PRODUCERS SAVINGS BANK CORPORATION

2022
ANNUAL REPORT

"Be Way Ahead with
PRODUCERS BANK"

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CORPORATE LOGO

The Producers Bank logo represents the aspiration of the Bank as expressed by the ideals of its four (4) publics (customers, employees, creditors and shareholders) represented by the four (4) sides of the logo. These interlocking publics, if put together, share a common spirit of sacrifice, honesty, and teamwork; thus creating a solid and stable institution represented by the square of the logo. The Bank sees itself becoming the avenue - the yellow path - through which the countryside's green resources are transformed into new golden wealth. It aims to be the primary development financial institution in the Philippine countryside. The Bank, therefore, is the yellow sun rising on the Philippine countryside bringing new hope to Filipinos who seek a better future. Producers Bank is the dawn rising, shedding light to families and towns and bringing hope by being the number one (1) partner of entrepreneurs and farmers in producing more wealth for the country.

Tagline

"Be Way Ahead with PRODUCERS BANK"

Vision

To be the number one (1) partner bank of entrepreneurs and farmers in producing more wealth for the country

Mission

- To make our depositors happy with the value and quality of services they get from Producers Bank
- To provide responsive and innovative credit and other services needed by farmers, small and medium-entrepreneurs
- To assure challenging and rewarding jobs and long-term employment for our employees
- To make our stakeholders very proud of our contributions to economic development in the Philippine countryside

Philosophy

The main purpose for our existence is to create long-term value to our shareholders by generating for them superior and sustainable returns. We will achieve this by:

- Providing our customers value-added products and better service delivery;
- Adhering to what our laws and regulations require;
- Promoting a corporate culture that subscribes to high moral and ethical standards underpinned by codes of corporate governance and best practices;
- Creating a working environment based on the values of equal opportunity and meritocracy; and
- Improving the quality of life of our employees and in the communities that we serve particularly in areas that are not served by the large financial institutions.

Business Model

In keeping with its vision and mission, Producers Bank supports the drivers of the local economy for the creation of more wealth and to spur economic growth. Majority of the branches are in the countryside outside the main growth hubs, and where many of the unbanked sectors of the population are located. By reaching to the folks in the countryside, Producers Bank is actively supporting the financial inclusion program of the government.

Producers Bank has been accredited continuously by the Bangko Sentral ng Pilipinas as a Rural Financial Institution for the purpose of implementing the Agri-Agra Reform Credit Act of 2019 (R.A.10000). Per the latest list of accredited RFIs, Producers Bank is the only thrift bank so accredited. As such, it accepts deposits from other banks for their alternative compliance under the said law.

To further strengthen its commitment to support the local economy in the countryside, Producers Bank targets a portfolio mix of 40% agricultural loans, 30% consumer loans and 30% commercial loans. To ensure this, lending operations have been rationalized with the Retail Banking Group taking charge of farmer's loans, consumer loans and SME loans below ₱5 Million. Commercial loans will be the responsibility of the Credit Management Support Group, one focused on the countryside and the other on the largely urban areas including the National Capital Region and nearby areas.

FINANCIAL HIGHLIGHTS

	Consolidated		Parent Bank (Solo)	
Minimum Required Data	**2022**	**2021**	**2022**	**2021**
Profitability				
Total Net Interest Income	1,856,565,697	1,409,196,673	1,852,846,655	1,409,196,673 *
Total Non-Interest Income	909,823,212	815,372,534	908,262,790	815,372,534 *
Total Non-Interest Expenses	1,683,000,930	1,424,412,275	1,678,066,743	1,424,412,275 *
Pre-provision profit	1,083,387,979	800,156,932	1,083,042,702	800,156,932
Allowance for credit losses	941,888,301	432,075,680	938,999,277	432,075,680 *
Net Income	852,739,760	672,694,706	852,363,776	672,694,706 *
Selected Balance Sheet Data				
Liquid Assets	7,566,318,994	7,327,119,889	7,512,886,665	7,327,119,889 *
Gross Loans	21,211,990,112	18,223,112,841	21,179,256,178	18,223,112,841 *
Total Assets	33,305,982,892	29,523,441,183	33,227,365,188	29,523,441,183 *
Deposits	21,936,495,998	20,235,436,962	21,859,451,441	20,235,436,962 *
Total Equity	4,241,295,193	3,709,476,432	4,239,811,543	3,709,476,432 *
Selected Ratios				
Return on equity	24.06%	16.97%	24.06%	16.97% *
Return on assets	2.80%	1.97%	2.80%	1.97% *
CET 1 capital ratio (for UBs/KBs)				
Tier 1 capital ratio (for Ubs/KBs)				
Capital Adequacy Ratio	14.95%	13.96%	14.95%	13.96% *
Per common share data (For UB, KBs and publicly listed Banks)				
Net Income per share:	6.37	5.02	6.36	5.02
Basic	133,955,801	133,955,801	133,955,801	133,955,801 *
Diluted				
Book Value	31.66	27.69	31.65	27.69
Others				
Cash dividends declared	0	0	0	0
Headcount	1911	1855	1903	1855
Officers	316	330	315	330
Staff	1595	1525	1588	1525

** Based on 2021 Audited Financial Statement (AFS)*

**2021 No Consolidated Report as Rural Bank Maswerte's approval of merger was dated December 16, 2021*
Based on 2022 Audited Financial Statement (AFS)

"One way to keep the momentum going is to have constantly greater goals."

--- Michael Korda

CHAIRMAN'S MESSAGE

As the entire nation emerges from the grips of the pandemic and the economy reopens with renewed vigor, we embarked on the remarkable journey that is the year 2022. Fueled by an unwavering determination, we set forth to fortify our operations, ensuring a foundation of strength and resilience. As the economy continued to re-open from the strict Covid 19 quarantine and lockdown protocols, we kicked off the year 2022 with the firm resolve to gear up to be more stable and robust in our overall operations.

In setting our sights on surpassing previous milestones, we have boldly raised the bar for branch performance across regions. The parameters we have established for 2022 far exceed our achievements in the past years. We have clearly set up our 2022 parameters way above what we have achieved in the past years. We have raised the bar higher for branch performance per region. We have set up implemented minimum thresholds for net income, growth in deposits and loans . We have and adopted higher key performance indicators, surpassing the expectations of management and placing us at the forefront of the industry to be ahead of our peer banks.

As Chairman, I am pleased to inform you that for the year 2022, Producers Bank is able to sustain its growth in terms of asset, loan portfolio, deposit liabilities and net income. Producers Bank has steadfastly maintained its strong position in the face of the post-pandemic aftermath Producers Bank has maintained its solid footing amid the aftermath of the pandemic.

The collaboration of the relentless efforts of the people behind and at the front line of the Bank's operations resulted to the remarkable performance of Producers Bank for 2022.

Producers Bank booked and bolstered its earnings as it generated a net income of Pesos: Eight Hundred Twenty Nine point Six Million (P829.6 Million) and showed a 65.34% increase amounting to Pesos: Three Hundred Twenty Seven point Eight Million (P327.8 Million) compared to its 2021 net income of Pesos: Five Hundred One point Eight Million (P501.8 Million).

In terms of deposit generation, deposit grew to Pesos: Twenty One point Eight Billion (P21.8 Billion) which reflects the trust and confidence and the solid reputation Producers Bank enjoys from its depositors. Meanwhile, the Bank's loan portfolio reached Pesos: Twenty Two Billion (P22 Billion) as Producers Bank continued to support the credit requirements and financial relief of its borrowers still affected by the impact of the pandemic.

I firmly believe that Producers Bank has successfully sustained its growth momentum because I have witnessed the unwavering support, diligence, openness to accept challenges and the commitment to deliver expected remarkable results by from the Bank's officers and staff in the branches.

Furthermore, it is also noteworthy to recognize the leadership and dedication of top management headed by the President & CEO, Mr. Andres M. Cornejo and the invaluable assistance of the Head Office Support Groups to the retail banking groups. Their guidance and support have played a pivotal role in driving the Bank's success.

Lastly, I would like to express my gratitude to my fellow members of the Board of Directors (BOD) for their guidance and direction as they drive the Bank towards reaching its goals and targets every year.

In the years ahead, let us strive for unparalleled excellence, unwavering in our commitment to surpass our own accomplishments. Together, we possess the power to transform challenges into triumphs and to leave an indelible mark on the financial landscape. With relentless determination and a shared vision, we can forge a future where Producers Bank stands proudly at the forefront in elevating our nation to achieve greater abundance and financial freedom for all.

Allow me to conclude by challenging everyone "to keep on setting greater goals for Producers Bank", charting a course that will propel us towards the realization of our vision of becoming the number one (1) partner bank of entrepreneurs and farmers in producing more wealth for the country.

Let this challenge ignite a fire within us. Together, let us soar towards greatness and blaze the path to prosperity.

Congratulations!

Gilda E. Pico
GILDA E. PICO
Chairman

"Destiny is not a matter of chance, it is a matter of choice. It is not a thing to be waited for, it is a thing to be achieved!"

– William Jennings Bryan

PRESIDENT'S REPORT

Achieving success does not come by way of shortcuts. It transcends mere fortune or the whims of chance.

For the past twenty seven (27) years, the journey to success of Producers Bank has been a product of strategic planning and execution and strong leadership to be the number one (1) partner bank of farmers and entrepreneurs in producing more wealth for the countryside.

For 2022, I am pleased to inform everyone that Producers Bank has successfully surpassed the projected outcomes and parameters we have set forth. Our institution has consistently strived for heightened stability and resilience in our comprehensive banking operations, and we have accomplished this objective with remarkable success.

Allow me therefore to report to our shareholders, officers, employees and creditors, Producers Bank's accomplishments during the twelve-month period ending December 31, 2022.

FINANCIAL PERFORMANCE

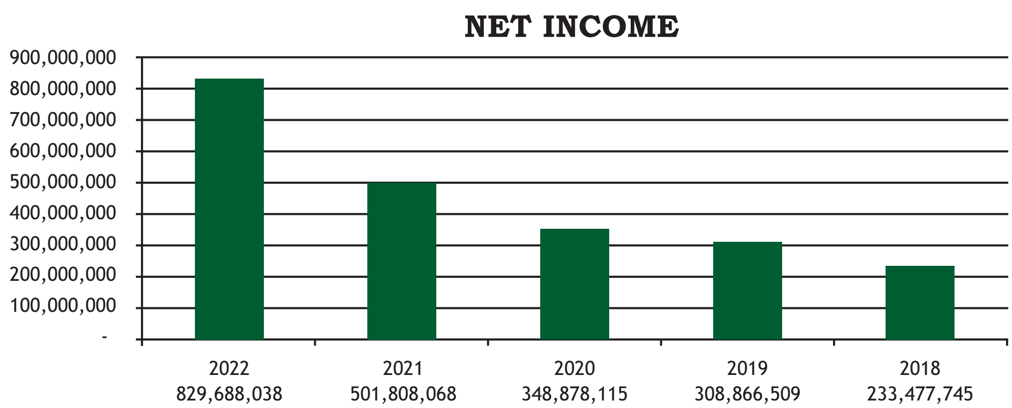
The financial highlights of the Bank in 2022 based on key indicators, with comparative figures for the last four years (2018-2021), are presented below:

FINANCIAL HIGHLIGHTS

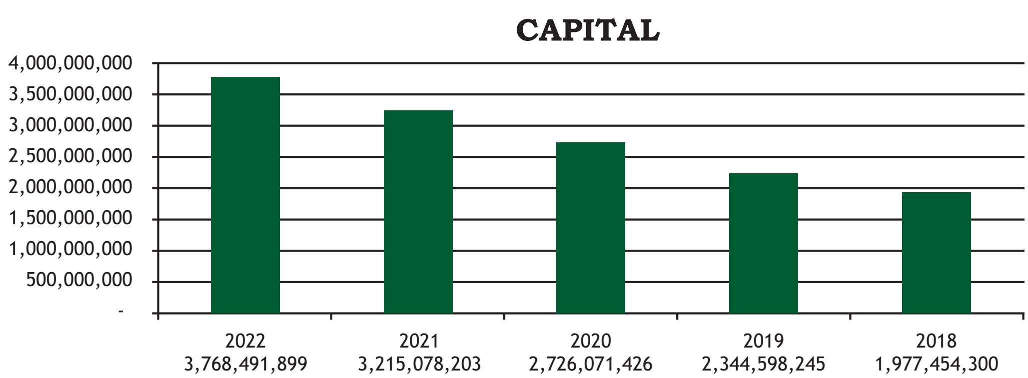
	2022	2021	2020	2019	2018
Net Income	829,688,038	501,808,068	348,878,115	308,866,509	233,477,745
Capital	3,768,491,899	3,215,078,203	2,726,071,426	2,344,598,245	1,977,454,300
Return on Equity	24.06%	16.97%	13.82%	14.39%	10.40%
Total Resources	32,615,632,115	28,808,803,789	28,676,392,056	25,450,567,480	18,386,900,477
Return on Assets	2.807%	1.97%	1.56%	1.58%	1.29%
Loan Portfolio	22,054,127,991	19,070,113,455	18,499,261,853	17,487,057,339	13,006,432,124
Deposit Liabilities	21,859,451,441	20,235,436,962	17,691,333,346	15,150,502,875	11,746,321,421
Past Due	1,825,978,970	1,580,290,895	1,397,836,711	1,059,621,401	715,050,554
Past Due Ratio	8.27%	8.29%	7.50%	5.99%	5.49%
NPL	1,328,021,983	921,543,097	689,741,361	691,837,062	369,105,717
NPL ratio	6.02%	4.83%	3.71%	3.92%	2.84%

* Based on Financial Reporting Package (FRP) submitted to Bangko Sentral ng Pilipinas (BSP).

In 2022, Producers Bank generated a Net Income of PhP829.688 Million, up by 65.34% from the previous year. The increase is a result of the expansion of our loan portfolio through servicing more borrowers and continuously providing credit and financial relief to our existing borrowers. This translates to a Return on Equity of 24.06% and a Return on Assets of 2.80%. Compared to our target income for the year, Producers Bank is higher by P219.312 Million.

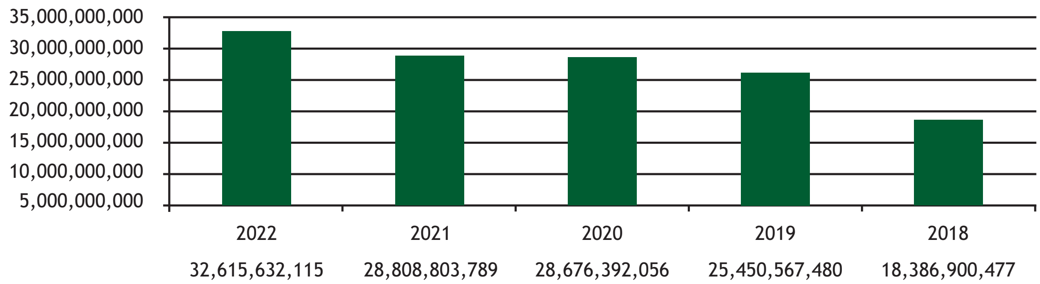


The Bank's earnings resulted in a sizable increase in capital to PhP3.768 Billion from PhP3.215 Billion the previous year thereby exceeding the PhP2.0 Billion minimum capital requirement of the Bangko Sentral ng Pilipinas (BSP) for thrift banks with Head Office in NCR.



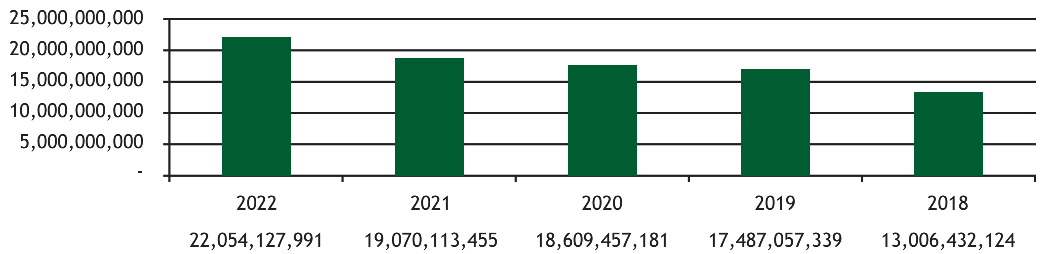
The Bank's total resources amounted to PhP32.615 Billion as of the end of 2022, a growth of PhP3.807 Billion or 13.22% from the previous year.

TOTAL RESOURCES



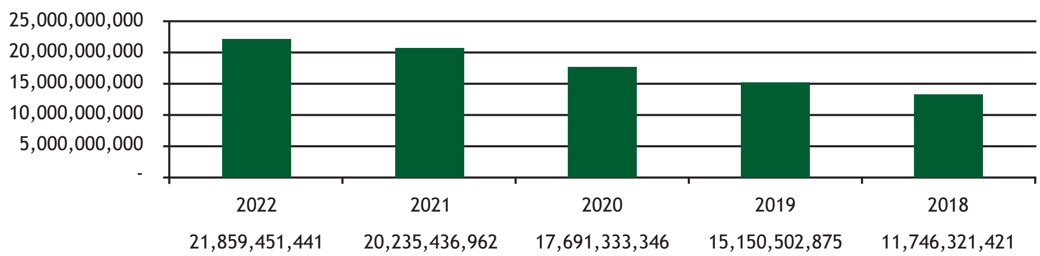
Loans reached PhP22.054 Billion, a growth of PhP2.984 Billion or 15.65% from last year's PhP19.070 Billion.

LOAN PORTFOLIO



Deposits, on the other hand, increased by 8.03% to PhP21.859 Billion from the previous year's deposits of PhP20.235 Billion.

DEPOSIT LIABILITIES



BRANCH NETWORK EXPANSION

The acquisition of Countryside Rural Bank of Palauig, (Zambales) Inc. (CPZAM) with Producers Bank was approved by the Bangko Sentral ng Pilipinas (BSP) on August 04, 2022.

Through the merger with CPZAM, Producers Bank will have a total of four (4) branches in the province of Zambales strategically located in Olongapo, Iba and Castilllejos. Producers Bank plans to open two (2) or three (3) more branches in Zambales within the next three (3) years.

Eleven (11) organic branches were opened for the year such as the following:

Location	Date of Opening
Guihulngan, Negros Oriental	January 10, 2022
Isabela, Negros Occidental	January 26, 2022
Cabanatuan Central, Nueva Ecija	June 20, 2022
Dupax del Norte, Nueva Vizcaya	June 28, 2022
Batangas City, Batangas	September 22, 2022
Butuan City, Agusan del Norte	October 07, 2022
San Jacinto, Pangasinan	November 07, 2022
Moncada, Tarlac	November 14, 2022
San Fernando (Downtown), Pampanga	November 21, 2022
Murcia, Negros Occidental	November 25, 2022
Benito Soliven, Isabela	December 12, 2022

As of December 31, 2022, Producers Bank boasts of a total branch network of two hundred sixty (260) branches spread over fourteen (14) regions and fifty (50) provinces in the country.

E-BANKING

As of the end of 2022, the Bank had deployed 302 ATM units nationwide offering 24/7 convenient ATM banking services. Of these, 7 were in off-site locations or non-Producers Bank facilities, while the rest were installed in the Bank's branches. Producers Bank ATM card also comes as a debit card where clients can shop and dine without use of cash. Producers Bank's Internet and Mobile Banking (IMB) service was in full swing for 2022. The Bank's clients are able to see their PSBC ATM savings account balance, transfer money, pay bills, prepaid mobile reload (PMR), account opening and make purchases online.

RURAL FINANCIAL INSTITUTION

The Bangko Sentral Ng Pilipinas (BSP) approved the renewal of the accreditation of Producers Bank as an Accredited Rural Financial Institution (ARFI). As an ARFI, Producers Bank can take deposits and investments from universal and commercial banks that are required to lend to the agriculture and agrarian (agri-agra) sectors.

The Agri-Agra law strengthens rural communities' access to private sector financing by extending bank compliance modes and establishing a special fund managed by an Agricultural and Fisheries Finance and Capacity-Building Council to finance organizational and institution-building programs and activities for rural agricultural and fisheries households.

To date, Producers bank has a total of one hundred fifty five (155) depositor banks with Special Time Deposit Account for Banks which can serve as their compliance with RA 10000.

HUMAN RESOURCES

Producers Bank highly values its human resources as the most significant asset and places paramount importance on the holistic well-being of its employees. As of December 31, 2022, manpower complement totaled 1,903 which included 477 new employees as a result of the opening of new branches, mergers and additional manpower in the existing branches.

The Human Resource Management Department (HRMD) has worked hand in hand with the branches and departments to ensure a seamless implementation of continuous employee training and mentoring initiatives. Employee engagement activities were also organized in accordance with Producers Bank's commitment to fostering a harmonious work-life balance and cultivating a spirit of teamwork within the organization.

Recently, HRMD has completed the annual performance appraisal of all employees wherein merit increases were granted to employees who have met their key performance indicators based on their performance score cards.

Lastly, Producers Bank was recognized by the Department of Labor & Employment (DOLE) for its active implementation and compliance with DOLE-mandated workplace regulations by maintaining health and safety standards.

INDUSTRY RANKING

Producers Bank remains to have an outstanding performance in the thrift bank industry. Following is a summary of how the Bank fares vis-à-vis industry averages as of the end of the year. The Bank is superior in majority of the measures, and in the few where it is deficient, the variances are not that significant. Overall, Producers Bank has a very sound financial standing as of the end of 2022.

Presented below are the Bank's performance ratios as of December 31, 2022 vis-à-vis the TB System ratios.

TABLE 2 - FINANCIAL RATIOS OF PRODUCERS BANK VIS A VIS THE THRIFT BANK INDUSTRY

	Ratios	December 31, 2022		Higher/Better (Lower but acceptable)
CSOC		TB System	PSBC	
1	Cash and Due from Bank to Deposits	21.13%	18.09%	-3.04%
2	Liquid Assets to Deposits	43.39%	39.98%	-3.41%
3	Loans (gross) to Deposits	82.01%	100.89%	18.88%
4	Capital Adequacy Ratio -BSP Regulatory requirement is 10.00%	19.03%	15.05%	-4.18% 5.05%
5	Total Capital to Total Assets	15.06%	11.55%	-3.15%
CSIE				
6	Earning Asset Yield	6.81%	10.57%	3.76%
7	Funding Cost	1.34%	1.03%	-0.31%
8	Interest Spread	5.48%	9.15%	3.67%
9	Net Interest Margin	5.64%	9.19%	3.55%
10	Net Interest Income to Total Operating Income	84.36%	77.49%	-6.87%
11	Cost to Income Ratio	59.99%	52.87%	-7.12%
12	Return on Assets	1.46%	2.80%	1.34%
13	Return on Equity	10.59%	24.06%	13.47%
Others				
14	Past Due Ratio	10.08%	8.27%	1.81%
15	NPL Ratio (Gross)	7.11%	6.02%	1.09%
16	NPL Ratio (Net NPL)	3.91%	3.38%	0.53%
17	NPL Coverage	66.42%	43.79%	-22.63%

Loans to deposits, earnings asset yield, funding cost, interest spread, net interest margin, net interest income to total operating income, cost to income ratio, return on asset, return on equity, past due ratio, NPL ratio, net NPL ratio and NPL coverage are better than the industry ratio. Cash and due from other banks, liquid assets to deposit, CAR, and total capital to total assets are slightly below the industry ratios for valid reasons.

