931
Less: Preference dividends for the current year	(500,000)	(500,000)
Net Income to common share	6,746,457	3,334,931
Weighted average number of shares:		
Outstanding and issued shares	450,000	450,000
Less treasury shares		
	450,000	450,000
Earnings Per Share	15	7



PANGASINAN BANK (A RURAL BANK), INC.
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The book value per share is computed as follows:

	2024	2023
Total equity	78,917,574	74,690,719
Less: Preferred equity		
50,000 Shares at P100 per share	(5,000,000)	(5,000,000)
Common equity with 450,000 shares	73,917,574	69,690,719
Book Value Per Share	164	155

NOTE 24 - RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. The Bank's related parties include:

1. Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
2. post-employment benefit plans for the benefit of the Bank's employees, and
3. other related parties within the Bank.

Remunerations of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the senior management to constitute key management personnel for purposes of PAS 24. The compensation of key management personnel included under 'Compensation and benefits' in the statements of income are as follows:

	2024	2023
Short-term employee benefits	14,675,509	16,251,245
Post-employment benefits	-	1,622,314
	14,675,509	17,873,559

NOTE 25 - EVENTS AFTER THE REPORTING PERIOD

No any significant events took place after the Balance Sheet date that could affect the presentation of the financial statements.

NOTE 26 - DISCLOSURES ON CAPITAL ADEQUACY

For disclosure on computed capital adequacy, refer to the submitted of Computation of the Risk-based Capital Adequacy Ratio Covering Credit Risks as of December 31, 2024 as submitted by the Bank.

The deployment of assets in loans is good at 46%. The bank has minimized its total assets deployed as cash and cash equivalents at just 1% and has liquid deposits with BSP and other banks at high 41%. On the liability side, the bank has relied primarily on savings. Savings mobilized from the clients constitute 99% of total liabilities.



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The following table presents the components in the computation of the Risk-based Capital Adequacy Ratio, before audit adjustments:

	2024	2023
Net Tier 1 Capital	77,426,879	69,164,353
Net Tier 2 Capital	6,528,366	6,383,283
Total Qualifying Capital	83,955,245	75,547,636
Total Risk-Weighted Assets	430,820,287	425,528,307
Risk-based Capital Adequacy Ratio	19.49%	17.75%
Tier 1 ratio	17.97%	16.25%
Common Tier 1 Ratio (after audit adjustments)	17.16%	16.38%
Risk-based Capital Adequacy Ratio (after audit adjustments)	18.67%	17.88%
Other pertinent indicators in relation to CAR as follows:		
Minimum Liquidity Ratio	73.36%	44.94%
Leverage ratio	18.62%	16.80%
Total Exposure Measure (Total assets, gross of GLLP)		
Total Assets	414,320,245	410,234,540
GLLP	1,528,366	1,383,283
	415,848,611	411,617,823

NOTE 27 - SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

The components of "Taxes and licenses" recognized in the statement of income for the year ended December 31, 2024, follow:

	2024	2023
Gross receipt tax (GRT)	2,471,630	1,882,861
Business permits and licenses	255,271	299,117
Real property tax	127,721	197,718
Others	804,634	576,777
	3,659,255	2,956,474

NOTE 28 - QUANTITATIVE INDICATORS OF FINANCIAL PERFORMANCE

	2024	2023
I. AT YEAR END		
Current assets	391,552,615	386,339,105
Current liabilities	330,297,329	330,257,122
Current ratio	1.19	1.17
Past due	14,990,529	18,388,808
Total loan portfolio	197,239,798	211,943,747
Past due ratio	7.60%	8.68%
Total liabilities	335,402,671	335,543,820
Total equity	78,917,574	74,690,719
Debt-to-equity ratio	4.25	4.49



PANGASINAN BANK (A RURAL BANK), INC.
Notes to Financial Statements
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II. FOR THE YEAR

Gross income		
Total expenses	42,825,590	34,406,964
Net profit (before income tax)	33,824,399	30,136,579
Net profit margin rate (before income tax)	9,001,191	4,270,385
Expenses over income rate	21.02%	12.41%
	78.98%	87.59%
Net profit (after tax)	7,246,457	3,834,931
Average assets	412,277,392	416,273,181
Average share capital	50,000,000	50,000,000
Average equity	76,804,147	73,824,945
Return on average assets	1.76%	0.92%
Return on average share capital	14.49%	7.67%
Return on average equity	9.43%	5.19%
Net interest income	27,786,178	26,204,051
Average interest earning assets	385,738,916	389,175,241
Net interest spread	22,909,230	22,413,567
Net interest margin	7.20%	6.73%



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Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2024

Items	Amount
Unappropriated Retained Earnings, beginning	12,710,980 ⁸
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings	
Reversal of Retained Earnings Appropriation/s	-
Effect of restatements or prior-period adjustments	885,169
Others	-
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the reporting period	2,750,000
Retained Earnings appropriated during the reporting period	196,778
Effect of restatements or prior-period adjustments	391,506
Others	-
Unappropriated Retained Earnings, beginning as adjusted	3,338,284
Add/Less: Net Income (loss) for the current year	10,257,864
	7,246,457
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	-
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Unrealized fair value gain of Investment Property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
Sub-total	-
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Realized fair value gain of Investment Property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total	-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-

**PANGASINAN BANK (A RURAL BANK), INC.**

Rizal Avenue, Poblacion, Mangaldan, Pangasinan

**Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2024**

Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Reversal of previously recorded fair value gain of Investment Property	-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-
Sub-total	-
Adjusted Net Income/Loss	7,246,457
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	
Depreciation on revaluation increment (after tax)	-
Sub-total	-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP	
Amortization of the effect of reporting relief	-
Total amount of reporting relief granted during the year	-
Others	-
Sub-total	-
Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement of treasury shares (except for reacquisition of redeemable shares)	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-
Claims received from Export Bank due to closure	-
Sub-total	-
Total Retained Earnings, end of the reporting period available for dividend	17,504,321



PANGASINAN BANK (A RURAL BANK), INC.

Rizal Avenue, Poblacion, Mangaldan, Pangasinan

SCHEDULE OF RECONCILIATION BETWEEN FRP AND PFRS

ACCOUNT	Presentation, Recognition and Measurement	
	PFRS	FINANCIAL REPORTING PACKAGE
Cash and Cash Equivalents	Include cash on hand, cash funds and cash in banks.	Includes cash on hand and checks and other cash items. Cash funds presented in Other assets. Recognition and measurements based on PFRS.
Due from Bangko Sentral ng Pilipinas	This account may be included in 'Cash and cash equivalents'	This refers to the balance of the deposit account maintained with the BSP. A reserve account based on deposit liabilities. Recognition and measurements based on PFRS.
Due from Other Banks	This account may be included in 'Cash and cash equivalents'	This refers to the balances of deposit accounts maintained with other resident banks.
Loans and Receivables	In preparing general purpose financial statements/audited financial statements, BSFIs adopt the provisions of PFRS/PAS in booking provisions for credit losses.	For prudential reporting purposes, BSFIs are required to adopt the expected credit loss model in measuring credit impairment in accordance with the provisions of PFRS 9. BSFIs are also required to set up general loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. BSFIs are not required to provide a 1 percent (1%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments.
Bank premises, furniture, fixtures and equipment	No specific required amount or percentage for residual value.	Depreciation is computed using the straight-line method based on the expected useful life of depreciable assets, after deduction of 10 percent (10%) residual value.
Investment properties	PAS 40	Under PAS 40, PAS 16 and PAS 36
	ROPA valuation at fair value of the real and other property acquired.	BSFIs are required to value the property at initial recognition based on the carrying amount of the asset given up in the exchange (carrying amount of the loan).
Income and expenses	Interest income is allowed to be recognized on non-performing exposures for purposes of preparing the general-purpose financial statements/audited financial statements.	For prudential reporting purposes, BSFIs are not allowed to recognize interest income on non-performing exposures, except when payment is received.
Interest income on Financial Assets Held for trading	Interest income on Financial Assets Measured at Fair Value Through Profit or Loss	This refers to the debt and equity securities that are: (1) acquired principally for the purpose of selling or repurchasing them in the near term; or (2) part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profitability.
Available for Sale (AFS) Financial Assets	Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)	AFS debt and equity securities shall be classified according to the issuer of securities. Securities issued by the National Government shall be further classified as to Treasury Bonds, Treasury Bills and Others.