Let me end my report with the words of *William Jennings Bryan --- "Destiny is not a matter of chance, it is a matter of choice. It is not a thing to be waited for, it is a thing to be achieved!"*. Despite the persistent aftermath of the pandemic, which continues to impact our clients, particularly our borrowers, hindering their full recovery, Producers Bank has admirably maintained its growth trajectory and emerged triumphantly. We were able to sustain the Bank's growth and finished with feathers on our cap. This is a testament to our unwavering commitment, indomitable spirit, and relentless dedication to overcoming challenges.

As we reflect on these achievements, let them serve as a resounding inspiration that, no matter the adversity we face, we possess the strength and fortitude to rise above and achieve remarkable feats. The path ahead may be challenging, but with the collective perseverance of the entire Producers Bank family and strategic vision led by the Management, we shall continue to thrive and make an enduring impact in the financial landscape.

Hence, let me express my gratitude and appreciation to: (i) our shareholders for their support, (ii) the members of the Board of Directors (BOD) for their wisdom and fortitude, (iii) all officers and staff for your hard work and perseverance in delivering your targets in loans, deposits and income, (iv) our ever loyal and valued clients for their patronage, (v) our creditors for their trust and confidence and (v) to God Almighty for His guidance and benevolence.

Congratulations to all of us!

Thank you.

ANDRES M. CORNEJO
President and Chief Executive Officer

Unto the third (3rd) year of the pandemic, the Bank faced the challenges of a recovering economy where businesses had to tread cautiously in reviving their commercial activities. The Bank withstood all challenges operating under the new normal and continued lending to F/SMEs (Farmers, Small & Medium Entrepreneurs). The threats posed by the Covid-19 in the economy did not stop the Bank in pursuing its mission to provide responsive and innovative products to help the F/SMEs.

Ending the third (3rd) year still in pandemic, Loans and Receivables still grew at a remarkable pace of 16.25% from ₱18.315B in 2021 to ₱21.291B. This feat was achieved with an agile organization responding to all the unexpected brought about by the pandemic and remained consistent in catering to the needs of target clients in the countryside.

RISK MANAGEMENT STRUCTURE

The PSBC Board of Directors exercise overall governance across the whole enterprise through three (3) Board Committees – the Corporate Governance and Compliance Committee (CGCC), the Risk Oversight Committee (ROC) and the Audit Committee (AC). Each of these Board Committees is guided by its own Charter and chaired by an Independent Director (ID). The Committee charters are amended as needed and also to comply with new regulations.

The CGCC is supported by the Compliance Office (CO) headed by the Chief Compliance Officer (CCO), the ROC by Risk Management Group (RMG) headed by the Chief Risk Officer (CRO) and the AC by Internal Audit Group (IAG) headed by the IAG Head.

Top management proposes new policies and guidelines for review by the board committees and approval by the board of directors who make sure that said policies and guidelines are in accordance with government regulatory requirements and with PSBC long term corporate strategy. Henceforth, the approved policies and guidelines are implemented by the bank operating units and monitored by top management for proper compliance.

In addition, oversight on implementation of policies and guidelines are exercised by CO, RMG and IAG in behalf of the Board Committees. Results of such oversight functions are reported to the Board Committees during regular monthly committee meetings.

RISK APPETITE AND STRATEGY

PSBC can be classified generally as a “moderately risk averse” savings bank and going in the 3rd year in Pandemic in 2022, the Bank exercise prudence in lending considering the slow recovery of the economy in general. Lending was focused primarily on the food industry, which had been resilient and thriving during the pandemic. This would include crop and livestock production; food processing and manufacturing; food service and trading. In support of the teacher sector during this still challenging year, salary loans were not only promoted but was reduced in interest rate during the first quarter of the year.

Nonetheless, the Bank's preference for secured loans unequivocally proves this risk appetite. As of 30 Dec. 2022, at least 50% of the Gross Loan Portfolio of the Bank is REM-secured and the remaining loan portfolio is secured either by Chattel mortgage, claims from Agricultural Guaranty Fund Pool (AGFP) surety, salary proceeds from Automatic Payroll Deduction System (APDS) of the Department of Education (DepEd), and/or assignment of receivables. In fact, the truly clean loans are considerably small.

Another indicator of the Bank's risk appetite is the institution of a *Codified Approving and Signing Authorities (CASA)* Manual which specifies the approving and signing authorities for *all* Bank transactions. In the CASA, no loan account is approved by a single signatory, but by a minimum of two signatories.

Approval limits have been revised following our strategy to focus on Agri F/SMEs. Under the revised CASA, loan proposals more than 5M up to P50M goes to the Loan Executive Committee while loans amounting to more than ₱50 Million are approved by the Board.

In pursuit of its vision to become the number 1 partner bank of farmers and MSMEs (Micro, Small & Medium Entrepreneurs) in the countryside, the Bank has developed and implemented the Business Model of focusing on serving the needs of farmers, entrepreneurs and teachers in the countryside. Such Business Model has guided the expansion activities of the Bank, whether buying existing banks or establishing organic branches. In addition, preferential lending to farmers and agri-based MSMEs has remained the “end-in-mind” of all PSBC staff and officers.

FINANCIAL RISK

Despite being a sound and sizeable financial institution, Bank is exposed to a variety of financial risks arising from its operating, investing and financing activities. The main objective of financial risk management is to minimize the adverse impact of financial risks on the Bank's financial performance and financial position due to the unpredictability of financial markets.

The Bank's principal financial instruments consist of Due From BSP, Due From Other Banks, Investments at Amortized Cost, Financial Assets at FVTOCI (Fair Value Through Other Comprehensive Income), Loans & Receivables, Sinking Fund and Security Deposits. These financial instruments are used mainly to raise funds to sustain operations and ultimately, to generate income for the Bank.

Table 1 shows the summary of PSBC's principal financial instruments as of end-year 2022. The largest Credit Risk Exposure of the Bank is "Loans and Receivables" which stood at ₱21.291 Billion. This is followed by "Financial Assets at Fair Value through Other Comprehensive Income" at ₱3.530 Billion and followed next by "Due from BSP" at ₱1.659 Billion.

Loans and receivables are the major sources of income for the Bank and its continuing and sustained growth through the years has enabled the Bank to grow at the strategic pace that it has intended. At the end of the day, excess funds which were not lent out are placed in safe (low risk highly liquid) instruments such as Due from BSP and Other Banks to ensure adequate liquidity and comply with regulatory requirements.

Table 1 - PSBC's Principal Financial Instruments as of end-year 2022

	Consolidated	Consolidated
	31-Dec-21	31-Dec-21
Due from BSP	1,659,243,931	2,459,474,236
Due from other banks	634,875,509	877,290,088
Interbank loan receivables	1,227,250,613	847,000,614
Investment at amortized cost	29,288,536	2,884,810,950
Financial assets at FVTOCI	3,530,120,384	-
Loans and Receivables	21,291,439,429	18,314,973,680
Sinking Fund	7,061,837	7,083,300
Security Deposits	15,637,839	15,637,839
TOTAL	**P28,394,918,078**	**P25,406,270,707**

The main risks arising from the Bank's use of financial instruments are summarized as follows:

- Credit Risk

Credit Risk is defined as the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Bank is exposed to credit risk in its lending and investing activities. But because the Bank only invests in government securities, credit risk exposure emanates mainly from lending activities.

- Loan Portfolio

In 2022, the Bank expanded its reach to its target market for loans, ending the year with a Gross Loan Portfolio of ₱21.21 Billion – a substantial increase of ₱2.96 Billion for a growth of 16%.

To achieve this remarkable growth, branches continued to offer Crop Production Loans to farmers and Working Capital Loans to MSMEs. To help F/SMEs in their recovery, the Bank also assisted in terms of Ayuda Loans and other credit programs. This was in addition to the Teachers Loans and Consumer Loans being handled by the branches.

The CMS Head was tasked to oversee all the government lending programs where PSBC is active participant under CMS's GFI Lending Programs Management Unit.

With the growing portfolio, the Bank was reorganized to implement the strategy with the Retail Banking Group (RBG) organized into regions and sub-regions to fully supervised increase in branch network brought about by the previous year's merger of the acquired rural banks. To ensure that the quality of the loans is maintained, loan officers from the streamlined Credit Management Support Group (CMSG) were assigned as F/SME Officers to clusters of areas to assist in the packaging of loan proposals and in managing the projected increase in loan portfolio of the branches.

The salary loans increased at a remarkable rate of 41% from ₱6.6 Billion in 2021 to ₱9.3 Billion in 2022. Buoyed by reputation that the Bank has gained as a financial institution compliant with the DepEd policies and regulations, the branches gained a strong foothold in servicing teachers' loans in the areas where the branches are situated.

It is noteworthy that the loan expansion was achieved with the Past Due Ratio (PDR) maintained at much better than industry level while the and Non-Performing Loan (NPL) Ratio is close to the average performance of Thrift Banks as shown below:

Particular	PSBC	Thrift Banks
Past Due Ratio	8.27%	10.08%
NPL Ratio (Gross)	7.93%	7.11%

- ACPC Accreditation

Recognizing the important role PSBC plays in direct lending to farmers and livestock raisers, the Agricultural Credit Policy Council (ACPC) tapped the Bank as ***conduit bank*** for two of ACPC's initiatives for these sectors - the Production Loan Easy Access (PLEA) and the Survival and Recovery Loan (SURE) Programs. PSBC disburses the ACPC funds to pre-identified loan recipients and collects the same at the end of the term of the loan and remits the funds back to ACPC. This service does not expose the Bank to credit risk as the loans are secured by sovereign guaranty. Total ACPC funds disbursed in 2022 reached ₱221 Million.

- New Loan Products.

For the fast-growing cooperative depositors of the branches, credit facilities for cooperatives were developed – Term Loan for their asset acquisition and capital expenditures as well as Credit Line for their working capital needs. Also, farmers loans for crop production, the amount per hectare was increased and the term of the credit line was made available up to five (5) years from two (2) years.

- New Products and Guidelines Set to Address Pandemic

In 2022, still in the pandemic, the Bank continued to come up with guidelines that would comply with regulatory requirements as well as Bank's initiatives to be an agent in the country's economic recovery focusing on the Bank's target market which are the F/SME's. Ayuda Loan product for existing teacher and SME were launched to help bridge funding requirements during the ECQ and beyond.

- Concentration Risk of Credit Assets

The Bank is exposed to Concentration risk whenever its exposure to a certain industry or a loan type exceeds 50% of its portfolio. The Finacle system employed by the Bank monitors the levels and the status of all its credit assets daily. The Bank ensures that the concentration risk is managed effectively, in accordance with its risk appetite.

As of 31 December 2022, the distribution of loans according to industry is shown in Table 2.

Table 2 - Distribution of Loans and Receivables according to industry

	Consolidated 31-Dec-2022	%	Consolidated 31-Dec-2021	%
Other community, social and personal service activities	P10,828,803,781	51.13%	8,183,678,557	44.91%
Agriculture, Forestry and Fishing	4,934,942,343	23.30%	4,038,703,572	22.16%
Real Estate Activities	1,799,515,121	8.50%	1,928,995,007	10.59%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	1,345,921,848	6.35%	1,505,440,495	8.26%
Accommodation and Food Service Activities	480,737,724	2.27%	537,714,755	2.95%
Construction	433,620,207	2.05%	485,012,871	2.66%
Financial and Insurance Activities	372,894,545	1.76%	417,090,004	2.29%
Education	297,335,621	1.40%	332,575,836	1.83%
Private households with employed persons	236,099,689	1.11%	291,255,302	1.60%
Human health and social work activities	156,814,413	0.74%	175,400,056	0.96%
Manufacturing	128,515,594	0.61%	143,747,262	0.49%
Transportation and Storage	84,586,449	0.40%	94,611,634	0.52%
Electricity, gas, steam and air-conditioning Supply	69,724,576	0.33%	77,988,332	0.43%
Mining and quarrying	9,744,268	0.05%	10,899,158	0.06%
Total	**P21,179,256,179**	**100%**	**P18,223,112,841**	**100%**

As shown in the Table 2, the two (2) industry segments where the Bank has the largest Credit Risk exposures were Other Community, social, and personal service activities [51%] and Agriculture, Forestry and Fishing [23%]. In 2022, when most businesses were slow and had yet to recover, the Bank has opted to lend out more for APDS loans which has the guarantee of repayment through automatic payment deductions from the teachers' salary. In fact, the Bank's APDS loan portfolio had the lowest past due ratio of less than 2%. This strategy for 2022 not only increased the loan portfolio, but increased also the income and pulled down the past due rate.

- Credit Quality Of Financial Assets

The credit quality of the Bank's financial assets [due from BSP and other banks, investments at amortized cost, financial assets at FVOCI, sinking fund and security deposits] are based on the nature of the counterparty and internal rating system

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

The financial assets are classified as follows:

•High Grade - receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable).
•Standard Grade - receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.
•Substandard Grade - receivables that can be collected provided a persistent effort to collect them is made.

Table 3 shows the credit quality of financial assets, net of unearned discount.

Table 3 - Credit quality of Financial Assets

December 31, 2022					
	High Grade	Standard Grade	Sub Standard	Past Due or Impaired	Total
Due from BSP	P1,661,529,879	P-	P-	P -	P1,661,529,879
Due from other banks	681,424,192	-	-	-	681,242,192
Interbank loan receivables	1,227,250,613	-	-	-	1,227,250,613
Investments at amortized cost	32,264,358	-	-	-	32,264,358
Financial Assets at FVOCI	3,530,120,384	-	-		3,530,120,384
Loans and receivables	20,112,915,285	-	-	2,181,007,058	22,293,922,343
Shaking fund	7,211,680	-	-	-	7,211,680
Security deposit*	15,637,839	-	-	-	15,637,839
Net	**P27,268,354,230**	**P-**	**P-**	**P2,181,007,058**	**P29,449,361,288**

**Presented under Other Assets Account*

- Liquidity Risk

Liquidity risk is the risk from the inability of the Bank to meet obligations when these become due because of inability to liquidate assets or obtain adequate funding.

The Bank is very liquid throughout 2022 and as of 31 December 2022, the Bank's Minimum Liquidity Ratio is 43.22% which is way above the regulatory requirement of 16% as shown in the table below.

Item	Nature of Item	As of 31 December 2022
A.	Stock of Liquid Assets	8,308,924,746.85
B.	Qualifying Liabilities	19,223,354,141.88
C.	Minimum Liquidity Ratio (A/B)	43.22%

The MLR as of year-end is high due to substantial availment of credit lines from financial institutions. The Bank, however, manages the MLR on a daily basis to ensure efficient use of funds and maximize earnings of the Bank while meeting regulatory requirements. Thus, the Treasury Management Group (TMG) monitors the liquidity, cash and reserve positions daily to ensure that sufficient liquid assets are available to meet short-term funding.

Available lines from financial institutions, as of 31 December 2022 are as follows:

Bills Payable (in Million Pesos)		
As of 31 December 2022		
Creditor	Amount	O/S
BSP	1,000.00	
LBP	9,550.00	4,700.00
DBP	2,100.00	1,567.00
PDIC	42.82	42.82
Total	12,692.82	6,309.82

- Market Risk

Market Risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes.

OPERATIONS RISK

Operations Risk is defined as probability of loss arising from *inadequate or failed internal processes, people, systems or from external events* [includes legal risk, but excludes strategic and reputational risk].

The Bank crafted a new Operational Risk Management (ORM) Manual which was approved by the BOD as endorsed by the Risk Oversight Committee. New inclusions in the revised manual comprise of additional chapters on Business Continuity Management (BCM), Information Security Management, as well as, Management of Human Resource Related Risks.

Four ORM Policy Guidelines issued in 2017 and all other ORM practices being implemented in PSBC [such as Loss Data Base Management, Vendor Selection Risk Assessment, Advisories on Risk Events, as well as, Risk Event Reporting and Resolution] were also incorporated in the said manual.

- *Information Technology/Systems Risk*

IT/Systems Risk arises from the use of computer systems in the day-to-day conduct of Bank's operations as well as storage and access of data. To enhance risk management and to process efficiency of the IT Systems of the Bank, check and review of hardware and system applications are undertaken continuously. To apply a new technology or system, adequate risk assessment is conducted in accordance with System Development Life Cycle (SDLC) process.

- *Hardware Refresh*

In 2022, the Bank completed its hardware refresh or the replacement of servers, storage and firewall with the newest versions for Finacle Core Banking System and Narada ATM Switch systems. With the new servers, the overall systems performance improved notably, with more transactions accommodated and an increase in productivity. For good measure, the upgrade in systems reduced risk of downtime and tighten security.

Additionally, the configuration of the newly installed Fortigate firewalls was completed not only in the production sites of the Bank but in disaster recovery sites as well. The new firewall has superior security and advance features like SD-WAN, ZTNA, and SSL decryption and guards against insider and external threats at the network perimeter. This system offers a better cyber security solution that protects the Bank's network from unauthorized access mitigating the risk from cyber-attacks.

- *POS Agency*

The Bank launched the POS Agency Banking in 2022 to expand its banking services to cater to the underserved customer segments, especially in the unbanked areas across the country. Digital platform thru POS Agent terminals allows PSBC to reach customers in remote areas with limited access to physical branches.

This is also in line with the initiative of Bangko Sentral ng Pilipinas on financial inclusion. Thru the accredited POS Agents, customers can do their deposit, pay bills and cash withdrawal thru the POS terminal. Customers of other Banks' can also perform balance inquiry and cash withdrawal thru PSBC POS terminal.

- *Internet Banking and Mobile Banking*

PSBC has started its digitalization journey in 2021 by offering its Internet Banking and Mobile Banking services to its customer. This innovation brings convenience, cost savings, and expanded services to its customers. Online and mobile banking save customers valuable time, allowing them to complete banking transactions in minutes They can check their funds, pay bills and perform transfer of money between PSBC accounts and to other Banks' accounts (via instaPay).

The Bank is continuously improving these services by enhancing its security, fraud detection, network performance and customer experience for seamless, and secure online transaction.

- *Migration to a new Human Resource Information System (HRIS)*

The Bank has implemented a new HRIS in 2021: the Adrenalin System. This is an enterprise which has payroll, benefits administration, time tracking and scheduling, and employee self-service functionalities. Adrenalin has an efficient feature for recruitment, performance management, succession planning, training and learning development and employee engagement thru mobile app.

- *Co-location of the Production and Disaster Recovery Site*

The PLDT Vitro sites (both in Makati and Clark) have state-of-the-art data center facilities with the best-of-breed architecture and design, which exceeded even the internationally-set tier 3 data center design standard. These will assure the Bank of a top-notch security management of its production and disaster recovery servers.

The third-party provider for the Colocation data centers regularly fine-tunes its facility for high availability in terms of power redundancy through combined reliable power grids, diesel power generators, double battery backup systems and excellent maintenance practices. The Bank also upgraded its connectivity to expand its network capacity and better performance.

- *Migration to Windows 10 Operating Systems*

Migration of all existing PC workstations and ATMs (within the required specifications) was completed in 2022. Moreover, all succeeding new PC workstations and ATMs purchases are bundled with installed Windows 10 OS.

- *Automation of AML Process*

The acquisition of the Integral 360 AML system was completed towards the end of 2018 and became fully operational in January 2019. With Integral 360, the Bank was able to 1) fully automate its "Know Your Client" process with accurate classification of transactions either as "covered transaction" (CTR) or "suspicious transaction" (STR), 2) implement a straight through submission of daily reports to the Anti-Money Laundering Council (AMLC); and, 3) achieve an efficient monitoring of these transactions. With such system in place, the Compliance Office can efficiently verify disposition of STRs by the branches as acceptable or not and advise immediate corrective action, if necessary.

- *Partnership with ECPAY*

The Bank expanded its services for processing Bills Payment, collection and prepaid loading transactions over the counter by partnering with ECPAY. By using the web portal of ECPAY, the Bank is able to offer an additional channel for fund transfers and remittances.

- *Process Risk*

The Bank continues to implement process improvement not only to improve control and reduce the process risks but also to improve efficiency which ultimately leads to increased income and reduce financial risks.

- *Events Risk*

The Risk Management Group (RMG) and Information, Communications and technology Group (ICTG) collaborated to complete the *Information Security Risk Assessment (ISRA)* for the entire Bank and prepared an *enterprise-wide Business Continuity Plan (BCP).* The BCP enables the Bank to continue business operations during disruptions caused by natural or man-made events. The existing BCP which focuses on continuity of IT operations is expanded to include all functional units of the Bank.

Business units of the Bank were classified into 15 business unit types according to functions. The business units, under the guidance of RMG, prepared individual *Information Asset Inventory* encompassing all information, physical and people assets of the business unit. Depending on the functions, the criticality of each information asset was then determined to establish the MTPOD (Maximum Tolerable Period of Disruption), RTO (Recovery Time Objective) and RPO (Recovery Point Objective) – all of which constituted the *Business Impact Analysis* (BIA).

Each critical information asset was then assessed for risk level as to low, medium or high and consolidated such assessments into the *Information Security Risk Assessment* (ISRA) so that an appropriate *Risk Treatment Strategy* could be determined for the information Asset.

Having completed the whole process, each business unit is then ready to prepare their own BCP based on the results of the BIA they conducted and the existing BCP of the Bank.

PSBC identified The Pacific Place (ICTG Office in Ortigas as the primary Emergency Operations Center (EOC) should the Pasig Head Office be unavailable during a major business disruption. An alternate EOC DR site in Cainta was also identified for prolonged business disruptions. The site has been renovated according to an approved plan and facilities.

- *People Risk*

At the center of PSBC's continued success and growth are its employees who make up the Bank's human capital. This talent pool works passionately to deliver the Bank's vision/mission and to create value for its stakeholders. To maintain its industry position, the Bank's human capital is supported with appropriate leadership and skills improvement programs needed to enable the talent pool to stay relevant and to perform effectively.

Among the important training programs conducted include Company Orientation, Grassroots Marketing Seminar, Agri-Lending Seminar on Credit Process, Branch Banking Seminars (Cashier's Training for ATM operation and PESONet, Information Security and Business Continuity Awareness Training and Anti-Money Laundering (AML) Related Trainings, among others.

- Legal Risk

Legal risk exposures arise mainly from foreclosure of properties and loan collection cases. There are no other legal cases which negatively affect the Bank. The Legal Department oversees the legal risk management and handles legal cases. Services of external counsels are engaged for cases filed in provinces. Updates on the legal exposures are regularly reported to the Board and monitored accordingly. Management is well guided by legal risk management policies and procedures while potential losses arising from legal cases are being assessed on a timely manner.

STRATEGIC RISK

The Bank has achieved sustained and unprecedented growth mainly through mergers and acquisition, supplemented by establishment of organic branches. Its business model consists of extending loans to its niche markets (farmers and SMEs) complemented by consumer loans to salaried people. It has chosen to locate its bank units in unbanked communities where its services are vastly needed.

Although PSBC's aggressive expansion may have included acquisition of some financially challenged banks, the Bank has adequately utilized lessons learned in turning around such challenges, leveraging the incentives for mergers to its advantage.

The expansive strategy has been supported by internally generated capital and adoption of agile technology in delivering products and services, supported by a committed human resource. Efficient transition system and organizational set-up are put together for a seamless adoption of the PSBC business model by the acquired units.

REPUTATIONAL RISK

PSBC has been operating for 27 years. It enjoys the trust and confidence of its clients, funders and the banking industry as manifested by the steady growth in deposits, increasing credit lines with its funders/creditors, as well as recognitions from the industry. The Board and Management constantly strive to increase customer satisfaction by offering innovative and customer-focused banking services. Furthermore, PSBC continuously supports Financial Inclusion Program of the BSP by opening new branches in unbanked municipalities in the Philippines.

ENVIRONMENTAL & SOCIAL RISK MANAGEMENT (ESRM) AND SUSTAINABLE FINANCE

Environmental and Social (ES) events like typhoons, erosion, earthquakes, labor unrest, global warming, inflation, volcanic eruptions, elections, pandemics, floodings, etc. can cause negative consequences to the Bank either by direct impact or through its stakeholders. Failure to effectively manage ES issues in business may not only lead to a simple disruption in operation but it may cause serious financial, legal and/or reputational ramifications for the Bank.

Guided by the sustainable finance policy framework of the BSP, the ESRM of the Bank was developed in 2022 with the vision to be fully embedded in the overall bank risk management system by 2023.

ANTI-MONEY LAUNDERING RISK

Producers Bank adopts this Money Laundering and Terrorist Financing Prevention Program (MTPP) to protect and preserve the integrity and confidentiality of bank accounts and to ensure that the Philippines shall not be used as a money laundering site for the proceeds of any unlawful activity.

Consistent with its foreign policy, the State shall extend cooperation in transnational investigations and prosecutions of persons involved in money laundering activities wherever committed, as well as in the implementation of targeted financial sanctions related to the financing of the proliferation of weapons of mass destruction, terrorism, and financing of terrorism, pursuant to the resolution of the United Nations Security Council.

In line with this declaration of policy, Producers

Bank shall apply the following principles:

1. Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the institution;

2. Know sufficiently our customer at all times and ensure that the financially or socially disadvantaged are not denied access to bank services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank by himself or otherwise;

3. Adopt and effectively implement a sound anti-money laundering and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing;

4. Comply fully with Anti-Money Laundering Act (AMLA) rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and,

5. Fully cooperate with the Anti-Money Laundering Council ("AMLC") and to the Bangko Sentral ng Pilipinas ("BSP") for the effective implementation and enforcement of the AMLA, as amended, and its Revised Implementing Rules and Regulations ("RIRR"), by disclosing all covered and suspicious transactions to them.

RISK BASED CAPITAL ADEQUACY RATIO COVERING COMBINED CREDIT, MARKET AND OPERATION RISK

	2022	2021
CET-1 capital	P 4,121	P 3,246
Less: Regulatory adjustments to CET-1	274	276
	3,847	2,970
Additional Tier 1 (AT-1) capital		
Less: Regulatory adjustments to AT-1	-	-
Total Tier 1 Capital	3,847	2,970
Tier 2 Capital	178	171
Less: Regulatory adjustments to Tier 2 capital	7	7
Total Tier 2 Capital	171	164
Total qualifying capital	4,018	3,134
Total risk-weighted assets	P 22,812	P 22,446
CET-1 Capital Ratio	14.40%	13.23%
Tier 1 Capital Ratio	14.40%	13.23%
Total Capital Ratio	**15.05%**	**13.96%**

Corporate Governance

The Board of Directors ensures that the necessary corporate policies and organizational structures are put in place to foster the long-term success of the Bank and secure its sustained competitiveness. It regularly reviews existing policies and structures to ensure compliance with pertinent laws and regulations, and that they are aligned with best practices and governance principles.

The Board accomplishes its mandate through the different committees that address specific areas of focus.

AUDIT COMMITTE

Cecilio B. Lorenzo	Chairman
Rabboni Francis B. Arjonillo	Member
Amador Llona	Member

RISK OVERSIGHT COMMITTEE

Rabboni Francis B. Arjonillo	Chairman
Amador Llona	Member
Cecilio B. Lorenzo	Member

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Cecilio B. Lorenzo	Chairman
Amador Llona	Member
Rabboni Francis B. Arjonillo	Member

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Pursuant to Monetary Board Resolution No. 1326 dated 3 August 2017, the Bangko Sentral ng Pilipinas (BSP) issued on 22 August 2017 Circular No. 969, series of 2017, approving the revisions to guidelines for BSP-Supervised Financial Institutions in strengthening corporate governance in BSP Supervised Financial Institutions amending relevant provisions of the Manual of Regulations for Banks (MORB), the Bank has amended its Corporate Governance & Compliance Committee Charter as follows:

The 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 independent directors, including the chairperson.

Preferably, the members of the corporate governance and compliance committee shall have the management expertise or business experience to be able to develop appropriate strategies in governing the Bank.

The Board shall appoint the members of the CGCC and one of them as the Chairperson from the independent directors.
More than 50% of the members shall be present to form a quorum.

The CGCC shall have the following duties and responsibilities:

1. The Committee shall report to the Board of Directors.

2. The Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated/promoted to senior management positions, particularly those with the rank of Vice President and up requiring appointment by the Board of Directors.

3. The Committee shall be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.

4. The Committee shall also decide whether or not a director is liable to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance and preparedness and participation). Internal guidelines shall be adopted that address the competing time and commitments that are faced when directors serve on multiple boards.

5. The Committee shall make the recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board member and senior officers, and their remuneration commensurate with corporate and individual performance.

6. The Committee shall decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long-term shareholders' value.

7. The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities on the following:

SELECTION OF THE BOARD OF DIRECTORS & SENIOR MANAGEMENT

The Corporate Governance and Compliance Committee (CGCC) acting as the Nominations Committee is tasked in screening and recommending candidates to the Board and Senior Management. Through the CGCC, the Board always considers that it is led by competent and experienced professionals.

The CGCC brings in a diverse pool of exceptional candidates who represent Producers Bank’s values and culture and firmly believe in its vision and mission statements. It follows Producers Bank’s By Laws and considers related Bangko Sentral ng Pilipinas (BSP) and Securities & Exchange Commission (SEC) regulations in assessing whether the candidates fit the qualifications.

For senior management positions, applications of potential officers or promotions of existing officers to senior management positions are screened and evaluated by the Human Resources Management Department and Head of the Manpower and Support Services Group who recommends to the CGCC applications or recommendations for vetting. All applications or recommendations are endorsed by CGCC for final approval of the Board of Directors.

a. 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 for personnel. In this regard, the board of directors shall:

1. Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.

2. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture.

3. Oversee the performance of senior management and heads of control functions:

i. The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards;

ii. The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances;

iii. The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter;

iv. Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

4. Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.

5. Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.

6. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

b. The board of directors shall be responsible for approving Bank's objectives and strategies and in overseeing management's implementation thereof. In this regard, the board of directors shall:

1. Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.

2. Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.

3. Actively engage in the affairs of the Bank and keep-up with material changes in the Banks's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Bank.

4. Approve and oversee the implementation of policies governing major areas of the Bank's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

c. The board of directors shall be responsible for approving and overseeing implementation of the Bank's corporate governance framework. In this regard, the board of directors shall:

1. Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed.

2. Develop remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The board of directors shall ensure that the policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.

3. Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.

4. Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe or unsound banking.

5. Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The board of directors shall ensure that the Bank's organizational structure facilitates effective decision-making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.

6. Oversee the development, approve, and monitor implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.

7. Approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged.

8. Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The board of directors of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group.

d. The board of directors shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereof. In this regard, the board of directors shall:

1. Define the Bank's risk appetite. In setting the risk appetite, the board of directors shall take into account the business environment, regulatory landscape, and the Bank's long term interests and ability to manage risk.

2. Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.

3. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.

4. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:

e. The board of directors shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively;

The board of directors shall ensure that non-executive board member meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee is responsible for the development and oversight of the risk management program for the Bank. The committee is composed of three (3) members of the Board of Directors who are all Independent Directors, and a Chairperson who is a non-executive member of the Board. The members of the Risk Oversight Committee possess a range of expertise as well as adequate knowledge of the Bank's risk exposure to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It oversees the system of limits to discretionary authority that the Board delegates to management, ensures that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. The Bank's Chief Compliance Officer communicates formally and informally to the Risk Oversight Committee any material information relative to the discharge of its function.

The Risk Oversight Committee has access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.

Meanwhile, as embodied in the Bank's Financial Consumer Manual, the Legal Department shall be concurrently designated as the Consumer Assistance Group of Producers Bank, with the Branch Managers as the concurrent Consumer Assistance Officers at the branch level to handle consumer concerns.

The Consumer Assistance Group shall, as a minimum, perform the following: (a) monitor consumer assistance process; (b) keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence; (c) report to senior management, i.e the President, Branch Banking Group Head and/or Chief Compliance Officer the complaints received on a monthly basis including reasons to avoid recurrence, and the suggestions for process or personnel competency needing improvement; and (d) ensure escalation of any significant complaint to the concerned unit of the Bank (Credit, Branch Banking, Treasury Management, etc.).

AUDIT COMMITTEE

The Audit Committee is composed of three (3) members of the Board of Directors, who are all independent Directors. The Chairperson is equipped with accounting, auditing, or related financial management expertise or experience.

The Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions, are not to be appointed as members of the Audit Committee.

The Audit Committee provides oversight over the Bank's financial reporting policies, practices and control. It shall monitor and evaluate the adequacy and effectiveness of the internal control system. It is responsible for the appointment of the Internal

Auditor as well as the independent External Auditor who shall both report directly to the Audit Committee. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by the independent and non-executive members of the Audit Committee.

The Audit Committee reviews and approves the audit scope and frequency. It receives key audit reports, and ensures that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by the Auditors.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions. The Audit Committee ensures that a review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

The Audit Committee establishes and maintains mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It ensures that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent esolution of complaints.

CHAIRMAN OF THE BOARD

The Chairman leads the Board of Directors as an effective working group at the head of the Bank. It promotes a culture of openness and debate and is responsible for effective communication within the Board and with shareholders. It ensures that there is a good working relationship between the Board committees and executive management and that there is sufficient time to discuss and effectively address strategic issues during Board and committee meetings.

The Chairman of the Board has a collaborative working relationship with the President and Chief Executive Officer of the Bank, but very clearly, it is not involved in the running of the Bank's day-to-day operations. They share a common understanding of the Bank's goals and strategies and work together to achieve such goals. Invaluable views, inputs and directions are sought on emerging issues such as new projects and initiatives of the Bank. It is kept abreast with the Bank's operations by being available at least three days a week and by attending the Management Committee meetings.

The Chairman of the Board keeps the integrity and goals of the Bank at the forefront of every decision that it makes.

Directors' Attendance

NAME OF DIRECTOR	NUMBER OF BOARD MEETINGS	
	ATTENDED	%
Gilda E. Pico	12	100%
Sandra C. Mendoza	12	100%
Andres M. Cornejo	12	100%
Andrei D. Cornejo, Jr.	12	100%
Adrian Jean Claude D. Cornejo	12	100%
Cecilio B. Lorenzo	12	100%
Arthur R. Ponsaran	12	100%
Rabboni Francis B. Arjonillo	12	100%
Amador N. Llona	11	92%
Total Number of Meetings Held During the Year	12	

Board Committee Meetings

AUDIT COMMITTEE		
Attendance: 100% for 12 meetings in 2022		
Chairman:	Cecilio B. Lorenzo	12
Members:	Rabboni Francis B. Arjonillo	12
	Amador N. Llona	12

RISK OVERSIGHT COMMITTEE		
Attendance: 97% for 12 meetings in 2022		
Chairman:	Rabboni Francis B. Arjonillo	12
Members:	Amador N. Llona	11
	Cecilio B. Lorenzo	12

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE		
Attendance: 97% for 12 meetings in 2022		
Chairman:	Cecilio B. Lorenzo	12
Members:	Amador N. Llona	11
	Rabboni Francis B. Arjonillo	12

SELF-ASSESSMENT PROGRAM

The Bank has created the Internal Audit Group (IAG) Charter in order to set the direction of the IAG, serve as guidelines in the efficient discharge of the internal audit function consistent with BSP Regulations and international standards; as well as improving its relations with other control functions of the Bank; set the guidelines in outsourcing internal audit activities, in providing consulting or advisory services, and in coordinating with external auditors and supervisory authority.

The IAG shall be composed of two (2) departments, namely: Head Office Operations and IT Systems Audit Department (HSAD) and Field Operations Audit Department (FOAD), which shall be both functionally and administratively under the IAG Head.

1. HSAD is divided into two (2) Audit Area Units - the HO Operations Audit Unit responsible in examining and evaluating operations of Head Office units (except IT Departments) and the IT System Audit Unit responsible in examining and evaluating IT Risk exposures throughout the Bank, including the areas of IT management and strategic planning, IT operations, client/server architecture, local and wide area networks, telecommunications, physical and information security, electronic products & services, systems development and acquisition, and business continuity planning.
2. The FOAD, on the other hand, shall be responsible for conducting internal audits of provincial branches/lending centers. FOAD is divided into six (6) Audit Area Units to delineate audit coverage based on geographic locations and proximity to the Audit Area office location. Under each Audit Area Unit are the Financial Audit Team and Credit Review Team which will handle operations review/examination of Branches/Accounting Units and the Regional Lending Centers respectively.

The IAG, in the exigency of service, may reassign/change audit coverage of HSAD and FOAD.

Scope

All processes, systems, units and activities including outsourced activities shall fall within the scope of the IAG. The scope of internal audit shall cover, among others, the following:

1. Evaluation of the adequacy, efficiency and effectiveness of internal control risk management and governance systems;
2. Review of reliability, effectiveness and integrity of management and financial information systems, including electronic information system and electronic banking services;
3. Review of systems and procedures to safeguard the Bank's physical and information assets;
4. Review of compliance system and implementation of established policies and procedures;
5. Review of regulators area of interest and the monitoring of compliance with relevant rules/laws such as assessment of adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

Compliance functions including its role, mandate/authority, and reporting process

a. The Compliance Office is independent from any commercial, administrative or control function within the Bank in order to allow them to carry out their work freely and objectively. It is hierarchically linked and reports directly to the Board of Directors (BOD) through the Corporate Governance Committee. It is authorized to perform its roles and responsibilities at its own initiative. In order to warrant objectivity, officers and staff of the Compliance Office are not authorized to assume commercial or operational responsibilities in the areas they control. Providing professional consultancy in these processes or activities does not adversely affect objectivity.

b. The Compliance Office is authorized by the BOD of its right to obtain access to information from all the units of the organization to carry out its responsibilities in checking the overall compliance of the Bank. Thus, the CO has the right to access all the minutes of the BOD, BOD and Management Committees up to the 201 files of employees.

c. The Compliance Office shall have the right to conduct its own investigation of possible breaches of the compliance policy such as but not limited to specific violations of policies/rules and regulations of the regulatory bodies, crimes and losses incidents in the bank as well as with the fraud and errors discovered by the Internal Audit Group and Operations Support Group.

d. The CCO shall directly report to the BOD through the Corporate Governance and Compliance Committee the results of its compliance testing, the identified new laws and regulations, its compliance tracking for the list of outstanding compliance issues and exceptions in the latest BSP Report of Examination.

e. Ensure compliance of the Bank with the rules and regulations issued by the regulatory bodies, such as but not limited to BSP, PDIC, SEC, BIR, etc., to prevent the Bank from incurring monetary and non-monetary penalties and sanctions;

f. Ensure the independence of the compliance office from the business activities of the Bank;

g. Review and approve the appointment and/or replacement of the Chief Compliance Officer;

h. Review and approve the compliance program of the Chief Compliance Officer and its consequent implementations;

i. Ensure the Chief Compliance Officer's right to obtain access to information necessary to carry out his responsibilities;

j. Review the effectiveness of the system for monitoring compliance with laws and procedures and the results of Management's investigation and follow-up, including disciplinary action on any fraudulent acts or non-compliance;

k. Obtain regular updates from the Chief Compliance Officer regarding compliance matters;

l. Review the reports of the Compliance Officer on the results of the compliance testing performed; and

m. Ensure that the Management is taking corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by the Chief Compliance Officer.

PERFORMANCE ASSESSMENT PROGRAM

The Bank's Board of Directors as the primary body to influence and enforce good corporate governance within the organization through its officers and all its employees ensures that everyone discharges their duties with utmost integrity, takes responsibility and ensures the appropriate discharge of their duties for the benefit of the Bank as well as all its stakeholders.

Review and evaluation of the qualifications of all persons nominated to the Board as well as those nominated/promoted to senior management positions, particularly those with the rank of Vice President and up requiring appointment by the Board of Directors are being adhered to.

Through the constitution of a Corporate Governance and Compliance Committee, a board-level committee, oversight to a periodic performance evaluation of the Board and its committees and executive management is conducted as well as an annual self-evaluation of its performance.

Continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance are ensured and are assessed to ensure contribution to shareholders' value.

ORIENTATION AND EDUCATION PROGRAM

Producers Bank has taken advantage of virtual meetings and webinars for the continued training and development program for its directors, senior management and rank and file employees for 2022.

Orientation and Education Program for the Bank's directors and senior management includes Corporate Governance Certifications for all Directors, in-house mandated trainings as required by BSP which exemplifies their excellence as the pillars of the Bank, Basic Branch Operations Training and Advanced Branch Operations Training (both are compilations of module-based topics and seminars – including, but not limited to, classroom-method and workshop method). For topics which are offered to the public, the Bank has affiliations and membership with Training Providers, for example, but not limited to, BSP, BAIPHIL, Chamber of Thrift Banks, DB Quest Inc. (to name a few).

The Bank, provides employee development programs in answer to their training needs.

The HRMD is permanently responsible in seeing to it that BSP Training requirements are complied with. They are to schedule employees who may attend BSP training programs and shall for the purpose of determining training needs, consult other departments of branch offices from time to time.

HRMD is responsible for arranging/advertising group trainings or seminars that may be conducted by Producers Bank regardless of the subject matter. If the training is highly specialized, the same will be conducted with necessary assistance and consultative services from specialized staff, resource persons or training institutes.

Other areas in personnel training outside the field of money and banking shall likewise be the responsibility of HRMD including but not limited to the selection of speaker/trainer/preparation of course study, selection of trainees (in coordination with the branches and departments), conduct of examination related to such training/seminar and evaluation of the said trainings/seminar programs.

RETIREMENT AND SUCCESSION POLICY

Retirement Republic Act No. 7641 requires the entitlement by employees to receive retirement benefits at the time of his/her retirement.

Republic Act no. 4917 on the other hand, provides for tax exemptions (subject to certain guidelines) on retirement benefits received by officials and employees of private firms in accordance with a reasonable private benefit plan maintained by the employer. The aim of Producers Bank Retirement Plan is to assure employees of retirement, death, disability and separation benefits, in the light of management's continuing effort to uphold the well-being of its employees. Features of the Producers Bank Retirement Plan.

As stated in the Bank's By Laws, the Board of Directors (BOD) shall serve for a term of one (1) year or until their successors are elected and qualified. A director shall hold office for said period unless he resigns, is removed from office, becomes incapacitated by reason of sickness or death, or otherwise disqualified by law or by the Bangko Sentral ng Pilipinas (BSP) rules and regulations before his term expires.

Effectivity Date	27 November 2005
Coverage	Regular Full-Time Employees
Covered Service	Measured from Hiring Date
Retirement Benefit	Based on vesting schedule, but the maximum is 1.25 month's Final Salary for every year of continuous service
Normal Retirement	Age 65
Early Retirement	Age 55 with 15 years of continuous service
Late Retirement	Beyond age 65 upon mutual agreement between Company and the Employee
Death or Disability Benefit	One (1) month's final salary for every year of continuous service
Vesting	Minimum of 50% of Retirement Benefit for those with five (5) years of continuous service; thereafter, an increment of 25% for every 5 years of continuous service until 125% of final salary is reached

Succession Policy

The Bank's succession plan aims to identify officers and employees who could potentially fill and perform effectively and efficiently in each position. Hiring and training programs of the Bank ensure that potential successors are readily available.

REMUNERATION POLICY

In its remuneration policy, Producers Bank fully adheres to what Philippine laws and regulations require. In particular, please refer to the Labor Code of the Philippines (Presidential Decree No. 442), the Wage Rationalization Act (Republic Act No. 6727), the Implementing Rules and Regulations (IRR) to the Wage Rationalization Act, and pertinent Executive Orders and Wage Orders. The Bank provides a commensurate and rational salary structure depending on the scope of responsibilities / functions of each employee, which is reviewed periodically to align with the current regulatory provisions and industry trends. It complies with the wage orders or government mandated pay adjustments issued by the Department of Labor and Employment, the Tripartite Wage Boards and applicable provisions of the existing Collective Bargaining Agreement.

Producers Bank's by-laws state that the directors shall not receive any compensation, as such as directors, except for reasonable per diems. Provided however, that compensation (other than per diems) maybe granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In no case shall the total yearly compensation of directors exceed ten percent (10%) of the net income before tax of the Bank during the preceding year.

Per diem allowances are given to the members of the Board of Directors (BOD) while the remuneration of the president and chief executive officer and the Bank's highly compensated management officers also adheres to the Bank's existing salary structure wherein they are provided with salaries and allowances depending on their respective scope of responsibilities/functions.

For 2022, the total compensation of the Bank's Chief Executive Officer and the four (4) highly compensated executive officers amounted to Pesos: Forty Eight Million Six Hundred Forty One Thousand Two Hundred Forty Nine & 75/100 (P48,641,249.75) Only.