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SCHEDULE OF RECONCILIATION BETWEEN FRP AND PFRS

Held-to-Maturity (HTM) Financial Assets	Debt Securities Measured at Amortized Cost	This refers to debt securities, quoted in an active market with fixed or determinable payments and fixed maturity that a bank has the positive intention and ability to hold to maturity other than: (a) those that meet the definition of Financial Assets Designated at Fair Value Through Profit or Loss; or (b) those that the financial institution designates as Available for Sale Securities (AFS).
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Mapping of Philippine Financial Reporting Standards 9 (PFRS 9) Accounts in the Financial Reporting Package (FRP)		
A. Financial Assets Measured at Fair Value Through Profit or Loss		
Accounts	PFRS 9 ACCOUNTS	FRP ACCOUNTS
Balance Sheet Accounts	1. Financial Assets Measured at Fair Value through Profit or Loss	
	a. Financial Assets Held for Trading (HFT)	1. Financial Assets Held for trading
	i. HFT Debt Securities	a. HFT Securities
	ii. HFT Equity Securities	
	iii. Derivatives with Positive Fair Value Held for Trading (stand-alone and embedded derivatives)	b. Derivatives with Positive Fair Value Held for Trading
		c. Derivatives Carried at Cost
	b. Financial Assets Designated at Fair Value Through Profit or Loss (DFVPL)	2. Financial Assets Designated at Fair Value Through Profit or Loss
	c. Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss (MMFVPL)	
Income Statement Accounts	1. Interest Income	1. Interest Income
	a. Financial Assets Measured at Fair Value Through Profit or Loss	a. Financial Assets Held for Trading
	i. HFT Debt Securities	i. HFT Securities
	ii. Derivatives with Positive Fair Value Held for Trading (stand-alone and embedded derivatives)	ii. Derivatives with Positive Fair Value Held for Trading
	b. Financial Assets Designated at Fair Value Through Profit or Loss (DFVPL)	b. Financial Assets Designated at Fair Value Through Profit or Loss
	c. Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss (MMFVPL)	
	2. Gains/(Losses) on Financial Assets and Liabilities Held for Trading	2. Gains/(Losses) on Financial Assets and Liabilities Held for Trading
	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
	b. Unrealized Gains/(Losses) from Marking to Market	b. Unrealized Gains/(Losses) from Marking to Market
	c. Realized Gains/(Losses) from Foreign Exchange Transactions	c. Realized Gains/(Losses) from Foreign Exchange Transactions
	3. Gains/(Losses) on Financial Assets and Liabilities DFVPL	3. Gains/(Losses) on Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss
	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
	b. Unrealized Gains/(Losses) from Marking to Market	b. Unrealized Gains/(Losses) from Marking to Market
	4. Gains/(Losses) on Financial Assets and Liabilities MMFVPL	4. Gains/(Losses) on Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss



PANGASINAN BANK (A RURAL BANK), INC.