MAJOR STOCKHOLDER

As of 31 December 2022, the following are known to Producers Savings Bank Corporation to be the direct or indirect beneficial owners of more than five percent (5%) of Producers Bank's voting securities: Mr. Andres M. Cornejo owns eighty eight point ten percent (88.10%) of the total stockholdings of Producers Bank. Every stockholder is entitled to one (1) for each share of stock outstanding in his name on the books of Producers Bank, unless the law provides otherwise. Cumulative voting shall be used in the election of the members of the Board of Directors.

SECURITY OWNERSHIP OF DIRECTORS

As of 31 December 2022, the following are known to Producers Savings Bank Corporation to be the direct or indirect beneficial owners of Producers Bank's voting securities:

STOCKHOLDERS	POSITION	CITIZENSHIP	NO. OF SHARES	AMOUNT	RATIO
Cornejo, Andres M.	President & CEO, Executive Director (ED)	Filipino	118,026,071	1,180,260,710.00	88.10822%
Mendoza, Sandra C.	Vice Chairman & Head, MSSG Executive Director (ED)	Filipino	6,339,727	63,397,270.00	4.73270%
Cornejo, Andrei D.	EVP & COO, Executive Director (ED)	Filipino	4,290,242	42,902,420.00	3.20273%
Cornejo, Adrian Jean Claude D.	FVP & Head, SP&E Executive Director (ED)	Filipino	4,365,716	43,657,160.00	3.25907%
Pico, Gilda E.	Chairman, Non Executive Director (NED)	Filipino	129	1,290.00	0.00010%
Llona, Amador N.	Independent Director, Non Executive Director (NED)	Filipino	32	320.00	0.00002%
Lorenzo, Cecilio	Independent Director, Non Executive Director (NED)	Filipino	30	300.00	0.00002%
Ponsaran, Arthur R.	Director, Executive Director (ED)	Filipino	20	200.00	0.00001%
Arjonillo, Rabonni Francis B.	Independent Director, Non Executive Director (NED)	Filipino	11	110.00	0.00001%

Board of Directors

GILDA E. PICO, 76

Chairman (since September 2016)

Mrs. Pico was the Chief Executive Officer and President of Land Bank of the Philippines from November 2006 to July 2016. She served Land Bank for 35 years and was the Bank President for 10 years. She was the first woman President and Chief Executive Officer of Land Bank and the first Landbanker in career position to be appointed as head of the institution. Mrs. Gilda E. Pico is a Certified Public Accountant. She earned her degree, Bachelor of Commerce major in Accounting at the College of the Holy Spirit, Manila (Magna Cum Laude). She earned her MBA at the University of the East.

SANDRA C. MENDOZA, 47

Vice Chairman (Director, since October 2002)

Ms. Mendoza is a graduate of the University of Asia and the Pacific where she earned her degree in Bachelor of Science in Information Technology. Prior to her current position, she was the Head of Human Resources and Administration Group. She and her husband are also entrepreneur-restaurateurs operating several very successful restaurants.

ANDRES M. CORNEJO, 74

President and Chief Executive Officer
(Director, since November 1995)

Mr. Cornejo is a highly successful, self-made businessman and entrepreneur from Nueva Ecija. Prior to becoming a full-time entrepreneur and banker, he worked for 16 years with the First Philippine Holdings Corporation (First Holdings) holding the positions of Comptroller, Treasurer and finally Chief Financial Officer. Prior to joining First Holdings, he worked for 9 years with the local accounting firm, Carlos J. Valdez & Company CPAs. He is a graduate of the Philippine School of Business Administration with a Bachelor of Science degree in Accountancy. He has a Masters in Entrepreneurship degree from the Asian Institute of Management. Mr. Cornejo is a Certified Public Accountant. He is the Chairman of Cabiao General Hospital, Inc., Chairman of C & D Properties, Inc., and General Manager of C & D Pawnshop.

ANDREI D. CORNEJO, JR. 46

Senior Executive Vice President and
Chief Operating Officer
(Director since May 2015)

Mr. Cornejo is a graduate of Bachelor of Science in Business Administration from the Philippine School of Business Administration. He was President and General Manager of Iloilo City Development Bank prior to its merger with Producers Bank. He is now the Senior Executive Vice President and Chief Operating Officer for Producers Bank.

ADRIAN JEAN CLAUDE D. CORNEJO, 31

First Vice President and Director (since June 2017)

Mr. Cornejo is a Bachelor of Science in Management graduate at the Ateneo de Manila University. Mr. Cornejo first joined the Bank as Assistant Manager and Management Trainee under the Bank's Management Training Program. He was assigned to different areas of bank operations to allow him to learn basic skills and principles involved in the management of the Bank. In July 2013, Mr. Cornejo was promoted to Manager and Branch Head of the Bank's Main Branch. Two years after, in July 2015, he was promoted to Senior Manager rank and as Assistant to the Chairman and Chief Executive Officer, and Branch Head of the Main Branch on concurrent capacity. He was appointed Cluster Head for branches in the National Capital Region in November 2015, Assistant Vice President and Area Head in January 2017 and eventually, Vice President for Branch Banking Group 2. He is also the President of Cabiao General Hospital.

ARTHUR R. PONSARAN, 79

Director (since May 2021)

Atty. Ponsaran completed his Bachelor of Science in Business Administration (Accounting) at the University of the East, his Bachelor of Laws at the University of the Philippines and his Management Development Program at the Asian Institute of Management. Atty. Ponsaran is also a Certified Public Accountant and is currently engaged in private law practice. He is the Managing Partner of Corporate Counsels, Philippines - Law Office. In addition, he is also Director and/or Corporate Secretary of several client corporations. He was previously connected as Assistant Counsel in Pilipinas Shell Petroleum Corporation, Vice President - Chief Legal Officer at First Philippine Holdings Corporation, First Vice President and Head, Legal Services at Bancom Development Corporation/ Bancom Group, Inc. and First Vice President for Legal Services and acted as Chief Internal Counsel at Union Bank of the Philippines.

CECILIO B. LORENZO, 73

Independent Director (since January 2018)

Mr. Lorenzo finished his Bachelor of Science in Management Engineering at the Ateneo de Manila University. He also took Masters of Business Management at the Asian Institute of Management. Mr. Lorenzo was connected with various private and government owned industries. He was a Consultant and General Manager of Guevent Industrial Development Corporation (2010-2015); President of Fisher Comprehensive Security Services (2009-2010). Mr. Lorenzo held various positions for government entities. He was a Director of Development Bank of the Philippines (2010-2016); Director of DBP Center Corporation (2011-2016); Director and DBP Representative of National Resources Development Corporation (2014-2016); Director and DBP Representative of Philippine Mining Development Corporation; Director and DBP Representative of Metro Rail Transit Corporation (2014-2016) Further, he also served actively as Chairman of DBP IT Governance Board Committee; Vice Chairman of DBP Audit & Compliance Board Committee; Vice Chairman of DBP Risk Oversight Board Committee and Chairman of the Board of DBP Data Center, Inc. At present, he is the Chief Operations Officer and Board Member of Cogitat Technologies, Incorporated.

RABBONI FRANCIS B. ARJONILLO, 63

Independent Director (since May 2021)

Mr. Arjonillo graduated with a Bachelor of Arts in Economics degree at the De La Salle University and Master of Business Management with concentration in Finance at the Asian Institute of Management. He was the President and CEO of First Metro Investment Corporation (FMIC), an investment bank subsidiary of Metrobank and Chairman of First Metro Securities Brokerage Corporation (FMSBC), a subsidiary of FMIC from 2015 until 2020. He was also previously connected with Landbank of the Philippines as Executive Vice President and Head, Treasury Investment Banking Sector (2012-2015) and Chief Risk Officer and Senior Vice President in China Banking Corporation Philippines (2010-2012).

AMADOR NEBRES LLONA, 76

Independent Director (since September 2021)

Mr. Llona obtained his Bachelor of Science in Business Administration, major in Accounting at the University of the East wherein he graduated as Cum Laude in 1969. He is a Certified Public Accountant and took up his Masters in Business Administration at the Ateneo de Manila University Graduate School of Business. Mr. Llona is the Founding Partner & Vice Chairman at Mateo Ramos Celestino Llona & Company, CPAs. He is also the President of Xyber Pros Business Solutions, Inc. and Chairman of Geoplan Philippines, Inc., and Proprietor of Jakel Mansion Condominium.

ATTY. ARSENIO A. ALFILER, JR., 76

Corporate Secretary

Atty. Alfiler is presently at Corporate Counsels, Philippines. His previous work experience includes being a Director of Asiatrust Bank, First Vice President of AB Capital and Investment Corporation, First Vice President of AsianBank Corporation. He also had stints with Union Bank of the Philippines and Bancom Development Corporation. Atty. Alfiler obtained his Bachelor of Arts in Public Administration and his Bachelor of Laws from the University of the Philippines.

ANDRES M. CORNEJO
President and Chief Executive Officer

- 74 years old, Filipino
- Former Chief Financial Officer of the First Philippines Holdings Corp. and Manager of Carlos J. Valdez & Co.
- Graduate of BS Accountancy
- Masters in Entrepreneurship
- Certified Public Accountant

SANDRA C. MENDOZA
Executive Vice President and Head,
Management Support and Services Group

- 47 years old, Filipino
- Graduate of BS Information Technology

ANDREI D. CORNEJO, JR.
Senior Executive Vice President and
Chief Operating Officer

- 46 years old, Filipino
- Graduate of BS Banking and Finance

FILIPINAS M. FERNANDEZ
Executive Vice President and Head,
Retail Banking Group 1

• 59 years old, Filipino
• Former Chief Accountant of Nueva Ecija Electric Cooperative, Inc.
• Graduate of BS Commerce Major in Accounting

CENON M. LADRINGAN
Executive Vice President and Head,
Credit Management Sector

• 52 years old, Filipino
• Graduate of BS Agricultural Engineering

ADRIAN JEAN CLAUDE D. CORNEJO
First Vice President and Head, Strategic Planning and Execution and Business Development Group /
Head, Retail Baking Group 2

• 31 years old, Filipino
• Graduate of BS Management

JUDEE JOY L. CAPARIÑO
Vice President and Head, Retail Banking Group 4

- 39 years old, Filipino
- Graduate of BS Accountancy

ELMER G. CAYOG
Vice President and Head, Retail Banking Group 3

- 50 years old, Filipino
- Graduate of BS Accountancy

NERISSA A. ECHECHE
Vice President and Regional Head, Cagayan Valley & Ifugao Province

- 43 years old, Filipino
- Graduate of BS Accountancy

TEODORA C. GARCIA
Vice President and Regional Head, Pangasinan

- 49 years old, Filipino
- Former Branch Head of the RosBank, Inc.
- Graduate of BS Accountancy

MARICEL C. LADIGNON
Vice President and Regional Head, Central Luzon

- 46 years old, Filipino
- Graduate of BS Accountancy

MARIA CRISTINA YASMIN S. MARIÑAS
Vice President and Regional Head, CALABARZON

- 45 years old, Filipino
- Former Vice President of Rural Bank of Cainta, Inc. and former Network Engineer of WeSolv Open Computing, Inc.
- Graduate of BS Electronics and Communications Engineering and Postgraduate in Master of Business Administration

ATTY. EDEN BETH E. MILLANES
Vice President and Regional Head, Zamboanga Peninsula

- 44 years old, Filipino
- Former General Manager of PBCOM Rural Bank
- Graduate of Bachelor of Laws
- Graduate of BS Accountancy
- Lawyer
- Certified Public Accountant
- Licensed Real Estate Appraiser

GINA T. RIVERA
Vice President and Chief ICT Officer

- 54 years old, Filipino
- Former Regional Coordinator of MB Philippines
- Graduate of BS Business Administration Major in Accounting and Masters in Business Administration

REVIER R. AVESTRUZ
Senior Assistant Vice President and Asst. Regional Head

- 42 years old, Filipino
- Graduate of Accountancy

PAB RONALD H. CALANOC
Senior Assistant Vice President and Head, Information Security & Technology Risk Management

- 41 years old, Filipino
- Graduate of Bachelor of Science in Information Technology

PETER JOEL S. CORNEJO
Senior Assistant Vice President and Head, Lending Center

- 44 years old, Filipino
- Graduate of BS Commerce Major in Banking and Finance

BERNARD APRILONE S. PADILLA
Senior Assistant Vice President and Head, Internal Audit Group

- 34 years old, Filipino
- Graduate of BS Accountancy

MARIGOLD C. RIVERA
Senior Assistant Vice President, Corporate Communications Officer and Head, Human Resource Management Department

- 44 years old, Filipino
- Former Associate Instructor, AMA Computer Learning Center
- Graduate of AB Philosophy
- Graduate of Bachelor of Laws

IVY L. ALENSUELA
Assistant Vice President and Head, Retail Banking Group 6

- 38 years old, Filipino
- Graduate of BS Accountancy

MELANY M. BELTRAN
Assistant Vice President and Assistant Regional Head,

- 44 years old, Filipino
- Graduate of BS Accountancy

ARACELI D. CHICO
Assistant Vice President and Head, E-Banking Group

- 37 years old, Filipino
- Graduate of BS Accountancy

PATRICIO M. CORNEJO
Assistant Vice President and Head, Bank Security Office / concurrent Head, Special Projects Department

- 61 years old, Filipino
- Graduate of BS Commerce

MA. CECILA A. CRUZ
Assistant Vice President and Regional Head, Bulacan

- 51 years old, Filipino
- Graduate of BS Business Administration

MARITA T. DADUYO
Assistant Vice President and Regional Head, North East Nueva Ecija

- 48 years old, Filipino
- Graduate of BS Commerce
  Major in Banking and Finance

EXECUTIVE AND SENIOR MANAGEMENT

KEITH SUSIE B. LEGASPI
Assistant Vice President and Chief Compliance Officer

- 38 years old, Filipino
- Former Chief Compliance Officer of PBCOM Rural Bank, Inc.
- Bachelor of Arts Major in English Literature
- Graduate of Juris Doctor

LOVELYN D. MALIBIRAN
Assistant Vice President and Regional Head, North West Nueva Ecija

- 42 years old, Filipino
- Graduate of BS Commerce

ROSITA M. REYES
Assistant Vice President and Regional Head,
South Nueva Ecija

- 52 years old, Filipino
- Graduate of BS Computer Science

RENY BOY S. EDANG
Senior Manager and Head, IT Security (Network and Cybersecurity)

- 35 years old, Filipino
- Graduate of BS in Computer Science Major in Banking and Network Engineering

MARRY ELLAINE D. PINERA
Senior Manager & Head,
Fund Management Department

- 36 years old, Filipino
- Graduate of Bachelor of Arts Major in Management

CRISPIN G. TAPIC
Senior Manager and Head, CIPAD

- 41 years old, Filipino
- Graduate of BS Civil Engineering

MA. VICTORIA L. DELA ROSA
Manager and Acting Head, Controllership Group

- 39 years old, Filipino
- Graduate of BS Accountancy

ANIE JOY R. PADILLA
Manager & Officer-in-Charge, Cleaning Operations Department & ROPA Disposal Group

- 31 years old, Filipino
- Graduate of BS Business Administration Major in Computer Management & Accounting

NORDELIZA RECTO
Manager & Officer-in-Charge, Risk Management Group

- 58 years old, Filipino
- Graduate of BS Mathematics

RYAN V. VELAZQUEZ
Manager and Head, Administrative Services Department

- 41 years old, Filipino
- Graduate of BS Commerce Major in Banking and Finance

The Board of Directors delegates to the President and Chief Executive Officer (CEO) the responsibility of managing the Bank's business operations. Closely supporting and working with the President and CEO at the higher level is the Chairman who directs the overall execution of the strategic plans and policies as established by the Board of Directors. Reporting directly to the President and CEO are the various committees and groups/departments/units such as the following:

- Management Committee
- Asset & Liability Management Committee
- Information & Communication Technology Steering Committee
- Loan Executive Committee
- Strategic Planning and Execution & Business Development Group
- Legal Department
- Chief Security Officer
- Treasury Management Group
- Controllership Group
- Information & Communication Technology Group
- Manpower and Administrative Services Group

Meanwhile, supporting the President and Chief Executive Officer is the Senior Executive Vice President and Chief Operating Officer who is in charge of the day to day operation of the operating groups as follows and supported by a Technical Support Group:

- Retail Banking Group
    - Retail Banking Group Heads
    - Regional Heads
    - Assistant Regional Heads
    - Branch Heads
- E-Banking Group
    - ATM Settlement & Reconciliation
    - Remittance
- Credit Management Support Group
    - FSME Accounts Management Department
    - Credit Investigation & Property Appraisal Dept.

ELECTRONIC BANKING GROUP

Electronic Banking Business Channel

Producers Bank offers Electronic Banking services such as ATM, Remittance, Payments, Online Banking and Agency banking services using Point-Of-Sale (POS) solutions. The E-Banking group supports and leads the branches to ensure in providing E-Banking services to our clients.

Producers Bank is digital as we enter the age of digital transformation to deepen our relationship to our client in providing them the most convenient way of banking. The bank continues to expand its market; we remain competitive and relevant as the world becomes increasingly digital. We aim to provide an exceptional clients experience with innovative products and services by offering online services. We will provide Agency Banking to support the BSP (Bangko Sentral ng Pilipinas) in helping the economy to extend and provide the banking services in the unbanked areas.

Producers Bank has an extensive distribution network with 302 ATMs nationwide. It offers a 24/7 convenient ATM banking services that allow the clients to perform a quick and easy-peasy self-service transactions such as checking the balances and withdraw cash from any PSBC ATMs. Using PSBC ATM debit card, client can pay bills with less hassle to a wide array of merchants, prepaid loading, fund transfer between accounts, and withdraw cash from any Bancnet accredited ATMs.

As the world turns into a digital realm and most people are separated by miles of distance, remittance plays a vital role in handling money from one person to another regardless of the distance. Producers bank is a proud authorized agent of Western Union, collection partner of Electronic Commerce Payments, Inc. (ECPay), and participant bank of PesoNet and InstaPay which helps the clients remit money all over the world. Western Union offers you a “money in minutes” vibes with its fast and simple transaction locally and internationally. Through PesoNet, businesses, government, and individuals will be able to transfer funds in Philippine Peso currency to another customer of other participating banks with no maximum amount limit and transactions are posted within the day while InstaPay allows up to PHP 50,000.00 per transaction in real time. Pay bills, Top-Up loads and Cash-in via ECPay, a unique all in one platform.

Moreover, Internet banking is a common mode of secure and convenient banking services that allow customers to make financial or non-financial transactions online via internet and mobile. Through Personal Savings Account, you can avail a wide selection of banking products and services online, which is guaranteed with secure encryption technology for added protection. The Electronic Banking Service will only be used to complete basic financial transaction and non-financial transactions including obtaining the balance of Producers Bank customer account(s); transferring funds between own account, to another person's account or another local bank accounts; payments to third party accounts; and requesting transaction listing.

Moving forward, we are confident as we innovate we manage to enhance the security of our digital platform to cater the evolving and diverse needs of the clients. Rest assured we will strive to provide our clients with superior bank products and services to deserve their continued support and patronage.

INTERNAL SEMINARS VIA WEBINAR CONDUCTED IN 2022

TITLE OF WEBINAR	DATE	TARGET PARTICIPANTS	NO. OF PARTICIPANTS
POS Agency Refresher Training	March 12, 2022	Cashier	140
E-banking Refresher Webinar (Western Union, PesoNet, ECPay, ATM and Online Banking)	March 19, 2022	Cashier & Teller	135
E-Banking Refresher Webinar (Western Union, PesoNet, ECPay, ATM and Online Banking)	October 1, 2022	BOO & Teller	122

PRODUCERS BANK SUPPORTS BSP FINANCIAL INCLUSION PROGRAM

For 2022, Producers Bank remains in support of the Bangko Sentral ng Pilipinas' (BSP) Financial Inclusion Program as it continues to expand its branch network namely: (i) Guihulngan, Negros Oriental (ii) Isabela, Negros Occidental (iii) Cabanatuan Central, Nueva Ecija (iv) Dupax del Norte, Nueva Vizcaya (v) Batangas City, Batangas (vi) Butuan City, Agusan del Norte (vii) San Jacinto, Pangasinan (viii) Moncada, Tarlac (ix) San Fernando Downtown, Pampanga (x) Murcia, Negros Occidental (xi) Benito Soliven, Isabela.

The merger also of the Countryside Rural Bank of Palauig (Zambales), Inc. was approved in 2022.

Producers Bank's success in expanding to new localities through branch openings is a testament that providing quality financial services to unbanked areas is a viable business.

On the other hand, Producers Bank believes that it has a responsibility to make its financial services accessible most especially to the farmers and entrepreneurs if it wants to achieve its vision of becoming the number one (1) partner bank of farmers and entrepreneurs in producing more wealth for the country. For 2022, the Bank was very active and visible in conducting marketing caravan to reach out to more farmers and SMEs.

PRODUCERS BANK BRANCH OPENINGS


SAN JACINTO BRANCH


BENITO SOLIVEN BRANCH

BOARD OF DIRECTORS MEETING



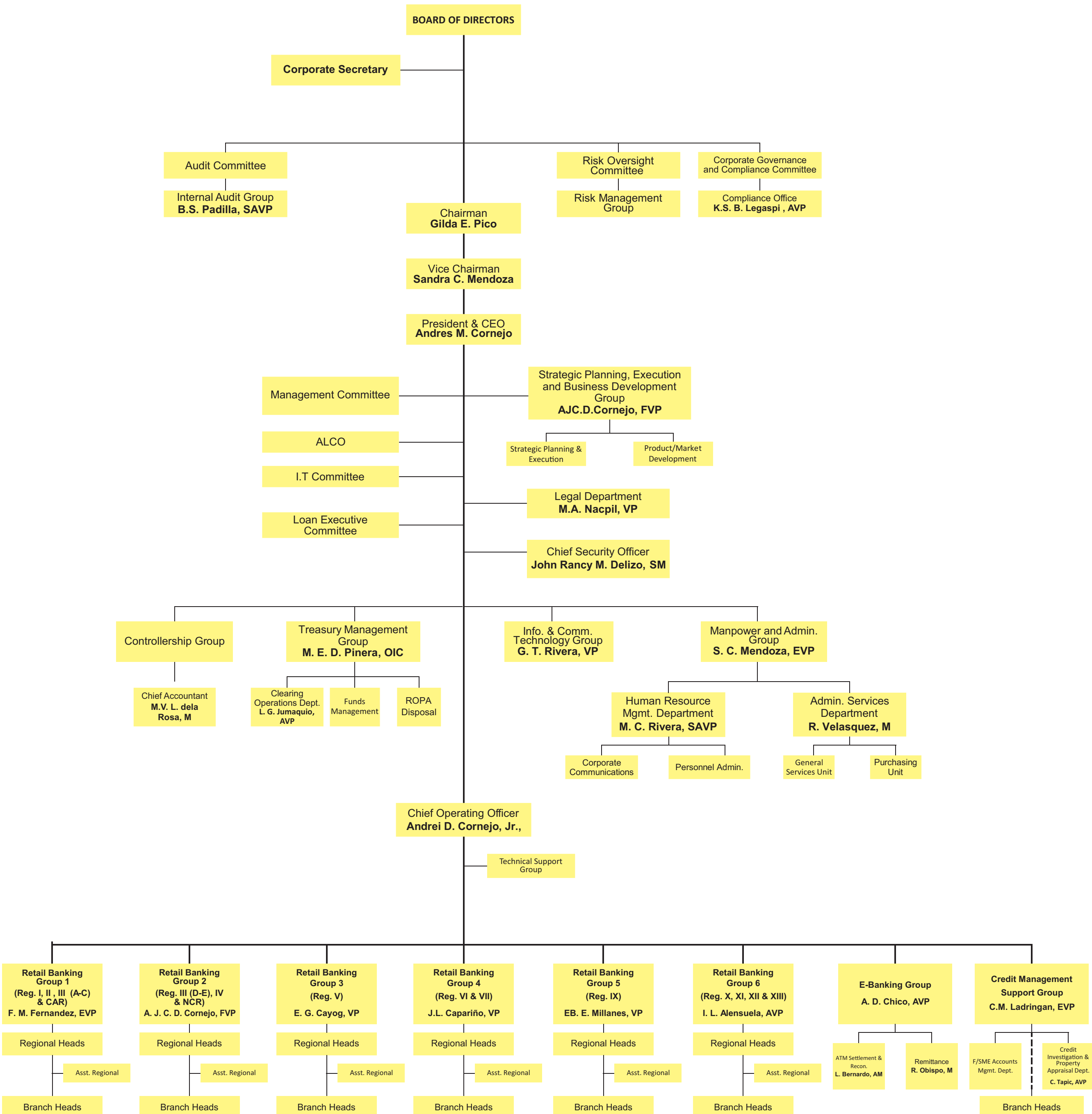




"Producers Bank aims to create a culture of excellence in all areas of its operations."

TABLE OF ORGANIZATION

*TABLE OF ORGANIZATION AS OF 30 NOVEMBER 2022



RELATED PARTY TRANSACTIONS

Producers Bank adopts the definition of Related Parties as provided in Section 131 of the MORB as follows:

1. Related parties – shall cover bank's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Bank exerts direct/indirect control over or that exerts direct/indirect control over the Bank; the Bank's directors; officers; stockholders and related interests ("DOSRI"), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the Bank, hence, identified as a related party.

2. Close family members – are persons related to the Bank's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son/daughter-in-law, brother/sister-in-law, grandparent, grandchild-in-law of the Bank's DOS.

3. Corresponding persons in affiliated companies – are the DOS of the affiliated companies and their close family members.

4. Control of an enterprise exists where there is:

   a. Power over more than one-half (1/2) of the voting rights by virtue of an agreement with other stockholders; or

   b. Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or

   c. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or

   d. Power to cast the majority votes at a meeting of the board of directors or equivalent governing body; or

   e. Any other arrangement similar to any of the above.

   Control is presumed to exist if there is ownership or holding, whether direct or indirect, of twenty percent (20%) or more of a class of voting shares of a company.

5. Related party transactions – are transactions or dealings with related parties of the Bank, regardless whether or not a price is charged. These shall include, but not limited to the following:

   a. On- and off-balance sheet credit exposures and claims and write-offs;

   b. Investments and/or subscriptions for debt/equity issuances;

   c. Consulting, professional, agency and other service arrangements/contracts;

   d. Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);

   e. Construction arrangements/contracts;

   f. Trading and derivative transactions;

   g. Borrowings, commitments, fund transfers and guarantees;

   h. Sale, purchase or supply of any goods or materials; and

   I. Establishment of joint venture entities.

At Producers Bank, RPT is any financial transaction, arrangement or relationship entered into in any calendar year.

Vetting and Approval of Related Party Transactions (RPTs)

i. RPTs are generally allowed, provided that these are done on an arm's length basis.

In addition to the approval requirements of the CASA, all RPTs shall be vetted and approved as follows:

RPT	Approval/Confirmation By
RPTs amounting to P1.0 Million and above	• Vetted and endorsed by CGCC • Approved by the BOD

A statement that the transaction is an RPT shall be disclosed on the applicable documents and the following information shall be determined during the review of the transactions:

1. The identities of the Related Party involved or the relationship;
2. The natures and terms of the transactions on arm's length basis;
3. Benefit to the Bank of the proposed RPT; and
4. Availability of other sources of comparable producers or services

The CGC Committee and other approving authorities must ensure that all RPTs are in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirements, etc.)

Any member of the Bank's ManCom, CGC Committee and the BOD who has personal interest in the transaction must abstain from the discussion, approval and management of such transaction or matter affecting the Bank.

In the ordinary course of business, the Bank grants loans and has other transactions with certain directors, officers, shareholders and related interests (”DOSRI”).

DOSRI LOANS

Under the Bank's Policies and Procedures Manual, the transactions of the Bank with its DOSRI, which are comprised of loans and other transactions, are made substantially on the same terms as with other individuals and businesses of comparable risks. Under the Bank's DOSRI policy manual and current BSP regulations, the amount of individual accommodations to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book values of their respective investments in the Bank. Such limit does not apply to loans secured by assets considered as non-risk as defined in the regulations and loans granted to officers under the Bank's Employee Fringe Benefit Programs approved by the BSP. In the aggregate, loans to DOSRI should not exceed the Bank's total regulatory capital or 15% of its total loan portfolio, whichever is lower.

Information on loans to DOSRI as of 31 December 2022 and 2021 is as follows:

	2022	2021
Total outstanding DOSRI loans	P45,415,520.00	P40,031,400.00
Percent of DOSRI loans to total loans	0.22%	0.21%
Percent of unsecured DOSRI loans to total DOSRI loans	0%	0%
Percent of past due DOSRI loans to total DOSRI loans	0%	0%
Percent of non-performing DOSRI loans to total DOSRI loans	0%	0%

KEY MANAGEMENT COMPENSATION AND DIRECTOR’S REMUNERATION

Key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any of its Directors.

Short-term employee benefits pertain to the compensation received by key management personnel. Compensation includes all benefits constituting all forms of consideration paid, payable or provided by the Bank, or on its behalf, in exchange for services rendered to the Bank.

	2022	2021	2020
Short-term employee benefits	P59,767,389	P57,989,490	P41,605,969
Directors’ remuneration	3,688,855	3,447,362	2,522,221
	P63,456,244	P61,436,852	P44,128,190

DIVIDEND POLICY

Under Philippine Law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the board of directors is generally sufficient to approve the distribution of dividends. As provided for in Section 5 of the By-Laws of Producers Bank, declaration of dividends shall be subject to existing laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations.

Producers Bank did not declare stock dividends for 2022.

CORPORATE SOCIAL RESPONSIBILITY

Producers Bank's CSR Program:

Producers Bank, as a financial institution, holds Corporate Social Responsibility (CSR) as a core value and has gone beyond mere compliance to embrace it as an extension of its mission and mandate. The bank believes that its CSR Programs are not just about giving back, but about doing what is right and essential for the well-being of all members of society.

Producers Bank sees itself as a partner institution in advancing the general well-being of all Filipinos, not only a partner bank in the Countryside. With its CSR Programs, the bank is dedicated to adding value for the community and positively influencing society. This dedication is seen in its activities to motivate its staff to actively engage in CSR programs and create in them a passion for public service that transcends simple obligation.

The bank operates on the principle that its purpose is not solely focused on profits or increasing its bottom line. It recognizes that creating a positive and consistent impact on the environment, consumers, employees, and communities where it operates is equally important. This holistic approach reflects Producers Bank's belief that helping others and contributing to the betterment of society is a fundamental responsibility.

Producers Bank deeply believes in the power of kindness and its ability to create a ripple effect that can positively impact entire communities. Whether it's a simple act of generosity, a small act of service, or a gesture of compassion, Producers Bank recognizes that these acts can foster cooperation, build trust, and instill a sense of security among individuals. By cultivating a culture of giving back, the bank aims to inspire a sense of responsibility towards future generations. It recognizes that the positive impact of kindness and cooperation can be passed on, creating a chain of goodwill that benefits not just the present generation, but also pays it forward to future generations.

Producers Bank's unwavering commitment to achieving a harmonious balance between sustainable growth and widespread prosperity serves as a shining example of its visionary approach. This dedication goes beyond mere financial success, as the bank strives to create a positive and lasting impact on society as a whole, going above and beyond its bottom line.

TREE PLANTING

During the Tree Planting Activity, Producers Bank employees and volunteers planted trees to support the government's climate control program. The initiative aims to combat climate change by reducing carbon dioxide in the atmosphere and promoting environmental sustainability.

BRIGADA ESKWELA

Producers Bank actively participates in the annual Brigada Eskwela program, a nationwide initiative that brings together volunteers to help prepare public schools for the upcoming academic year. Through Brigada Eskwela, Producers Bank employees come together to contribute their time, skills, and resources to help improve the school facilities, promote cleanliness and sanitation, and create a conducive learning environment for students.

TAKE CARE OF YOUR HEART

As part of their Branch Anniversary program, the bank offers a free blood pressure checkup program in partnership with local medical professionals. Customers and members of the community can avail themselves of this service at select bank branches, promoting awareness and early detection of hypertension for better overall health.

FEEDING PROGRAM

In partnership with C and D Farm, the program provided nutritious meals to underserved children in the community, with the goal of improving their health.

HELP BUILD THE CHURCH PROGRAM

The Bank recognizes the importance of spiritual well being and living in harmony with society through its cash donation to help build the St. Nicholas of Tolentine Basilica Crypt.

"Producers Bank commits to improve the quality of life of our employees, and in the communities that we serve particularly in the areas that are not served by the large financial institutions."

CONSUMER PROTECTION PRACTICES

Producers Bank is committed to the full compliance of all banking rules and regulations, and the adherence to global standards with regard to customer relations, particularly with respect to the privacy of customer information and consumer protection from unfair business practices, any form of discrimination, and all hazards to health and safety.

PSBC's Financial Consumer Protection policies effectively address the rights of its consumers by offering financial consumers a wide range of products and services fitting their needs and purposes and an awareness that will empower them to engage in an inclusive financial system that safeguards their rights and interests. A wide-ranging and dedicated approach to consumer protection is offered by PSBC to make it an important priority at all operating levels. They highlight the specific and focused consideration to consumer protection at all stages of the customer across the bank. The policies express PSBC's policy and framework consisting of the structure, responsibilities, and mechanisms in the protection of the financial consumers' rights.

CONSUMER PROTECTION OVERSIGHT FUNCTION

The Board of Directors (BOD) of Producers Bank is ultimately responsible for ensuring that consumer protection practices are embedded in the Bank's business operations. It also has a key role in ensuring that the Bank is adhering to the highest service standards and is embracing a culture of fair and responsible dealings in the conduct of business that will be appropriate to the Bank's corporate structure, operations and risk profile.

(a) Role and Responsibility of the Board of Directors

The Board of Directors is responsible for developing and continuing improvement of the Bank's consumer protection strategy. It exercises effective oversight over the implementation of consumer protection programs which is the mechanism to ensure compliance with PSBC's consumer protection policy and strategy.

The Board is responsible for maintaining a sound Consumer Protection Risk Management System (CPRMS). The CPRMS is part of the corporate-wide Risk Management System of the Bank that is a means by which it identifies, measures, monitors, and controls consumer protection risks, which include both risks to the financial consumers and the Bank, inherent in its operations. The products and services of the Bank remain to be traditional and non-complex and as such, the required Consumer Protection policies are incorporated into the overall framework for the Bank's operations, products and services, and the various product manuals of the Bank to address and prevent the various financial risks that will cause harm or loss to consumers.

The Board annually reviews the effectiveness of the CPRMS, as well as how the findings are reported in a timely and acceptable manner, and whether the appropriate audit mechanisms are in place to provide adequate oversight.

The Board oversees the performance of Senior Management in managing the day-to-day consumer protection activities of the Bank, and ensures that any weaknesses in the CPRMS are addressed and corrective actions are done in a timely manner.

b) Role and Responsibility of the Senior Management

The Senior Management and Management Committee of the Bank is responsible for the implementation of the consumer protection policies approved by the Board and manages the day-to-day consumer protection activities of the Bank. Adequate resources and personnel that are devoted to the Bank's consumer protection program are also provided by them.

(c) Consumer Protection Risk Management System (CPRMS)

1. Compliance Program. The Consumer Protection Program is incorporated in the over-all Compliance System and Program of the Bank to prevent and reduce regulatory violations and protect consumers from financial and associated harm or loss. The Chief Compliance Officer (CCO) coordinates with concerned bank units for the efficient implementation of the Bank's Consumer Protection Program and is responsible for incorporating it in the Compliance System and Program for financial consumer protection. The Bank's Consumer Assistance Group (CAG) is designated to handle customer requests for assistance. It coordinates all customer requests with the appropriate Bank units and provides/compiles the appropriate feedback and resolution in a timely

manner. All feedback received by the Bank are handled carefully, with urgency and documented properly. The turnaround time is observed in handling simple, moderate and complex issues. Results of the investigation are properly explained to the satisfaction of the customers.

Alternatively, customers are given the option to elevate their concerns to the BSP Financial Consumer Protection Department. All BSP-referred customer concerns are responded to on or before the due date set by BSP. Complaints are monitored and submitted monthly to the Senior Management, Risk Management Committee and Corporate Governance and Compliance Committee to ensure that the reputational risk and operational lapses are addressed fully and in a timely manner. The action taken on the complaint is communicated to the client within the required time frame. The same report is shared with the concerned bank units for product and service enhancements.

From the different available platforms (email, telephone, social media, and walk-in clients) by which customers can request for assistance, email and walk-in clients top the list. For 2021, the Bank provided uninterrupted service regardless of the quarantine status and processed nineteen thousand two hundred eight (19,208) requests for assistance.

2. Policies and Procedures. The Bank's policies and procedures governing consumer protection policies and procedures shall be approved by the Audit Committee and the Bank's Board. The policies and procedures shall:

   a. Be consistent with Consumer Protection policies as approved by the Board;
   b. Ensure that consumer protection practices are embedded in the Bank's business operations;
   c. Address compliance with consumer protection laws, rules, and regulations; and
   d. Be reviewed periodically and kept up-to-date to serve as reference for employees in their day-to-day activities.

3. Internal Audit Function. The Internal Audit Group of the Bank develops and includes the Consumer Protection Audit Program in its audit function/program. It shall conduct the annual review of the Bank's consumer protection practices, ensure adherence to internal policies and procedures and compliance with existing laws, rules and regulations. The results of the audit findings and exceptions that will be noted by the Internal Audit Group will enable the Audit Committee to assess the effectiveness of the implementation and adequacy of the approved policies and standards in meeting the established consumer protection objectives.

   Training. All Bank personnel that have customer interface are given specific and comprehensive training that reinforces and helps in the implementation of written policies and procedures on consumer protection as well as continuing education about Consumer Protection laws, rules and regulations.

CONSUMER ASSISTANCE MANAGEMENT SYSTEM (CAMS)

The Financial Consumer Protection Manual (the "Policy") of the Bank applies to all officers and employees, including non-permanent employees (those under training and probationary status, and those employees under fixed tenure contracts) that have direct interface with the Bank clients, and clients/consumers of the Bank. The scope of this policy includes the requirements and minimum guidelines on receiving, recording, evaluating, resolving, monitoring, reporting, and giving feedback to all complaints filed by the clients/consumers of Producers Bank. Customer complaints and/or disclosures shall include, but not limited to the following:

1. Dissatisfaction with the products or services availed from the Bank;

2. Non-compliance of the Bank, its officers and employees with the terms and conditions provided to the client;

3. Unlawful acts or orders requiring violation of law, bank policies and procedures, abuse of authority, serious breach of disclosure of information of employees about the clients, questionable relationship with the Bank clients, and specific threats to the Bank clients;

4. Fraudulent activities of employees such as but not limited to:

   a. Any act or omission, including misrepresentation, that knowingly and recklessly misleads, or attempts to mislead the client/s of the Bank to obtain financial or other benefit or to avoid an obligation;

b. Stealing or attempting to steal from the Bank clients;
c. Falsification of bank and client records for purposes of defrauding Bank clients;
d. Conflicts of interest or any intentional, unauthorized disclosure of confidential and proprietary information of Bank clients to outside parties;
e. Soliciting money, gifts, shares, benefits, or favors from the existing clients and potential clients of the Bank; and
f. Concealment of defective work by employees which directly results in loss or prejudice to the client/s.

5. Giving false testimonies or promises to the clients;

6. Misconduct or failure by the employees to observe the Bank's rules of conduct or standards of behavior when dealing with clients;

7. Coercive practices, which mean impairing or harming, or threatening to impair or harm, directly or indirectly, the client, including retaliation; and

8. Any other activity which undermines the protection of consumers of the Bank.

DEPOSIT PRODUCTS

SAVINGS ACCOUNT

Producers Bank has a savings account that allows you to deposit your money and typically earn a modest amount of interest. It is intended to offer depositors with banking convenience while also ensuring the protection of their funds.

- Passbook Savings Account and ATM Debit Card Savings Account

An interest bearing peso account that requires the showing of a passbook for deposit and withdrawal operations or transact using ATM Debit Card at any Bancnet ATMs

To open a passbook savings account, the following requirements must be submitted: 1. Two pieces of 2x2 picture, 2. Photocopy of two (2) valid government issued IDs, and 3. Application and Agreement forms with a completely filled out Signature Card.

- US Dollar Savings

Producers Bank offers an interest-bearing U.S. Dollar Savings Account for Balikbayan/US Immigrants, Overseas Contract Workers (OCWs), US Government Retirees, Exporters, Importers, Travel Agents and Money Changers. One must have at least an initial maintaining deposit balance of 100 dollars. It can also be used as collateral for Peso loans.

To open a US Dollar Savings account, one must provide the following requirements: 1. Two pieces of 2x2 picture, 2. Photocopy of two (2) valid government issued IDs, and 3. Application and Agreement Forms with a completely filled out Signature Card.

CHECKING ACCOUNT

A non-interest-bearing peso account in which deposits are made over the counter and withdrawals are done by issuing a check.

To open a checking account, the following requirements must be submitted: 1. DTI/Business permit, 2. Two valid IDs, 3. Two pieces of 2x2 picture, 4. P5000 initial deposit, 5. proof of billing & fill out open account documents

TIME DEPOSIT

A fixed-term investment account that allows you to earn higher interest rates on your money than a traditional savings account.

- Regular Time Deposit
- Long Term time Deposit/Tax Exempt for Individuals

LOAN PRODUCTS

At Produces Bank, we focus on extending loan facilities that will help augment the capitalization and other financial needs of its clients. We make sure that our offerings are viable financial solutions for our clients.

CROP PRODUCTION LOAN

This product is offered to small and medium-sized farmers that have farm lots below twenty (20) hectares as well as large-sized farmers with farm lots that are twenty (20) hectares and above. Beneficiaries of the Agricultural Credit Policy Council (ACPC) Program under the Department of Agriculture and the Land Reform Program under the Agricultural Guarantee Fund Pool can use this to acquire agricultural lots, farm tractors, machinery and other farm implements.

LIVESTOCK LOAN

Poultry and piggery owners can avail of this loan provided that they have a contract growing agreement with livestock integrators.

SMALL/MEDIUM/LARGE AGRI-BASED SMES

This is offered to both single proprietors and corporations in the agricultural industry and are geared towards propagating agri-businesses.

COMMERCIAL LOANS FOR NON-AGRI SMES

This cluster of loan facilities is offered to corporate accounts and includes the Small Business Loan, SME Loan, Large Enterprise Loans for loans P20 Million and above.

MORTGAGE LOAN

Clients who want to collateral their home in order to upgrade or purchase a new home or gather funds for their business can avail of this loan.

HOUSING LOAN FOR HOMEOWNERS

Borrowers who want to purchase a property from either PSBC-financed realtors or to be financed in developed subdivisions can avail of this loan.

AUTO LOAN

Bank patrons can avail of the Auto Loan to fund the purchase of their new or second-hand vehicle to help them get to places.

TRUCK LOAN

Entrepreneurs who are ready to take that leap of financing a new truck unit can avail of this loan.

TEACHER SALARY LOAN

This personal loan is made available in compliance with the Department of Education's Automatic Payroll Deduction System (APDS) Program and can be availed by educators

LGU SALARY LOAN

Local Government Units can dispense this loan to their employees for cash infusion or to help augment daily needs.

CASH SECURED LOAN

This credit-building loan is availed using the savings account and allows bank clients to have a guaranteed loan.

ASENSO LOANS

This loan is intended to offer farmers and small and medium-sized enterprise (SME) borrowers with extra working capital to aid in their complete recovery or expansion of their operations.

OTHER SERVICES

ATM SERVICES – Producers Bank has two hundred eighty six (286) ATMs nationwide as of December 31, 2021 offering the following services 24/7:

(1) Withdrawal
(2) Balance Inquiry
(3) Bills Payment
(4) Prepaid load reloading
(5) Fund Transfer

REMITTANCE

- Western Union – one of the oldest and largest money transfer companies offering international and domestic money transfer around the world.

- PESONet – It is the most convenient, affordable, reliable and secure electronic funds transfer service that government and businesses can use to pay each other and individual person. It is most practical wait for persons to pay, send or remit money to other persons especially for non-urgent transactions.

- InstaPay – is a real-time low-value Electronic Fund Transfer credit push payment scheme for transaction amounts up to P50,000.00. This retails payment system, launched on April 23, 2018, is designed to facilitate small value payments that will be especially useful for the purchase of retail goods, paying till fees, and tickets, as well as for e-commerce, which shall enable, among others, Micro, Small and Medium Enterprises (MSMEs).

BILLS PAYMENT

- ECPay - The most convenient, reliable and trusted one-stop shop for all your PAYMENT, TOPUP and CASH-IN service needs in the country today.

ONLINE BANKING – PSBC provides a convenient and faster way of doing transactions at your fingertips through InstaPay.

- Internet Banking- https://online.producers bank.com.ph/psbibportal/
- Mobile Banking – PSBC Mobile

AGENCY BANKING (ATMPos) – is a new concept in the banking industry and new bank service channels that can operate to serve clients through “Cash Agent” or “Agent Bank” contracted by Producers Bank to accept and disburse cash in its behalf and facilitating banking activities outside bank premises.