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SCHEDULE OF RECONCILIATION BETWEEN FRP AND PFRS

	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
	b. Unrealized Gains/(Losses) from Marking to Market	b. Unrealized Gains/(Losses) from Marking to Market
B. Financial Assets Measured at Fair Value Through other Comprehensive Income (FVOCI)		
Accounts	PFRS 9 ACCOUNTS	FRP ACCOUNTS
Balance Sheet Accounts	1. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1. Available for Sale (AFS) Financial Assets
	a. Debt Securities at FVOCI	a. AFS Debt Securities
	b. Equity Securities at FVOCI	b. AFS Equity Securities
	i. Designated at FVOCI	
	ii. Mandatorily Measured at Fair Value	
	2. FVOCI - Net of Accumulated market gains/losses	2. Allowance for Credit Losses
	3. Other Comprehensive Income	3. AFS Financial Assets - Net
	a. Net Unrealized Gains/(Losses) on Financial Assets at FVOCI (Loss allowance should also be recognized in Other Comprehensive Income)	4. Other Comprehensive Income
	i. Debt Securities at FVOCI	a. Net Unrealized Gains/(Losses) on AFS Financial Assets
	ii. Equity Securities at FVOCI	
Income Statement Accounts	b. Realized and Cumulative Gains/(Losses) on Equity Securities Designated at FVOCI	i. AFS Debt Securities
	1. Interest Income	ii. AFS Equity Securities
	a. Financial Assets Measured at Fair Value Through Other Comprehensive Income	b. Others
	2. Gains/(Losses) from Sale/Redemption/Derecognition of Financial Assets and Liabilities Measured at FVOCI	1. Interest Income
	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Available for Sale (AFS) Financial Assets
	i. Debt Securities at FVOCI	2. Gains/(Losses) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities
	ii. Equity Securities Mandatorily Measured at Fair Value	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
		b. Gains/(Losses) on Reclassification from AFS to HTM
C. Financial Assets Measured at Amortized Cost		
Accounts	PFRS 9 ACCOUNTS	FRP ACCOUNTS
Balance Sheet Accounts	1. Debt Securities Measured at Amortized Cost	1. Held-to-Maturity (HTM) Financial Assets
		2. Unquoted Debt Securities Classified as Loans
		3. Investments in Non-Marketable Equity Securities
Income Statement Accounts	1. Interest Income	1. Interest Income
	a. Debt Securities at Amortized Cost	a. Held-to-Maturity (HTM) Financial Assets
		b. Unquoted Debt Securities at Amortized Cost
	2. Gains/(Losses) from Sale/Redemption/Derecognition of Financial Assets and Liabilities Measured at Amortized Cost	2. Gains/(Losses) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities
	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
D. Financial Liabilities Measured at Amortized Cost		
Accounts	PFRS 9 ACCOUNTS	FRP ACCOUNTS