BRANCH DIRECTORY

HEAD OFFICE
1706 AIC Burgundy Empire Tower, ADB Avenue, corner Sapphire Street, Ortigas Center, Pasig City
(02) 667-3811 / (02) 667-3812 / (02) 570-4137

HEAD OFFICE EXTENSION
17th Floor, One San Miguel Avenue, San Miguel Avenue corner Shaw Boulevard, Ortigas Center, Pasig City
(02) 667- 3022
(02) 687-6287

DATA CENTER
Unit 205 Pacific Place Condominium, Pearl Drive, corner Amethyst Street, Ortigas Center, Pasig City
(02) 638-0599
(02) 637-6495

BRANCHES

ALAMINOS
Marcos Avenue, Palamis, Alaminos City, Pangasinan
(075) 540-5502

ALIAGA
Gen. Luna Street, Poblacion West 3, Aliaga, Nueva Ecija
(044) 951-5099

ALICIA
G/F Danison Commercial Building, Magsaysay Street, Alicia Public Market, Alicia, Isabela
(078) 323-2173

ALTAVAS
Bonifacio Street, Poblacion, Altavas, Aklan
(036) 269-1418

AMADEO
A. Mabini Street, Poblacion 1, Amadeo, Cavite
(046) 419-0772

ANAO
Poblacion, Anao, Tarlac
(045) 606-0919

ANGELES
Producers Bank Building, Sto. Rosario Street, San Jose, Angeles City, Pampanga
(045) 409-0840

ANGONO
69 M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal
(02) 8771-4304

ANTIPOLO
145 M.L. Quezon Street, Brgy. San Roque, Antipolo City, Rizal
(02) 8742-3440

APARRI
G/F 5-Storey Commercial Building, J.P. Rizal corner Alvarado Streets, Brgy. Maura, Aparri, Cagayan
(078) 888-0152

ARITAO
National Highway, Poblacion, Aritao, Nueva Vizcaya
(078) 362-2527

ASINGAN
G/F Cañadido Building, # 94 Ramos Street, Poblacion West, Asingan, Pangasinan
(075) 523-0532

ASUNCION
Block 13-B-6., Aguinaldo corner Mabini Street, Purok 3, Cambanogoy, Asuncion, Davao del Norte
0935-209-2002

AURORA, ISABELA
MM Pua Building, San Pedro, San Pablo, Aurora, Isabela
(078) 307-5710

AURORA, ZAMBOANGA DEL SUR
7th Avenue, San Jose, Aurora, Zamboanga Del Sur
0930-3310-050/0936-2655-994

BAAO
National Highway, Producers Bank Building Del Rosario, Baao, Camarines Sur
0917-882-1520

BACOLOD
Negros First Cyber Centre Bldg., corner Lacson Hernaez Street, Bacolod City, Negros Occidental
(034) 454-2007

BACOOR
F. Giron Arcade, Zapote Rotonda Bacoor, Cavite
(046) 417-5853

BAGABAG
Zapata Bldg., Provincial Road, Brgy. San Geronimo, Bagabag, Nueva Vizcaya
(078) 362-0939

BAGO
G/F Ramon Gonzaga Arcade, Brgy. Poblacion, Bago City, Negros Occidental
(034) 461-1526

BAGUIO
G/F Mount Crest Hotel, Legarda Road corner Urbano Street, Baguio City, Benguet
(074) 661-0658

BAIS
G/F Mercado De Bais Bais City, Negros Oriental
(035) 402-3162

BALANGA
G/F EGS Building Don Manuel Banzon Avenue, Balanga City, Bataan
(047) 633-3329

BALER
Quezon Street, Brgy. Suklayin, Baler, Aurora
0919-063-7004

BALIUAG
Megamart Bldg., Brgy. Tangos, Baliuag, Bulacan
(044) 766-0541

BALOC
Maharlika Highway, Baloc, Sto. Domingo, Nueva Ecija
0919-083-3532

BAMBANG
ERJ Building Maharlika Highway,
Bambang, Nueva Vizcaya
(078) 362-0924

BANI
Quezon Avenue, Poblacion, Bani,
Pangasinan
0921-820-4739

BAROTAC NUEVO
L. Araneta Street, Barotac Nuevo,
Iloilo
(033) 528-8215

BATANGAS CITY
24 A.A Pastor Bldg. P. Burgos
Street, Brgy. 16, Batangas City
(043) 786-5398

BAYAMBANG
NIF Building Rizal Avenue,
Poblacion Sur, Bayambang,
Pangasinan
(075) 600-0679

BAYOMBONG
Ongtao Bldg., Provincial Highway,
Brgy. Don Mariano Perez,
Bayombong, Nueva Vizcaya
(078) 362-0925

BAYUGAN
Esperanza Road, Bayugan City,
Agusan del Sur
(085) 231-1974 / 0909-067-8147

BAYUGAN BLU
Esperanza Road, Poblacion,
Bayugan City, Agusan Del Sur
(085) 231-1974 / 0909-067-8147

BENITO SOLIVEN
National Highway, District 2,
Benito Soliven, Isabela
0905-302-7077

BINALBAGAN
Poblacion, Binalbagan, Negros
Occidental
(034) 742-8609

BINALONAN
Bayanmoto Gas Building, McKinley
Street, Binalonan, Pangasinan
(075) 529-5764

BINANGONAN
Baltazar Street corner Rizal Avenue,
Brgy. Layunan, Binangonan, Rizal
(02) 8532-3136

BINMALEY
Public Market Poblacion, Binmaley,
Pangasinan
(075) 522-2124

BOCAUE
McArthur Highway, R.M. Mariz
Building, Wakas, Bocaue,
Bulacan
(044) 762-5588

BOLINAO
Don Prudencio Street, Bolinao,
Pangasinan
(075) 523-0448

BONGABON
National Road, Brgy. Commercial,
Bongabon, Nueva Ecija
(044) 958-1243

BUENAVISTA
Mclain Street, Brgy. Poblacion,
Buenavista, Guimaras
(033) 322-6640

BUGASONG
Ilaud, Bugasong, Antique
0917-130-1419

BULAN
C. Gotladera Street, Zone 4,
Bulan, Sorsogon
(056)555-4057

BUSTOS BONGA MENOR
Gen. Alejo Santos Highway,
Bonga Menor, Bustos,
Bulacan
(044) 764-6796

BUSTOS POBLACION
Poblacion, Bustos, Bulacan
(044) 760-0048

BUTUAN CITY
Producers Bank Building, Zone 4
Barangay 6, Diego Silang, Montilla
Blvd., Butuan City, Agusan del
Norte
(085) 817-2438

CABADBARAN
Barangay 9, Quary, Cabadbaran
City, Agusan del Norte
(085) 343-0851
0948-288-4733

CABANATUAN CENTRAL
Central Terminal Brgy. D.S. Garcia
Cabanatuan City, Nueva Ecija
(044) 958-0102

CABANATUAN EAST
Fortaleza Street, Brgy. Bangad,
Cabanatuan City,
Nueva Ecija
(044) 803-6967

CABANATUAN NORTH
G/F Producers Bank Building,
Maharlika Highway, Sangitan East
corner Gen. Tinio Street,
Cabanatuan City, Nueva Ecija
(044) 464-1768

CABANATUAN SOUTH
G/F Producers Bank Center II,
Maharlika Highway, Brgy. H.
Concepcion, Cabanatuan City,
Nueva Ecija
(044) 940-8979

CABARROGUIS
G/F Uy Building, Provincial Road,
Cabarroguis, Quirino
0919-063-8646

CABATUAN
Unit 5, Los Angeles Arcade, Centro,
Cabatuan, Isabela
(078) 323-4645

CABIAO
San Juan North, Poblacion,
Cabiao, Nueva Ecija
(044) 951-2065

CADIZ
Cabahug Street, Brgy. Zone 4,
Cadiz City, Negros Occidental
(034) 466-0076

CAGAYAN DE ORO - LAPASAN
281 Recto Avenue, Lapasan,
Highway, Cagayan De Oro City,
Misamis Oriental
(088) 885-0182

CAGAYAN DE ORO - VELEZ
Ground Floor J & L Building, Corners, Don Apolinar Velez & T. Chavez Streets, Cagayan de Oro City, Misamis Oriental
(088) 557-5089

CAINTA
A. Bonifacio Avenue corner Marick Drive, Brgy. Sto. Domingo, Cainta, Rizal
(02) 8655-0776
(02) 8656-3876

CALABANGA
Old Market Site, San Antonio, Calabanga, Camarines Sur
(054) 881-2622

CALAMBA, LAGUNA
National Highway corner Sta. Cecilia Village, Brgy. Parian, Calamba City, Laguna
(049) 539-8996

CALAMBA, MISAMIS OCCIDENTAL
Matunog Street, Northern Poblacion, Calamba Misamis Occidental
0926 787-8374

CALOOCAN
G/F RBS Tang Bldg., C3 Road corner J. Teodoro Street, 5th Avenue, Brgy. 55, District 2, Caloocan City
0919-087-3245
(02) 8287-0825

CALUMPIT
McArthur Highway, Brgy. Corazon, Calumpit, Bulacan
(044) 815-5173

CAMILING
G/F M and E Building, Quezon Avenue, Camiling, Tarlac
(045) 800-5970

CANDELARIA
Aho Building, Maharlika Highway, Malabanban Norte, Candelaria, Quezon
(042) 784-3038

CANLAON
Andres Bonifacio Street, Midtown, Brgy. Mabigo, Canla-on City, Negros Oriental
0929-477-8731

CAPAS
Provincial Road, Sto. Domingo, Capas, Tarlac
(045) 491-6203

CARIG
Maharlika Highway Carig Sur, Tuguegarao City, Cagayan
(078) 377-8108

CARMEN
McArthur Highway, Brgy. Carmen West, Rosales, Pangasinan
(075) 649-4454

CARRANGLAN
Brgy. F.C. Otic, Carranglan, Nueva Ecija
0919-063-7005

CARRASCAL
Arreza Corner Cervantes Streets, Embarcadero, Carrascal, Surigao del Sur
(086) 212-8023

CASTILLEJOS
National Highway, San Juan, Poblacion, Castillejos, Zambales
(047) 913-1390

CATICLAN
PRCG Building, Caticlan, Malay, Aklan
(036) 268-7827

CAUAYAN
G/F Prince Christopher Commercial Complex Building, Maharlika Highway corner Cortez Street, Cauayan City, Isabela
(078) 305-5610

CEBU
1A 260 Cement Center Bldg. corner Uytengsu Street, Osmeña Blvd., Sambag 1, Cebu City
(032) 415-7645

COGEO
LG/F City Mall of Antipolo, Olalia Road, Brgy. Dela Paz, Antipolo City, Rizal
(02) 8771 4375

COMPOSTELA VALLEY
Lagab, Poblacion Compostela, Compostela Valley Province
0938-448-8265

CONCEPCION
Azucena Street, Poblacion, Concepcion, Iloilo
0921-499-8839

CORDON
Rosete Building, Magsaysay, Cordon, Isabela
(078) 682-0596

CULASI
Jesus of Nazareth Building, Cadiao Street, Centro Poblacion, Culasi, Antique
0916-526-9885
0917-551-3899

CUYAPO
D.M. Jose Street, District 7, Cuyapo, Nueva Ecija
(044) 950-6209

DAET
PSBC Building Governor Panotes Avenue, Brgy. 8, Daet, Camarines Norte
0951-107-9084

DAGUPAN
PSBC Building, Burgos Street, Dagupan City, Pangasinan
(075) 523-1440

DASMARIÑAS
UGF Annie's Plaza, Emilio Aguinaldo Highway, San Agustin 1, Dasmariñas, Cavite
(046) 852-2926

DAPITAN
126 Justice F. Saguin Street, Dapitan City, Zamboanga del Norte
0951-304-2668

DAVAO BAJADA
Candelaria Building, 547 J.P. Laurel Avenue, Bajada, Davao City
(082) 295-0599

DAVAO ECOLAND
Door 101-103 Ground Floor Pink Walters Bldg., Quimpo Boulevard, Ecoland, Davao City
(082) 295-7784

DIGOS
Estrada 1st Street, Brgy. Zone II, Digos City, Davao del Sur
(082) 553-2382
0948-516-1876

DINALUPIHAN
San Juan Street, Mabini Extension, Poblacion, Dinalupihan, Bataan
(047) 237-1452

DINGALAN
Baler Street, Brgy. Poblacion Dingalan, Aurora
(042) 724-2498

DIPOLOG
083 Rizal Ave. cor. Calibo Street, Dipolog City, Zamboanga del Norte
(065) 212-2466

DUMAGUETE
Plaza Doña Milagros Bldg., Perdices, corner Sta. Rosa & Pinili Streets, Dumaguete City, Negros Oriental
(035) 420-9233
0967-669-9904

DUPAX DEL NORTE
Aguada's Bldg., National Highway, Malasin, Dupax Del Norte, Nueva Vizcaya
(078) 362-8313

EL SALVADOR
GPA Land Bldg., Door#1A, Pedro Sa Baculio, El Salvador City, Misamis Oriental
(088) 882-6989

ESCALANTE
Rotonda, Brgy. Balintawak, Escalante City, Negros Occidental
(034) 445-1627

GAPAN
E. Jacinto Street, San Vicente, Gapan City, Nueva Ecija
(044) 486-8184

GEN. NATIVIDAD
Barangay Poblacion, General Natividad, Nueva Ecija
(044) 803-4176

GERONA
Poblacion 1, Gerona, Tarlac
(045) 606-7334

GOA
G/F Multi-Storey Commercial Building, J.P. Rizal National Road corner Panday Street, Poblacion, Goa, Camarines Sur
(054) 881-9458

GONZAGA
G/F Cortes Building, National Highway, Brgy. Paradise, Gonzaga, Cagayan
(078) 395-9554

GUIGUINTO
G/F Rockavilla Building, Poblacion, Guiguinto, Bulacan
(044) 794-1420

GUIHULNGAN
St. Thaddeus Bldg., Osmeña Ave., Brgy. Poblacion, Guihulngan City, Negros Oriental
0918-454-5272
0909-345-4461

GUIMBA
M.C. Leonardo Building, Afan Salvador corner Sarmiento Streets, Guimba, Nueva Ecija
(044) 951-3700

HAGONOY
Felimon Building Sto Nino, Hagonoy, Bulacan
(044) 794-3763

HIMAMAYLAN
Sian Bldg., Rizal Street, Brgy 2. Himamaylan City, Negros Occidental
0927-1347-825

HINIGARAN
Tupas Building, Rizal St., Brgy. III, Hinigaran, Negros Occidental
(034) 740-7375

IBA
Bugallon Street corner Taveria, Zone V, Iba, Zambales
(047) 602-2139
0932-5109261

ILAGAN
G/F LSP Building, Osmeña, City of Ilagan, Isabela
(078) 624-1161

ILIGAN
Plaza Alemania Hotel, Quezon Avenue Extension Pala-o, Iligan City
0919-582-8175

IMELDA
Calamohoy Bldg., Rizal Street, Poblacion Imelda, Zamboanga Sibugay
0905-884-7684

IMUS
Costa Grande - Our Lady of Remedies Building, 496 Emilio Aguinaldo Highway, Palico I, Imus, Cavite
(046) 885-3834

IPIL
Osmeña Street, Ipil, Zamboanga Sibugay
(062) 955-6860

IRIGA
Lemar's Building, San Roque, Iriga City, Camarines Sur
0917-878-2272
0910-322-2285

ISABELA, NEGROS OCCIDENTAL
Tourism Bldg, Burgos Street, Brgy 4, Isabela, Negros Occidental
0963-288-8666

ISULAN
National Highway Brgy. Dansuli, Isulan, Sultan Kudarat
(064) 471-3247

JAEN
PSBC Building Purok 2, Brgy. Sapang, Jaen, Nueva Ecija
(044) 486-8265

JARO
Ground Floor Door 2 Balsy Building, Brgy. Cuartero EL 98 Jaro, Iloilo City
(033) 315-5458

KABANKALAN
Producers Bank Bldg, Aquiles Zayco Ave. Brgy. 1, Kabankalan City, Negros Occidental
(034) 485-4632

KALIBO
The Waldolf-Garcia Building, Osmeña Avenue, Kalibo, Aklan
(036) 500-7835
(036) 268-1298

KAPALONG
Purok 10-A, Quezon Street, Maniki, Kapalong, Davao del Norte
(084) 807-2988
0939-453-9250

LAGAWE
JP Rizal Avenue, Poblacion West, Lagawe, Ifugao
0917-147-1496

LA PAZ
Unit #517 Market Place Building, San Isidro, La Paz, Tarlac
(045) 606-0848

LA TRINIDAD
Lubos Building, Km 5, Pico, La Trinidad, Benguet
074-661-0949

LAUR
Gen. Tinio corner Gen. Natividad Streets, Brgy. II, Laur, Nueva Ecija
0917-847-4650 / 0919-063-8641/ (044) 463-6807

LEGAZPI
G/F 2-Storey Commercial Building, Peñaranda Street, Legazpi City, Albay
(052) 742-2247 / (052) 480-2278

LINGAYEN
J.S Molano Building, Avenida Rizal East Poblacion, Lingayen, Pangasinan
(075) 632-5380

LILOY
Momar Insong Bldg., Baybay, Liloy Zamboanga del Norte
0967-950-2450

LIPA
General Luna Street, Sabang, Lipa City, Batangas
(043) 702-6673

LLANERA
Lagasca Avenue, Brgy. Plaridel, Llanera, Nueva Ecija
(044) 958-1979

LOS BAÑOS
National Road, San Antonio, Los Baños, Laguna
(049) 501-4319

LUCENA
ADAD Building, M.L. Tagarao corner Allarey Streets, Lucena City, Quezon
(042) 710-7947

LUPAO
Producers Bank Building, National Highway, Brgy. Flores, Lupao, Nueva Ecija
(044) 456-0428

LUPON
E. Aguinaldo Street, Poblacion, Lupon, Davao Oriental
(087) 808-5356
0910-162-8396

MABALACAT
Lot 8, Golden Crown Bldg., Mc Arthur Hi-way, Mamatitang, Mabalacat City, Pampanga
(045) 892-4730

MADDELA
Maddela's Point Building, Poblacion Norte, Maddela, Quirino
0919-063-8587

MADRID
Purok 3, Brgy. Linibunan, Madrid, Surigao del Sur
(086) 213-4167

MAGARAO
San Pantaleon, Magarao, Camarines Sur
0933-815-4394

MALASIQUI
Ramon Magsaysay Street, Brgy. Poblacion, Malasiqui, Pangasinan
(075) 656-5464

MALITA
Doña Pilar Building, Poblacion Highway, Malita, Davao Occidental
(082) 237-4890

MALLIG
Adriosula Bldg. Centro 2, Mallig, Isabela
0917-624-4383

MALOLOS
F. Estrella Street cor. M. Tengco, Sto. Rosario, Malolos City, Bulacan
(044) 769-4898

MANAOAG
GF One B Tower, Soriano Street Poblacion, Manaoag, Pangasinan
(075) 529-1088

MANDALUYONG
#673 Boni Ave., Brgy. Plainview, Mandaluyong City
(02) 829-7061

MANDAUE
A & J Building, AC Cortes Ave., Alang-alang, Mandaue City, Cebu
(032) 422-4393
0921-349-1644

MANGALDAN
G/F Berex Enterprises Building, Mangaldan, Commercial Center, J. Rizal Ave., Bari, Mangaldan, Pangasinan
(075) 529-3337

MANGATAREM
G/F C&D Building, Burgos Street,
Mangatarem, Pangasinan
(075) 632-3405 / 0956-718-1597

MANUKAN
National Highway, Poblacion
Manukan, Zamboanga Del Norte
0917-322-7267 / 0970-916-2575

MARIA AURORA
ML Quezon Street, Brgy. 4, Maria
Aurora, Aurora
0919-063-8645
(042) 714-5322

MARIKINA CITY
90 J. P. Rizal Street, Calumpang,
Marikina City
0919-087-3247

MARILAO
McArthur Highway, Abangan Sur,
Marilao, Bulacan
(044) 815-4218

MATI
Doña Rosa Bldg., Madang Street,
Brgy. Central, Mati City, Davao
Oriental
(087) 811-2628 / 0943-881-9041

MOLO
KBEN Building, MH Del Pilar Street,
Molo, Iloilo City, Iloilo
(033) 336-3855

MOLAVE
Roxas Avenue, Makugihon, Molave,
Zamboanga Del Sur
0977-801-0133

MONCADA
Maharlika Highway, Brgy. Rizal,
Moncada, Tarlac
(045) 934-1486

MUÑOZ
T. Delos Santos Street, Science
City of Muñoz, Nueva Ecija
(044) 950-6230

MURCIA
Brgy. Salvacion, Murcia,
Negros Occidental
(034) 474-8065

NABUA
Nabua Municipal Library Building,
National Road, Poblacion,
Nabua, Camarines Sur
0948-419-5173 / 0929-760-8909

NAGA MAGSAYSAY
G/F ADC Building cor. Catmon II,
Magsaysay Avenue, Naga City,
Camarines Sur
(054) 871-5844

NAGA PANGANIBAN
G/F Producers Bank Building,
Panganiban Drive, Brgy. Concepcion
Pequeña, Naga City, Camarines Sur
0917-939-4789

NAGCARLAN
692 Jose Coronado Street,
Nagcarlan, Laguna
(049) 543-7282

OLONGAPO
A. Sia Bldg #41 Gordon Avenue,
Pag-Asa, Olongapo City
(047) 611-0145

ORTIGAS (OSMA)
LG/F One San Miguel Avenue,
San Miguel Avenue corner Shaw
Boulevard, Ortigas Center,
Pasig City
(02) 8556-2684 / 0919-087-3244

OROQUIETA
LM Bldg., Ozamiz Street, Lower
Langcangan, Oroquieta City,
Misamis Occidental
(088) 531-0477

OTON
J.C. Zulueta Street, Poblacion
South, Oton, Iloilo
(033) 510-8876

OZAMIZ
LKT Bldg., Don Anselmo Bernad
Avenue, Aguada, Ozamiz City,
Misamis Occidental
(088) 319-9185

PAGADIAN
F.S. Pajares cor. Sanson Street,
Pagadian City, Zamboanga del Sur
(062) 215-4185

PALAYAN
Aurora Road, Brgy. Caimito,
Palayan City, Nueva Ecija
(044) 940-9798

PALAUIG
West Poblacion, Palauig, Zambales
0930-495-3680

PAMPLONA
Maharlika Highway, Tambo,
Pamplona, Camarines Sur
(054) 884 0508

PANABO
Door 1 SBB Bldg., Sto. Niño,
Panabo City, Davao Del Norte
(084) 823-8288

PANDAN
DyBuco Bldg., Brgy. Centro Sur,
Pandan, Antique
(036) 540-1280

PANDI
G/F Megamart Mall, Bunsuran 1st,
Pandi, Bulacan
(044) 762-6006

PANTABANGAN
East Poblacion, Pantabangan,
Nueva Ecija
0919-063-8642

PASACAO
Sta. Rosa Del Sur, Pasacao,
Camarines Sur
0915-420-8854 / 0921-227-8095

PASIG (ADB Ave.)
Unit 109, G/F AIC Burgundy
Empire Tower, ADB Avenue corner
Sapphire Street, Ortigas Center,
Pasig City
(02) 8661-8008
0919-087-3243

PASSI
F. Palmares Sr. Street, Poblacion
Ilaya, Passi City, Iloilo
(033) 536-9723

PIÑAN
Jose S. Hamoy Ave., Pob. South,
Piñan, Zamboanga del Norte
0975-934-1247

PLARIDEL
Calata Bldg., Banga I, Plaridel, Bulacan
(044) 792-1815

POLANGUI
G/F KRDC Building, National Road, Ubaliw, Polangui, Albay
(052) 431-2006

POZORRUBIO
Caballero Street, Cablong, Pozorrubio, Pangasinan
(075) 636-2967

PRESIDENT QUIRINO
Ramos Bldg., National Highway, Poblacion, Pres. Quirino, Sultan Kudarat
(064) 477-5650

PROSPERIDAD
Purok 14, Poblacion, Prosperidad, Agusan del Sur
0910-215-3954

RAGAY
Poblacion Ilaod, Ragay, Camarines Sur
0912-120-2904

RAMOS
Poblacion Center, Ramos, Tarlac
(045) 491-1265

RIZAL
Aglipay Street, Poblacion Sur, Rizal, Nueva Ecija
(044) 951-2182
936-950-3528

ROOSEVELT
235 Roosevelt Avenue, K-Square Building, San Francisco Del Monte, Quezon City
(02) 8570-8430

ROSALES
Rizal Street, Zone II, Rosales, Pangasinan
(075) 529-5766

ROSARIO
Carillo Building, Brgy. Subusub, Rosario, La Union
(072) 687-0446

ROXAS, CAPIZ
Arturo Building, Burgos-Ilaya Street, Roxas City, Capiz
(033) 621-7305

ROXAS, ISABELA
Espejo Building, Osmeña Street, Bantug, Roxas, Isabela
(078) 642-0371

SAN ANTONIO
Brgy. Tikiw, San Antonio, Nueva Ecija
(044) 456-7337

SAN CARLOS, NEGROS OCCIDENTAL
Gaisano Mall, FC Ledesma Avenue corner Ledesma Street, San Carlos City, Negros Occidental
(034) 729-9328

SAN CARLOS, PANGASINAN
Palaris Street, San Carlos City, Pangasinan
(075) 531-3757

SAN FABIAN
31 Rizal Street, Poblacion, San Fabian, Pangasinan
(075) 653-0853

SAN FERNANDO, CAMARINES SUR
Zone 1 Bonifacio, San Fernando, Camarines Sur
0907-054-0402

SAN FERNANDO, LA UNION
G/F Nebres Building, Quezon Ave., Downtown Commercial Center, San Fernando City, La Union
(072) 888-2938

SAN FERNANDO, PAMPANGA
Consunji Street, Sto Rosario, San Fernando City, Pampanga
(045) 887-1625

SAN FRANCISCO
National Highway, Purok-4, Brgy. 5, San Francisco, Agusan del Sur
0907-580-7137

SAN ILDEFONSO
Ground Floor, ECG Building , San Juan, San Ildefonso, Bulacan
(044) 792-1260

SAN JACINTO
137 Ildefonso Street, Brgy. Capaoay, San Jacinto, Pangasinan
075 662-0848

SAN JOSE, ANTIQUE
Susana 6 Building, E. Nietes Street, Funda Dalipe, San Jose, Antique
(036) 540-1399

SAN JOSE CITY, NUEVA ECIJA
G. Salvador Building, Maharlika Road, San Jose City, Nueva Ecija
(044) 486-2952

SAN LEONARDO
Poblacion, San Leonardo, Nueva Ecija
(044) 958-5925

SAN MANUEL
Perez Street, Brgy. Guiset Sur, San Manuel ,Pangasinan
0906-302-6109
(075) 565-2549

SAN MATEO, ISABELA
G/F EVC Building, Magsaysay Avenue corner Bonifacio Street, Public Market, San Mateo, Isabela
(078) 323-0884

SAN MATEO, RIZAL
San Mateo-Batasan Road cor. Genral Antonio Luna Ave., Brgy. Banaba, San Mateo, Rizal
(02) 8363-3315

SAN MIGUEL
Tecson Street, Poblacion, San Miguel, Bulacan
(044) 762-0500

SAN NICOLAS
Stall 2,3,20, 21, New Public Market Building (South Wing), Zamora Street, Poblacion East, San Nicolas, Pangasinan
(075) 634-4506

SAN PABLO
#80 Rizal Avenue, Brgy. VI-A, San Pablo City
(049) 562-2842
(049) 562-2771

SAN QUINTIN
Figueroa Street, Poblacion Zone II, San Quintin, Pangasinan
(075) 632-7718

SANTIAGO
Corner Lino Barrera St. Maharlika Hi-way, Centro East, Santiago City, Isabela
(078) 305-0522

SIAYAN
National Highway, Poblacion Siayan, Zamboanga Del Norte
0960-888-9641

SIBAGAT
Poblacion, Sibagat, Agusan del Sur
0907-660-2156

SIBALOM
Veñegas St., District III, Sibalom, Antique
(036) 540-1280

SILANG
44 Aguinaldo Highway, Biga 1, Silang Cavite
(046) 482-3705

SILAY
Door 2, APSSI Building, Rizal Street, Brgy. Mambulac, Silay City, Negros Occidental
(034) 495-0362

SINDANGAN
Quezon Ave., Poblacion, Sindangan, Zamboanga del Norte
(065) 224-2241

SINILOAN
Quezon Avenue, Poblacion, Sindangan, Zamboanga Del Norte
(065) 224-2241

SIPOCOT
San Juan Avenue, South Centro, Sipocot, Camarines Sur
(054) 881-0929

SOLANO
G/F Tam-An Building, J.P. Rizal Street, Old Solano Commercial Complex/District, National Highway, Solano, Nueva Vizcaya
(078) 362-0953

SORSOGON
G/F 3-Storey Commercial Bldg., Rizal Street, Piot, Sorsogon City, Sorsogon
(056) 311-8678

STA. BARBARA, ILOILO
Teresita Building, Magalona Street, Sta. Barbara, Iloilo
(033) 333-1273

STA. BARBARA, PANGASINAN
Poblacion Sur, Sta. Barbara, Pangasinan
(075) 529-5867

STA. JOSEFA
Purok 7, Poblacion, Sta. Josefa, Agusan del Sur
0920 777-1731

STA. MARIA
1/F Galinato Bldg., Palaruan Street, Poblacion East, Sta. Maria, Pangasinan
(075) 529-5897

STA. ROSA
Producers Bank Building, Poblacion, Sta. Rosa, Nueva Ecija
(044) 463-0327

STO. DOMINGO HIGHWAY
Provincial Road, Brgy. Pulong Buli, Sto. Domingo, Nueva Ecija
0918-904-2847

STO. DOMINGO POBLACION
D. Noriel Street, Hulo, Sto. Domingo, Nueva Ecija
0917-566-1323

SURIGAO
Narciso Corner Rizal Street, Brgy. Washington, Surigao City, Surigao del Norte
(086) 826-9106

TABACO
G/F De Ramas Building, A. A. Berces Street, Basud, Tabaco City, Albay
0909-515-7150

TACURONG
Door 1 & 2 SMIT Building, National Highway, Barangay Buenaflor, Tacurong City, Sultan Kudarat
(064) 200-4863
(064) 562-4617

TAGUDIN
Pera Navals Bldg. National Highway, Brgy. Del Pilar, Tagudin, Ilocos Sur
(077) 632-0027

TAGUM
Topstar Hotel Bldg., Sobrecary Street, Tagum City, Davao del Norte
(084) 216-8271

TALACOGON
Purok 5, Del Monte, Talacogon, Agusan del Sur
0920-394-3781

TALAVERA
Maharlika Highway, Talavera, Nueva Ecija
(044) 486-8260

TALUGTUG
Provincial Road, Brgy. Magsaysay, Talugtug, Nueva Ecija
(044) 951-0297

TANAY
Unit 2 & 3, RK Building, New Market Road, Brgy. Plaza Aldea, Tanay, Rizal
(02) 8442-8941

TANDAG
Capitol Road, Telaje, Tandag City
(086) 211-5079

TANDAG BLU
Capitol Road, Telaje, Tandag City, Surigao del Sur
(085) 211-5079

TARLAC
AL's Building, MacArthur Highway, San Nicolas, Tarlac City, Tarlac
(045) 491-7094

TAYABAS
62 Gen. Luna Street, Angeles Z-2, Tayabas City, Quezon
(042) 717-2313

TAYTAY
Unit 114 Manila East Arcade, Rizal Avenue, Taytay, Rizal
(02) 8478-4108

TAYUG
Quezon Boulevard corner Bonifacio Street, Tayug, Pangasinan
(075) 572-2821
(075) 523-0468

TERESA
Magsaysay Avenue, Brgy. San Gabriel, Teresa, Rizal
(02) 8293-3540

TINAMBAC
G/F Tinambac Commercial Complex, Tinambac, Camarines Sur
0917-713-8207

TORIL
G/F Grandma Building, National Highway, Toril, Davao City, Davao
(082) 225-5683

TRENTO
Purok 4A, Poblacion, Trento, Agusan del Sur
(085) 830-0483

TUGUEGARAO
No. 371 Zone 3, Buntun Highway, Tuguegarao City, Cagayan
(078) 304-1369

TUMAUINI
Padron Bluilding, Brgy. San Pedro, National Highway, Tumauini, Isabela
(078) 323-0809

UMINGAN
G/F Sibayan E-Square, National Highway corner Zamora Street, Poblacion West, Umingan, Pangasinan
(075) 600-0786

URBIZTONDO
Rizal Street, Urbiztondo, Pangasinan
(075) 636-1507

URDANETA
Urduja Bldg. Alexander Street, Poblacion, Urdaneta City, Pangasinan
(075) 568-7207

VALENCIA
Sayre Highway corner T.N. Pepito Street, Valencia City, Bukidnon
(088) 813-4005

VALENZUELA CITY
38 M.H. Del Pilar Street, Brgy. Palasan, Valenzuela City
(02) 8518-9953
0919-087-3246

VALERIA
Dolores O. Tan Building, Valeria Street, Iloilo City, Iloilo
(033) 335-0423

VALLADOLID
Brgy. Poblacion, Valladolid, Negros Occidental
(034) 431-3789

VICTORIA
G/F General's Corner Building, Rizal Street, Brgy. San Fernando, Victoria, Tarlac
(045) 628-9459

VICTORIAS
Osmeña Ave., Victorias City, Negros Occidental
(034) 399-2778
(034) 717-7121

VILLASIS
McArthur Highway, Poblacion Zone II, Villasis, Pangasinan
(075) 564-2077

ZARAGOZA
Purok 7, San Isidro, Zaragoza, Nueva Ecija
0919-063-8643

Official Website
www.producersbank.com.ph

Audited Financial Statements

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	2	1	5	9	3	9

COMPANY NAME

PRODUCERS SAVINGS BANK CORPORATION

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

17TH FLOOR AIC BURGUNDY EMPIRE TOWER,
ADB AVENUE CORNER SAPPHIRE ST.,
ORTIGAS CENTER, 1605 PASIG CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
andres.cornejo@producersbank.com.ph	(02) 8706 4852	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
155	May 31	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Andres Cornejo	andres.cornejo@producersbank.com.ph	(02) 8706 4852	-

CONTACT PERSON'S ADDRESS

17th Floor, AIC Burgundy Empire Tower, ADB Ave. Cor. Sapphire St., Ortigas Center, 1605 Pasig City

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

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

PRODUCERS SAVINGS BANK CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Producers Savings Bank Corporation is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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 Bank's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the shareholders.

Roxas Cruz Tagle and Co., the independent auditor, appointed by the shareholders has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Gilda E. Pico

GILDA E. PICO
Chairman of the Board

ANDRES M. CORNEJO
President & Chief Executive Officer

ANDREI D. CORNEJO, JR
Senior Executive Vice President & Chief Operating Officer

Signed this 15 day of June, 2023.

MOORE Roxas Cruz Tagle and Co.

Roxas Cruz Tagle and Co.
2F Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226,
Philippines

T: +632 8844 2016
F: +632 8844 2045
E: info@roxascruztagle.com

www.roxascruztagle.com

INDEPENDENT AUDITOR'S REPORT

The Shareholders and the Board of Directors
Producers Savings Bank Corporation
17th Floor, AIC Burgundy Empire Tower, ADB Avenue
Corner Sapphire St., Ortigas Center
1605 Pasig City

Report on the Audit of Consolidated and Separate Financial Statements

Opinion

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

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC).

Basis for Opinion

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

Emphasis of Matter

We draw attention to the basis of accounting that has been used in the preparation of consolidated and separate financial statements. As discussed in Note 2, the accompanying consolidated and separate financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting relief on the staggered booking of allowance for a maximum period of five (5) years issued by the Bangko Sentral ng Pilipinas (BSP) and approved by SEC in response to the COVID-19 pandemic.

Responsibilities of Management and Those Charged with Governance for Consolidated and Separate Financial Statements

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

In preparing consolidated and separate financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether consolidated and separate financial statements as a whole are free from material misstatements, 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 PSA will always detect a material misstatements 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 consolidated and separate financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated and separate 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of consolidated and separate financial statements, including the disclosures, and whether consolidated and separate 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 the Supplementary Information Required by the BSP and Bureau of Internal Revenue (BIR)

Our audits were conducted for the purpose of forming an opinion on the basic consolidated and separate financial statements taken as a whole. The supplementary information as disclosed in Notes 31 and 32 to consolidated and separate financial statements is presented for purposes of filing with the BSP and BIR, respectively, and is not a required part of the basic consolidated and separate 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 consolidated and separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated and separate financial statements taken as a whole.

ROXAS CRUZ TAGLE AND CO.

Christian Francis S. Felismino
Partner
CPA Certificate No. 0111361
Tax Identification No. 237-332-255
BIR Accreditation No. 08-001682-016-2019, issued on November 5, 2019,
effective until November 4, 2022
SEC Accreditation No. 111361-SEC, Group A, issued on February 4, 2020,
effective for the audit of 2019 to 2023 financial statements of SEC covered institutions
BSP Accreditation No. 111361-BSP, Group A, issued on February 4, 2020,
effective for the audit of 2019 to 2023 financial statements of BSP covered institutions
PTR No. 9565753, issued on January 3, 2023, Makati City

June 15, 2023
Makati City

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

		December 31		
		Consolidated	**Separate**	Individual
	Note	**2022**	**2022**	2021
ASSETS				
Cash and other cash items		**₱1,660,980,181**	**₱1,659,358,305**	₱1,105,544,615
Due from Bangko Sentral ng Pilipinas (BSP)	*6*	**1,661,529,878**	**1,659,243,931**	2,459,474,236
Due from other banks	*6*	**681,424,193**	**634,875,509**	877,290,088
Interbank loans receivable	*6*	**1,227,250,613**	**1,227,250,613**	847,000,614
Investments at amortized cost	*7*	**32,264,358**	**29,288,536**	2,884,810,950
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	*8*	**3,530,120,384**	**3,530,120,384**	-
Loans and receivables, net	*9*	**21,321,284,339**	**21,291,439,429**	18,314,973,680
Noncurrent assets held for sale	*10*	**53,737,341**	**53,737,341**	155,025,113
Property and equipment, net	*11*	**905,203,684**	**903,663,354**	896,422,227
Right-of-use assets	*26*	**220,508,080**	**220,508,080**	245,653,015
Investment properties, net	*12*	**1,727,992,737**	**1,727,595,024**	1,537,235,248
Investment in subsidiaries	*14*	**-**	**11,000,000**	-
Sinking fund	*13*	**7,061,837**	**7,061,837**	7,083,300
Intangible assets, net	*14*	**131,490,216**	**127,947,383**	114,992,560
Other assets	*15*	**145,135,051**	**144,275,462**	77,935,537
		₱33,305,982,892	**₱33,227,365,188**	₱29,523,441,183

LIABILITIES AND EQUITY				
Liabilities				
Deposit liabilities				
Demand	*17*	**₱3,646,408,688**	**₱3,646,408,688**	₱2,955,662,236
Savings	*17*	**11,637,531,633**	**11,562,822,323**	10,288,777,349
Time	*17*	**6,652,555,677**	**6,650,220,430**	6,990,997,377
		21,936,495,998	**21,859,451,441**	20,235,436,962
Bills payable	*18*	**6,309,485,919**	**6,309,485,919**	4,542,819,252
Accrued interest, taxes and other payable	*19*	**280,319,794**	**280,356,013**	279,442,519
Lease liabilities	*26*	**212,436,831**	**212,436,831**	213,281,713
Redeemable preference shares	*21*	**1,365,000**	**1,365,000**	1,365,000
Deferred tax liabilities, net	*28*	**90,881,205**	**90,881,205**	40,424,606
Other liabilities	*20*	**233,702,952**	**233,577,236**	501,194,699
		29,064,687,699	**28,987,553,645**	25,813,964,751
Equity				
Capital stock	*23*	**1,339,558,010**	**1,339,558,010**	1,339,558,010
Paid-in surplus		**419,111,471**	**419,111,471**	419,111,471
Surplus free		**2,818,685,652**	**2,817,202,002**	1,964,838,226
Unrealized losses on financial assets at FVOCI	*8*	**(322,028,665)**	**(322,028,665)**	-
Remeasurement losses on retirement plan	*25*	**(14,031,275)**	**(14,031,275)**	(14,031,275)
		4,241,295,193	**4,239,811,543**	3,709,476,432
		₱33,305,982,892	**₱33,227,365,188**	₱29,523,441,183

See Notes to Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		December 31		
		Consolidated	**Separate**	Individual
	Note	**2022**	**2022**	2021
INTEREST INCOME				
Loans and receivables	*9*	**₱2,056,723,302**	**₱2,052,740,697**	₱1,692,669,300
Investment at amortized cost	*7*	**161,563,870**	**161,395,868**	29,131,336
Due from BSP and other banks	*6*	**52,829,597**	**52,373,464**	37,855,532
		2,271,116,769	**2,266,510,029**	1,759,656,168
INTEREST EXPENSE				
Deposit liabilities	*17*	**186,223,569**	**185,335,871**	187,393,454
Bills payable	*18*	**175,480,158**	**175,480,158**	124,731,436
Lease liabilities	*26*	**52,847,345**	**52,847,345**	38,334,605
		414,551,072	**413,663,374**	350,459,495
NET INTEREST INCOME		**1,856,565,697**	**1,852,846,655**	1,409,196,673
OTHER INCOME				
Service charges, fees and commissions	*24*	**699,433,213**	**698,001,077**	500,452,460
Gain on foreclosure and sale of assets	*10,12*	**111,799,343**	**111,748,714**	223,367,091
Foreign exchange gain, net		**8,275,439**	**8,275,439**	21,994,616
Miscellaneous		**90,315,217**	**90,237,560**	69,558,367
		909,823,212	**908,262,790**	815,372,534
OTHER EXPENSES				
Salaries and other employee benefits	*25*	**697,824,476**	**695,359,905**	660,253,008
Depreciation and amortization	*11,12,14,26*	**209,438,411**	**208,977,526**	206,501,887
Taxes and licenses		**189,482,239**	**189,014,302**	93,867,989
Provision for probable losses	*16*	**99,801,714**	**99,801,714**	79,701,547
Communication, light and water		**94,863,568**	**94,618,266**	70,154,129
Transportation and travel		**59,631,070**	**59,571,028**	39,455,236
Security, janitorial and other services		**56,866,399**	**56,687,400**	52,329,934
Insurance		**48,480,905**	**48,229,706**	44,258,323
Stationery and supplies		**27,762,339**	**27,662,228**	26,280,547
Repairs and maintenance		**23,789,026**	**23,776,981**	15,475,921
Representation and entertainment		**22,039,201**	**22,039,201**	21,435,753
Information technology		**11,277,770**	**11,210,823**	16,222,119
Litigation and asset acquired expenses		**7,128,339**	**7,128,339**	8,682,870
Miscellaneous	*27*	**134,615,472**	**133,989,323**	89,793,011
		1,683,000,930	**1,678,066,743**	1,424,412,275
INCOME BEFORE INCOME TAX		**1,083,387,979**	**1,083,042,702**	800,156,932
INCOME TAX EXPENSE	*28*	**230,648,219**	**230,678,926**	127,462,226
NET INCOME		**₱852,739,760**	**₱852,363,776**	₱672,694,706

See Notes to Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		December 31		
	Note	**Consolidated 2022**	**Separate 2022**	Individual 2021
NET INCOME		**₱852,739,760**	**₱852,363,776**	₱672,694,706
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified to profit or loss				
Remeasurement gain on retirement, net of tax	*25*	**-**	**-**	11,561,823
Items that may be reclassified to profit or loss				
Unrealized losses on financial assets at FVOCI	*8*	**(322,028,665)**	**(322,028,665)**	-
TOTAL COMPREHENSIVE INCOME		**₱530,711,095**	**₱530,335,111**	₱684,256,529

See Notes to Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Consolidated	**Capital Stock** (Note 23)	**Paid-in Surplus**	**Surplus Free**	**Unrealized Losses on Financial Assets at FVOCI** (Note 8)	**Remeasurement Losses on Retirement Plan** (Note 25)	**Total Equity**
As at January 1, 2022	₱1,339,558,010	₱419,111,471	₱1,965,945,892	₱-	(₱14,031,275)	₱3,710,584,098
Net income for the year	-	-	852,739,760	-	-	852,739,760
Other comprehensive income:						
Unrealized loss on financial assets, net of tax	-	-	-	(322,028,665)	-	(322,028,665)
As at December 31, 2022	**₱1,339,558,010**	**₱419,111,471**	**₱2,818,685,652**	**(₱322,028,665)**	**(₱14,031,275)**	**₱4,241,295,193**