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SCHEDULE OF RECONCILIATION BETWEEN FRP AND PFRS

Balance Sheet Accounts	Financial liabilities measured at amortized cost under PFRS 9 shall be booked based on corresponding liability accounts in the FRP.	
Income Statement Accounts	1. Gains/(Losses) from Sale/Redemption/Derecognition of Financial Assets and Liabilities Measured at Amortized Cost	1. Gains/(Losses) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities
	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
	i. Financial Liability at Amortized Cost	
E. Financial Liabilities Measured at Fair Value Through Profit or Loss		
Accounts	PFRS 9 ACCOUNTS	FRP ACCOUNTS
Balance Sheet Accounts	1. Financial Liabilities Measured at Fair Value Through Profit or Loss	
	a. Financial Liabilities Held for Trading (HFT)	1. Financial Liabilities Held for trading
	i. Derivatives with Negative Fair Value Held for Trading (stand-alone and embedded derivatives)	a. Derivatives with Negative Fair Value Held for Trading
	ii. Liability for Short Position	b. Liability for Short Position
	b. Financial Liabilities Designated at Fair Value Through Profit or Loss (DFVPL)	2. Financial Liabilities Designated at Fair Value Through Profit or Loss
	2. Other Comprehensive Income	3. Other Comprehensive Income
	a. Net Unrealized Gains/(Losses) on Financial Liabilities Designated at FVPL attributable to changes in credit risk	a. Others
Income Statement Accounts	1. Interest Expense	1. Interest Expense
	a. Financial Liabilities Measured at Fair Value Through Profit or Loss	
	i. Financial Liabilities Held For Trading	a. Financial Liabilities Held For Trading
	• Derivatives with Negative Fair Value Held for Trading (stand-alone and embedded derivatives)	i. Derivatives with Negative Fair Value Held for Trading (stand-alone and embedded derivatives)
	• Liability for Short Position	ii. Liability for Short Position
	b. Financial Liabilities Designated at Fair Value Through Profit or Loss (DFVPL)	b. Financial Liabilities Designated at Fair Value Through Profit or Loss
	2. Gains/(Losses) on Financial Assets and Liabilities Held for Trading	2. Gains/(Losses) on Financial Assets and Liabilities Held for Trading
	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
	b. Unrealized Gains/(Losses) from Marking to Market	b. Unrealized Gains/(Losses) from Marking to Market
	c. Realized Gains/(Losses) from Foreign Exchange Transactions	c. Realized Gains/(Losses) from Foreign Exchange Transactions
	3. Gains/(Losses) on Financial Assets and Liabilities DFVPL	3. Gains/(Losses) on Financial Assets and Liabilities DFVPL
	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities	a. Realized Gains/(Losses) from Sale or Derecognition of Financial Assets and Liabilities
	b. Unrealized Gains/(Losses) from Marking to Market, except for changes in fair value attributable to changes in credit risk	b. Unrealized Gains/(Losses) from Marking to Market



PANGASINAN BANK (A RURAL BANK), INC.
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Comparison of Audited Financial Statement
and
Submitted Consolidated Statement of Financial Position and Income
As of December 31, 2024
(Amounts in Philippine Pesos)

	Audited	Submitted	Discrepancy	Explanation
ASSETS				
Cash and Cash Equivalents	3,241,272	3,241,272	-	
Due from Bangko Sentral ng Pilipinas	5,351,698	5,351,698	-	
Due from Other Banks	164,459,000	164,459,000	-	
Loans and Receivables	190,435,295	190,435,295	-	
Held-to-Maturity Financial Assets	28,065,351	28,065,351	-	
Bank Premises, Furniture, Fixtures and Equipment	6,851,092	6,851,092	-	
Investment Properties	12,570,091	12,570,091	-	
Other Assets	3,346,448	4,109,712	(763,265)	AJE 1
TOTAL ASSETS	414,320,245	415,083,510	(763,265)	
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities	330,297,329	330,297,329	-	
Unearned Income	1,109,273	1,109,273	-	
Other Liabilities	2,904,901	2,904,901	-	AJE 4
Income Tax Payable	1,091,168	-	1,091,168	AJE 4
Total Liabilities	335,402,671	334,311,503	1,091,168	
EQUITY				
Paid-in Capital	50,000,000	50,000,000	-	
Retained Earnings Reserve	11,477,581	11,477,581	-	
Retained Earnings Free	17,504,321	18,595,489	(1,091,168)	AJE 3, 4
Accumulated Other Comprehensive Income	(64,327)	698,937	(763,265)	AJE 1
Total Equity	78,917,574	80,073,070	(1,854,433)	
TOTAL LIABILITIES AND EQUITY	414,320,245	414,384,573	(763,265)	
Income Statement				
Total Income	42,825,590	42,190,749	634,841	
Total Expenses	33,824,399	33,824,399	-	AJE 3
Income before Tax	9,001,191	8,366,350	634,841	
Provision for Income Tax	(1,754,735)	(418,145)	(1,336,589)	AJE 4
Profit/(Loss for the period)	7,246,457	7,948,205	(701,749)	
Other Comprehensive Income	-	-	-	
Total Comprehensive Income	7,246,457	7,948,205	(701,749)	



PANGASINAN BANK (A RURAL BANK), INC.
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ADJUSTING JOURNAL ENTRIES
Year 2024

No.	DEBIT		CREDIT		Notation/Explanation
	Account Name	Amount	Account Name	Amount	
1	AOCI	763,264.79	Net defined benefit asset	763,264.79	To record decrease in net defined asset
2	Creditable withholding tax (CAR)	634,840.75	AP-ROPA	634,840.75	To recognize income from buyers of ROPA (overpayment)
3	Retained earnings	389,419.32	Provision for income tax	389,419.32	Net reversal adjustments
4	Provision for income tax	1,754,734.62	Creditable withholding tax (CAR)	634,840.75	To record provision income tax and income tax payable for 2024
			Provision for income tax	28,726.00	
			Income tax payable	1,091,167.87	
5	Depreciation - Bank Premise	1,020,031.00	Allowance for Depreciation	1,020,031.00	To record additional depreciation on remeasurement
		4,562,290.48		4,562,290.48	



DAROYA & CO.
Certified Public Accountants

4th Floor, Benning Square Building
Arellano Street, Barangay Pantat
Dagupan City, Pangasinan
Philippines 2400
Tel. Nos. (075) 522-7098 / (075) 522-4333
Email address: benjiedaroya@daroya.com.ph

To the Officer-in-Charge
Bangko Sentral ng Pilipinas
Manila, Philippines

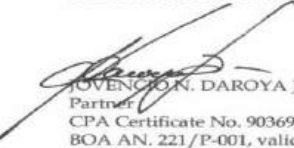
SUBJECT: CERTIFICATION

Dear Sir/Madam:

In connection with our examination of the financial statements of PANGASINAN BANK (A RURAL BANK), INC., which is to be submitted to the Bangko Sentral Ng Pilipinas (BSP) we hereby represent the following certifications:

1. That we have evaluated the client's internal accounting control and risk management systems during our examination of the client's financial statements for year 2024;
2. That we have started the audit on January 27, 2025 and ended March 13, 2025;
3. In the course of our audit, no material weakness or breach in the internal control and risk management systems, and as well as other issues, which may include findings on the quality of governance was noted; therefore, there are **no matters to report** on items specified under information required in number 4 Appendix 55 of BSP Circular 1074;
4. That there are **no matters to report** on items specified under information required in number 7 Appendix 55 of BSP Circular 1074;
5. That all required disclosures under Section 174 (Financial Audit) are complied with;
6. That the bank allowed us as external auditors to read-only access to the BSP Reports of Examination (ROE). We, as external auditors, on the other hand, have treated the contents of the ROE appropriately and with utmost confidentiality; and
7. We have submitted a certification to the Board of Directors on March 20, 2025.

As a CPA engaged in public practice, we make these representations in my individual capacity and as a partner of DAROYA & COMPANY.


JOVENIO N. DAROYA JR.

Partner
CPA Certificate No. 90369, valid until April 10, 2026
BOA AN. 221/P-001, valid until September 20, 2027
BSP AN. 90369 Group C (Audit Period Covered 2020-2025)
BIR AN. 010081190022023, valid until February 16, 2026
TIN 161-520-408
PTR No. 1575955 (2025) Dagupan City

SUBSCRIBED AND SWORN to before me this 21th day of March 2025, affiant exhibited to me his Community Tax Certificate above noted.

Doc No. 105
Page No. 22
Book No. XV
Series of 2025


JOSEPH EMMANUEL B. APRA
SNC-NP-24-2025 NOTARY PUBLIC UNTIL DEC. 31, 2025
765 DE GUZMAN ST., POBLACION, MANGALDAN, PANG.
ROLL OF ATTORNEY # 43817/TIN 916923468
PTR NO. 2666781 C JANUARY 2, 2025 MANGALDAN
IBP NO. 701519 JAN. 2, 2008/PANG./LIFETIME MEMBER
MCLE COMPLIANCE # VIII-0004481, VALID UNTIL 4.14.28



DAROYA & CO.
Certified Public Accountants

4th Floor, Benning Square Building
Arellano Street, Barangay Pantel
Dagupan City, Pangasinan
Philippines 2400
Tel. Nos. (075) 522-7098 / (075) 522-4333
Email address: benjiendaroya@daroya.com.ph

To the Board of Directors
PANGASINAN BANK (A RURAL BANK), INC.
Rizal Avenue, Mangaldan

SUBJECT: CERTIFICATION

Dear Sir/Madam:

In connection with our examination of the financial statements of PANGASINAN BANK (A RURAL BANK), INC., we hereby represent the following certifications:

1. That we have evaluated the internal accounting control and risk management systems during our examination of the financial statements for year 2024;
2. That we have started the audit on January 27, 2025 and ended March 13, 2025;
3. In the course of our audit, no material weakness or breach in the internal control and risk management systems, and as well as other issues, which may include findings on the quality of governance was noted; therefore, there are **no matters to report** on items specified under information required in number 4 Appendix 55 of BSP Circular 1074;
4. That there are **no matters to report** on items specified under information required in number 7 Appendix 55 of BSP Circular 1074;
5. That all required disclosures under Section 174 (Financial Audit) are complied with; and
6. That the bank allowed us as external auditors to read-only access to the BSP Reports of Examination (ROE). We, as external auditors, on the other hand, have treated the contents of the ROE appropriately and with utmost confidentiality.

As a CPA engaged in public practice, we make these representations in my individual capacity and as a partner of DAROYA & COMPANY.



EVENCIO N. DAROYA JR.
Partner

CPA Certificate No. 90369, valid until April 10, 2026
BOA AN. 221/P-001, valid until September 20, 2027
BSP AN. 90369 Group C (Audit Period Covered 2020-2025)
BIR AN. 010081190022023, valid until February 16, 2026
TIN 161-520-408
PTR No. 1575955 (2025) Dagupan City

Dagupan City
March 20, 2025



QUANTITATIVE INDICATORS OF FINANCIAL PERFORMANCE

	2024	2023
<u>I. AT YEAR END</u>		
Current Assets	391,552,615	386,339,105
Current Liabilities	330,297,329	330,257,122
Current Ratio	1.19	1.17
Past Due	14,990,529	18,388,808
Total Loan Portfolio	197,239,798	221,943,747
Past Due Ratio	7.60%	8.68%
Total Liabilities	335,402,671	335,543,820
Total Equity	78,917,574	74,690,719
Debt-to-equity Ratio	4.25	4.49
<u>II. FOR THE YEAR</u>		
Gross Income	42,825,590	34,406,964
Total Expenses	33,824,399	30,136,579
Net Profit (before income tax)	9,001,191	4,270,385
Net Profit Margin Rate (before income tax)	21.02%	12.41%
Expenses over Income Rate	78.98%	87.59%
Net Profit (after tax)	7,246,457	3,834,931
Average Assets	412,277,392	416,273,181
Average Share Capital	50,000,000	50,000,000
Average Equity	76,804,147	73,824,945
Return on Average Assets	1.76%	0.92%
Return on Average Share Capital	14.49%	7.67%
Return on Average Equity	9.43%	5.19%
Net Interest Income	27,786,178	26,204,051
Average Interest Earning Assets	385,738,916	389,175,241
Net Interest Spread	22,909,230	22,413,567
Net Interest Margin	7.20%	6.73%



CAPITAL STRUCTURE AND CAPITAL ADEQUACY



H.CAPITAL STRUCTURE AND CAPITAL ADEQUACY

PANGASINAN BANK (A Rural Bank), INC.
Risk-Based Capital Adequacy
Ratio as of December 31, 2024

Total Qualifying Capital	(Schedule A below)	83.955
Risk-Weighted On-Balance Sheet Assets		388.523
Operational Risk-Weighted Assets		<u>42.298</u>
Net Risk Weighted Assets		<u>430.821</u>
Adjusted CAR covering credit and operational risk		<u>19.49</u>

Schedule A: Computation of Capital

Tier 1 (Core) Capital

Paid up Common Stock	45.000
Surplus, Reserves, and Undivided Profits	
Retained Earnings	21.167
Undivided Profits	9.603
Other Comprehensive Income	<u>1.657</u>
Total Tier 1 Capital	<u>77.427</u>

Tier 2 (Supplementary) Capital

Upper Tier 2 Capital

Paid-up perpetual and cumulative preferred stock	5.000
General Loan Loss Provision	<u>1.528</u>
(Limited to 1.00% of gross risk-weighted assets)	
Total Tier 2 Capital (limited to 100% of Tier 1 capital)	<u>6.528</u>

<u>TOTAL QUALIFYING CAPITAL</u>	<u>83.955</u>
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PANGASINAN BANK (A RB), INC.

Name of Bank

**COMPUTATION OF THE RISK-BASED CAPITAL ADEQUACY RATIO COVERING COMBINED
CREDIT MARKET AND OPERATIONAL RISKS**

SIMPLIFIED SOLO BASIS

As of **DECEMBER 31, 2024**

CONTROL PROOFLIST

PART I. CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO (in absolute amounts)

Item	Nature of Item	Account Code	Amount
A.	Calculation of Qualifying Capital		
A.1	Tier 1 Capital (Sum of A.2 and A.3)	39500000000710000	77,426,878.75
A.2	Common Equity Tier 1 Capital	39500000000711000	77,426,878.75
A.3	Additional Tier 1 Capital	39500000000712000	
A.4	Tier 2 Capital	39500000000720000	6,528,368.14
A.5	Total Qualifying Capital (Sum of A.1 and A.4)	39500000000700000	83,955,244.89
B.	Calculation of Risk-Weighted Assets		
B.1	Total Credit Risk-Weighted Assets [B.1(d) minus B.1(h)]	195931000000000000	388,522,609.05
(a)	Risk-Weighted On-Balance Sheet Assets	100000000000811000	388,522,609.05
(b)	Risk-Weighted Off-Balance Sheet Assets	400000000000612000	
(c)	Counterparty Risk-Weighted Assets	110100000000813000	
(d)	Total Credit Risk-Weighted Assets (Sum of B.1(a), B.1(b) and B.1(c))	100000000000810000	388,522,609.05
(e)	Deductions from Total Credit Risk-Weighted Assets		
(f)	General Loan Loss Provision (in excess of the amount permitted to be included in Tier 2 capital) [Part III, Item G.1(b) minus Part II, Item B.1 (7)]	175150500000000000	
(g)	Unbooked allowance for credit losses and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	36505200000711000	
(h)	Total Deductions (Sum of B.1(f) and B.1(g))	165000000000810000	0.00
B.2	Total Operational Risk-Weighted Assets	195000000000830000	42,297,678.43
B.3	Total Market Risk-Weighted Assets	100000000000820000	
B.4	Total Risk-Weighted Assets (Sum of B.1, B.2 and B.3)	100000000000800000	430,820,287.48
C.	Minimum Capital Ratios		
C.1	RISK-BASED CAPITAL ADEQUACY RATIO [A.5 divided by B.4 multiply by 100]	990000000000000000	19.49
C.2	Common Equity Tier 1 Ratio [A.2 divided by B.4 multiply by 100]	990000000000000001	17.97
C.3	Capital Conservation Buffer [C.2 minus 6]	990000000000000002	16.59
C.4	Tier 1 Capital Ratio [A.1 divided by B.4 multiply by 100]	990000000000000003	17.97

I hereby certify that all matters set forth in this Computation of the Risk-Based Capital Adequacy Ratio Covering Combined Credit Market and Operational Risks are true and correct to the best of my knowledge and belief.


ANNE Q. DE GUZMAN - President
Authorized Signatory