Separate	**Capital Stock** (Note 23)	**Paid-in Surplus**	**Surplus Free**	**Unrealized Losses on Financial Assets at FVOCI** (Note 8)	**Remeasurement Losses on Retirement Plan** (Note 25)	**Total Equity**
As at January 1, 2022	₱1,339,558,010	₱419,111,471	₱1,964,838,226	₱-	(₱14,031,275)	₱3,709,476,432
Net income for the year	-	-	852,363,776	-	-	852,363,776
Other comprehensive income:						
Unrealized loss on financial assets, net of tax	-	-	-	(322,028,665)	-	(322,028,665)
As at December 31, 2022	**₱1,339,558,010**	**₱419,111,471**	**₱2,817,202,002**	**(₱322,028,665)**	**(₱14,031,275)**	**₱4,239,811,543**

Individual	**Capital Stock** (Note 23)	**Paid-in Surplus**	**Surplus Free**	**Unrealized Gains (Losses) on Financial Assets at FVOCI** (Note 8)	**Remeasurement Gains (Losses) on Retirement Plan** (Note 25)	**Total Equity**
As at January 1, 2021	₱1,339,558,010	₱419,111,471	₱1,292,143,520	₱-	(₱25,593,098)	₱3,025,219,903
Net income for the year	-	-	672,694,706	-	-	672,694,706
Other comprehensive income:						
Remeasurement gain on retirement, net of tax	-	-	-	-	11,561,823	11,561,823
As at December 31, 2021	₱1,339,558,010	₱419,111,471	₱1,964,838,226	₱-	(₱14,031,275)	₱3,709,476,432

See Notes to Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Note	**Consolidated 2022**	**Separate 2022**	Individual 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱1,083,387,979**	**₱1,083,042,702**	₱800,156,932
Adjustments for:				
Depreciation and amortization	*11,12,14,26*	**209,438,412**	**208,977,527**	206,501,888
Provision for probable losses	*16*	**99,801,714**	**99,801,714**	79,701,547
Interest on lease liabilities	*26*	**52,847,345**	**52,847,345**	38,334,605
Write off of intangible assets		**5,519,338**	**5,519,338**	-
Loss (gain) on sale of investments at amortized cost	*7*	**3,373,365**	**3,373,365**	(45,929)
Loss on sinking fund		**21,463**	**21,463**	-
Gain on sale of noncurrent assets held for sale and investment properties	*12*	**(36,721,869)**	**(36,671,240)**	(143,276,878)
Gain on foreclosure of investment properties	*12*	**(75,077,474)**	**(75,077,474)**	(80,044,284)
Retirement benefits	*25*	**34,590,711**	**34,590,711**	35,422,022
Operating income before working capital changes		**1,377,180,984**	**1,376,425,451**	936,749,903
Decrease (increase) in:				
Loans and receivables		**(3,451,438,602)**	**(3,153,453,782)**	(930,910,296)
Other assets		**(105,594,048)**	**(66,339,925)**	(10,309,178)
Increase (decrease) in:				
Deposit liabilities		**1,701,059,036**	**1,624,014,479**	2,544,103,615
Accrued interest, taxes and other expenses		**28,363,981**	**28,400,200**	(109,210,838)
Other liabilities		**(267,491,745)**	**(267,617,463)**	71,984,165
Net cash generated from (used in) operations		**(717,920,394)**	**(458,571,040)**	2,502,407,371
Contributions to plan assets		**(62,077,417)**	**(62,077,417)**	(38,029,324)
Income taxes paid		**(179,083,957)**	**(180,222,327)**	(66,826,790)
Net cash provided by (used in) operating activities		**(959,081,768)**	**(700,870,784)**	2,397,551,257
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries		**-**	**(311,592,684)**	107,175,630
Proceeds from sale of:				
Non-current assets held for sale	*10*	**191,746,982**	**191,696,353**	167,160,804
Investment properties		**107,738,609**	**107,738,609**	172,551,532
Acquisition of:				
Financial assets at FVOCI		**(1,000,000,000)**	**(1,000,000,000)**	-
Property and equipment	*11*	**(88,259,197)**	**(88,259,197)**	(199,948,964)
Intangible assets	*14*	**(487,500)**	**(487,500)**	(5,931,104)
Investments at amortized cost		**(2,975,822)**	**-**	(2,491,975,637)
Net cash used in investing activities		**(792,236,928)**	**(1,100,904,419)**	(2,250,967,739)

Forward

	Note	2022	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bills payable	*18*	**₱4,791,666,667**	**₱4,791,666,667**	₱1,500,000,000
Payment of bills payable	*18*	**(3,025,000,000)**	**(3,025,000,000)**	(4,500,000,000)
Payment of lease liability	*26*	**(73,472,659)**	**(73,472,659)**	(93,066,760)
Issuance of redeemable preferred shares		**-**	**-**	1,184,600
Net cash provided by (used in) financing activities		**1,693,194,008**	**1,693,194,008**	(3,091,882,160)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(58,124,688)**	**(108,581,195)**	(2,945,298,642)
CASH AND CASH EQUIVALENTS AT JANUARY 1				
Cash and other cash items		**1,105,544,615**	**1,105,544,615**	956,474,453
Due from BSP	*6*	**2,459,474,236**	**2,459,474,236**	4,618,245,060
Due from other banks	*6*	**877,290,088**	**877,290,088**	1,057,214,754
Interbank loan receivables	*6*	**847,000,614**	**847,000,614**	1,602,673,928
		5,289,309,553	**5,289,309,553**	8,234,608,195
CASH AND CASH EQUIVALENTS AT DECEMBER 31				
Cash and other cash items		**1,660,980,181**	**1,659,358,305**	1,105,544,615
Due from BSP	*6*	**1,661,529,878**	**1,659,243,931**	2,459,474,236
Due from other banks	*6*	**681,424,193**	**634,875,509**	877,290,088
Interbank loan receivables	*6*	**1,227,250,613**	**1,227,250,613**	847,000,614
		₱5,231,184,865	**₱5,180,728,358**	₱5,289,309,553
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest received	*6,7,9*	**₱2,271,116,769**	**₱2,266,510,029**	₱1,759,656,168
Interest paid	*17,18*	**₱414,551,072**	**₱413,663,374**	₱350,459,495
SUPPLEMENTAL DISLOSURE ON CASHFLOW INFORMATION				
Non-cash information on investing activities:				
Additions to investment at FVOCI		**₱2,530,120,384**	**₱2,530,120,384**	₱-
Additions to noncurrent assets held for sale	*10*	**53,737,341**	**53,737,341**	155,025,113
Additions to right-of-use asset	*26*	**19,780,432**	**19,780,432**	40,403,872
		₱2,603,638,157	**₱2,603,638,157**	₱195,428,985
Non-cash information on financing activity:				
Additions to lease liability	*26*	**(₱19,780,432)**	**(₱19,780,432)**	(₱40,403,872)

See Notes to Consolidated and Separate Financial Statements.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Corporate Information

Producers Savings Bank Corporation (PSBC or the "Parent") was registered with the Philippine Securities and Exchange Commission (SEC) on October 1, 2012 to operate as a thrift banking corporation. Likewise, on the same day, SEC issued the Certificate of Filing of the Articles and Plan of Consolidation by and between PSBC and New Rural Bank of Victorpas, Inc. (NRBV) to be known as PSBC.

The registration of PSBC with SEC came after the approval by the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) of the consolidation of PSBC and NRBV under MB Resolution No. 963 dated June 15, 2012. The MB approval also granted several meaningful consolidation incentives to the consolidated bank.

Pursuant to Republic Act (R.A.) No. 7906 and MB Resolution No. 963 dated June 15, 2012, the BSP awarded PSBC's Certificate of Authority to operate as a thrift bank on October 8, 2012. PSBC commenced operations as a consolidated bank on October 12, 2012.

In 2022, the Parent purchased 100% of the total outstanding shares of the following subsidiary:

Name of bank	BOD approval date	Price per share	Date of BSP approval	Percentage of ownership
Countryside Rural Bank of Palauig Zambales, Inc.	February 22, 2022	147.34	August 4, 2022	100.00%

PSBC has 261 and 251 operating branches as at December 31, 2022 and 2021, respectively. Currently, it operates in 11 regions, namely, Cordillera Autonomous Region, Regions I to III, National Capital Region, Region IV-A, V, VI, VII, IX, X, XI, XII and XIII.

The principal office of PSBC is located at the 17th floor, AIC Burgundy Empire Tower, ADB Avenue corner Sapphire St., Ortigas Center, 1605 Pasig City, Philippines.

Approval of Issuance of Financial Statements
Consolidated and separate financial statements of the Group as at and for the year ended December 31, 2022 were approved and authorized for issuance by the BOD on April 25, 2023.

2. Basis of Preparation and Statements of Compliance

Statements of Compliance
The accompanying consolidated and separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC)

Consolidated and separate financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the following financial reporting reliefs issued by the BSP and approved by the SEC in response to the COVID-19 pandemic:

- On March 14, 2020, Bangko Sentral ng Pilipinas (BSP), issued Memorandum No. 2020-008 Regulatory Relief for BSP-supervised Financial Institutions affected by COVID-19. As part of the regulatory relief issued in the memorandum, the Bank applied for staggered booking of allowance for credit losses over a maximum period of five (5) years in 2021. On May 25, 2021, the BSP approved the Bank's application to avail the financial reporting relief of staggered booking of allowance for credit losses of certain loan accounts over a maximum period of five (5) years.

The impact of the relief availed on the affected financial statement line items as at and for the years ended December 31, 2022 and 2021 is as follows:

	2022		
	Amount without relief	**Impact of relief**	**Amount with relief**
Loans and other receivables, net	**₱21,266,737,759**	**₱24,701,670**	**₱21,291,439,429**
Allowance for impairment on loans	**(914,297,607)**	**(24,701,670)**	**(938,999,277)**
Provision for probable losses	**75,100,044**	**24,701,670**	**99,801,714**
Surplus	**(2,841,903,673)**	**24,701,670**	**(2,817,202,003)**
Deferred tax liability, net	**(96,848,795)**	**6,175,418**	**(90,673,377)**

	2021		
	Amount without relief	Impact of relief	Amount with relief
Loans and other receivables, net	₱18,290,272,010	₱24,701,670	₱18,314,973,680
Allowance for impairment on loans	(407,374,010)	(24,701,670)	(432,075,680)
Provision for probable losses	54,999,877	24,701,670	79,701,547
Surplus	(1,989,539,896)	24,701,670	(1,964,838,226)
Deferred tax liability, net	(46,600,024)	6,175,418	(40,424,606)

Basis of Measurement

Consolidated and separate financial statements have been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value and retirement liability measured at present value of the defined benefit obligation less the fair value of the plan assets.

Functional and Presentation Currency

Consolidated and separate financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the Foreign Currency Deposit Unit (the "FCDU"). The functional currency of the RBU and the FCDU is the Philippine Peso (₱) and United States Dollar ($), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP (see Note 3 for the accounting policy on *Foreign Currency Transactions and Translations*). Consolidated and separate financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

The Group determines its functional currency and items included in consolidated and separate financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiary are presented under *Basis of Consolidation.* Consolidated and separate financial statements are presented in Philippine Peso, and all values are rounded to the nearest peso, unless otherwise stated.

Presentation of Consolidated and Separate Financial Statements

This report includes both consolidated and separate financial statements as at and for the year ended December 31, 2022, with individual financial statements presented as comparative information for the year ended December 31, 2021.

Consolidated and separate statements of financial position is presented broadly in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 22.

Basis of Consolidation

In 2021, the merger of Bank with the following subsidiaries were approved by the BSP Monetary Board as of report date:

Name of bank	**Date of BSP approval**
Rural Bank of San Quintin (Pangasinan), Inc.	January 29, 2021
People's Bank of Caraga, Inc.	February 26, 2021
PBCOM Rural Bank, Inc.	February 26, 2021
Bangko Carrascal, Inc. (A Rural Bank)	April 13, 2021
Masuwerte Rural Bank of Bacoor (Cavite), Inc.	October 25, 2021

The financial statements include consolidated and separate financial statements of the Group and its subsidiary and are prepared for the same reporting period as the Group using consistent accounting policies. The following are the wholly-owned domestic subsidiary of the Group:

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Institutions			
Countryside Rural Bank of Palauig Zambales, Inc.	Philippines	100%	PHP

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation. The subsidiary is fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiary ceases when control is transferred out of the Group or the Parent. The results of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the Parent Bank's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid (or to be paid) or received is recognized directly in equity included as part of 'Translation adjustment and others' and attributed to the owners of the Group.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Bank: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to statements of income or retained earnings; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in statements of income; and (g) reclassifies the Parent Bank's share of components' gains (losses) previously recognized in OCI to statements of income or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The acquisition method of accounting is used when a subsidiary is acquired by the Parent. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the date of exchange. Acquisition-related costs are recognized as an expense in the statements of income in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are generally measured at their fair values at the date of acquisition.

The Parent Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three (3) elements of control.

Separate Financial Statements

In the separate financial statements, investments in subsidiary are carried at cost less accumulated impairment in value. Dividends earned are reported as dividend income when the right to receive the payment is established.

3. Summary of Significant Accounting Policies

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, Business Combinations - Reference to the Conceptual Framework. The amendments add an exception to the recognition principle of PFRS 3 to avoid the issue of potential "day 2" gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21, Levies, if incurred separately. It also clarifies that contingent assets do not qualify recognition at the acquisition date. The amendments are effective for annual periods beginning on or after January 1, 2022.

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use.* The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Instead, the entity recognizes such sales proceeds and any related costs in the profit or loss. These amendments had no impact on the financial statements of the Bank.

- Amendments to PAS 37*: Onerous Contracts – Costs of fulfilling a contract.* The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to the contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling the contracts (an example would be the allocation of the depreciation charge for an item of property, plan, and equipment used in fulfilling the contract).

- Annual Improvements to PFRS Standards 2018 – 2020 Cycle

    - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities.* The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

    - Amendments to PFRS 16, *Leases - Lease Incentives.* The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

<u>Amended PFRS Issued but Not Yet Effective</u>
Relevant amended PFRS which are not yet effective for the year ended December 31, 2022 and have not been applied in preparing consolidated and separate financial statements are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies.* The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction.* The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates.* The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

Deferred effectivity

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Group.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are initially recorded at the functional rate of exchange at the date of transaction.

Foreign currency-denominated monetary assets and liabilities in the RBU and the FCDU of the Group are translated to their respective presentation currencies based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statements of financial position date and BAP closing rate for the reporting period for income and expenses. Foreign exchange differences arising from foreign currency transactions and translation of foreign currency-denominated assets and liabilities to the functional currency are credited to or charged against the statements of income under "Foreign exchange losses (gains)", except for differences arising from the translations of financial assets at FVOCI which are recognized directly in "Net change in unrealized gains (losses) of financial assets at FVOCI" in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in Consolidated and Separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

As at December 31, 2022 and 2021, the Group does not have financial assets and liabilities at FVPL.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of consolidated and separate statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2022 and 2021, the Group's investment to various financial institutions are classified under this category (see Note 8).

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2022 and 2021, the Group's cash and other cash items (COCI), due from BSP, due from other banks, interbank loans receivable, investments at amortized cost, loans and receivables, sinking fund, and security deposits (included under 'other assets') are included under this category (see Note 6, 7, 9, 13 and 15).

Interbank loans receivable consists of securities sold under repurchase agreements at a specified future date ("repos") that are not derecognized from consolidated and separate statements of financial position. The corresponding cash received, including accrued interest, is recognized in consolidated and separate statements of financial position as liability of the Group, reflecting the economic substance of such transaction. Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") are not recognized in consolidated and separate statements of financial position. The corresponding cash paid, including accrued interest, is recognized in consolidated and separate statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in Consolidated and separate statements of income and is amortized over the life of the agreement using the effective interest method. The Group normally enters into overnight reverse repurchase agreement with the BSP.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial 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 effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2022 and 2021, the Group's liabilities arising from its accrued interest, accounts payable and other current liabilities, excluding statutory liabilities, are included under this category (see Note 19 and 20).

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets

Overview of the Expected Credit Losses (ECL) Principles. Impairment under PFRS 9 requires the use of an expected loss approach for the calculation of impairment allowances. The standard's core principle with respect to impairment is that impairment allowances are recognized before the losses are actually incurred. The losses are recognized through the whole life of the asset regardless of deterioration of credit quality of the asset. However, if credit quality further deteriorates in the lifetime of the loan, the approach on how and to what extent losses are estimated should be changed accordingly.

Definition of "Default" and "Cure". The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes 31 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Staging assessment. The Group's 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

Significant increase in credit risk (SICR). The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. If contractual payments are more than specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Also, the Group shall transfer credit exposures from Stage 1 to Stage 2 if the following significant increases in credit risk from initial recognition were identified:

1. Accounts adversely affected by recent typhoons, floods and other catastrophes that are beyond the control of the borrowers and of the Group but the collaterals are not impaired.

2. Government imposed regulations due to outbreaks (bird flu, foot and mouth decease, etc.), lay-off of employees, war, importation, etc.,

3. Collateral securing the loans found to be impaired but not more than 60% of the collateral value.

4. Borrowers that have declared bankruptcy during the period under review but the collaterals are not impaired.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. An account under Stage 3 may be reverted back to Stage 2 if days past due bucket improved to 31 to 90. If the status of an account further improves to current, it will be reverted back to Stage 1, thus, recognizing 12-month ECL.

Collective assessment. Loans and other credit accommodations shall be assessed collectively if not subjected to individual assessment.

The Group's loans and other credit accommodations shall be grouped with other loans that share similar credit risk characteristics for collective impairment evaluation based on or a combination of the following:

a. Loan Type
b. Collateral Type
c. Market/Industry Segment
d. Geographical Location
e. Stage level/Status

The grouping of accounts for collective assessment shall be as follows:

a. Farmers' Loan
b. Corporate and SME loans
c. Salary Loans
d. Auto Loans
e. Housing Loans

The said loans and other credit accommodations shall be classified and provided with allowance based on the expected credit loss rates of the Group with consideration of the future cash flow of the collateral securing the loan (for secured loans).

Components of ECL computation

a. Probability of Default (PD) – the probability of the occurrence of a default events based on the Group's 3-year historical data, which are expected to result in credit losses. The flow rate percentage from one past due bucket to another ranging from 30 to 180 days shall be determined.

b. Exposure at Default (EAD) – the expected outstanding exposure subject to credit risk at the period or cut-off date, when default is considered.

c. Loss Given Default (LGD) – statistically calculated based on historical loan recovery data (including the future cash flow of the property securing the loan) and adjusted according to existing conditions and forward-looking information.

Forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators.

Financial Assets Carried at Amortized Cost and FVOCI. For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of SICR since initial recognition.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. 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 Group 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 Group has transferred its rights to receive cash flows from the asset and has either: (a) transferred substantially all the risks and rewards of ownership of the asset; or (b) neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Gain or loss on derecognition of financial asset is measured at the difference between the fair value of the consideration received over the carrying amount of the financial asset.

Financial Liability. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income. A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is difference by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between carrying value of the original liability and fair value of the new liability is recognized in consolidated and separate statements of income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished by merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Fair Value Measurement

The Group measures a number of financial and non-financial assets and liabilities at fair value 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. 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 most advantageous market must be accessible to the Group.

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 best economic interest.

The Group 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 consolidated and separate 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 consolidated and separate financial statements on a recurring basis, the Group 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 statement of financial position date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 5.

Noncurrent Assets Held for Sale

Noncurrent assets held for sale include assets with or without improvements that are highly probable to be sold within one (1) year and are included in the sales auction program for the year. Assets held for sale are stated at the lower of its carrying amount and fair value less costs of disposal.

The Group measures a noncurrent asset that ceases to be classified as held for sale at the lower of:

- the carrying amount before the Noncurrent asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the noncurrent asset not been classified as held for sale; and
- the recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset that ceases to be classified as held for sale in income from continuing operations in the year in which the asset ceases to be held for sale.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation/amortization and any impairment losses. Land is stated at cost less any impairment losses.

Initially, an item of property and equipment is measured at its cost, comprised of its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be reliably measured are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of repairs and maintenance of property and equipment are recognized in consolidated and separate statements of income in the period when these are incurred.

Depreciation is recognized in consolidated and separate statements of income on a straight-line basis based on the estimated useful lives (EUL) of the related depreciable assets. Leasehold rights and improvements are amortized on a straight-line basis over the EUL of the improvements or the terms of the leases, whichever is shorter. The EUL of property and equipment follows:

Property classification	Number of Years
Bank premises, furniture and fixtures	2 - 30
Equipment	2 - 5
Leasehold improvements	2 – 10 or over the lease terms, whichever is shorter

An asset is depreciated when it is available for use until it is derecognized even if during that period the item is idle. Fully depreciated assets still in use are retained in the accounts until they are no longer in use.

The useful life and the depreciation and amortization methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

When major parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in consolidated and separate statements of income.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago*, and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of each asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties from foreclosure date.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation for the improvement and any impairment in value in the land or improvement.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in consolidated and separate statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets" account in the period of derecognition.

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

Depreciation is calculated on a straight-line basis over the EUL of the investment properties of up to 10 years for buildings and improvements.

The useful life and the depreciation and amortization methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

Business Combination

Business combination is accounted for using the acquisition method. The consideration transferred in a business combination is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportional share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in the statements of income or as a change in OCI. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within capital funds.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as "Gain on bargain purchase" in consolidated and separate statements of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Investment in Subsidiaries

Subsidiaries are entities controlled by the Parent. The Parent controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Parent reassess whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held become substantive and lead to the Parent having power over an investee.

The financial statements of subsidiaries are included in consolidated and separate financial statements from the date on which control commences until the date on which control ceases.

Intangible Assets
Intangible assets consist of software costs and goodwill. Intangible assets acquired separately, included under "Intangible assets - net" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets are not capitalized but recognized in consolidated and separate statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated and separate statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized under "Gains on foreclosure and sale of property and equipment and foreclosed assets" in consolidated and separate statements of income in the period when the asset is derecognized.

Software Costs

Software is stated at cost less any impairment in value. The cost of acquired computer software license is capitalized on the basis of the costs incurred to acquire and install the specific software.
Costs associated with developing or maintaining computer software programs are recognized as expense when incurred.

The Group estimates the useful life of its software for 10 years.

Software costs are amortized on a straight-line basis over 10 years based on pro-rata basis i.e. actual number of customer licenses used divided by the customer licenses. Subsequent number of customer licenses used which is determined at the end of each year, shall be amortized on the same pro-rata basis for the remaining useful life following the year of acquisition. The software licenses are carried at cost less accumulated amortization and any impairment in value.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost net of impairment losses (see accounting policy on Impairment of Nonfinancial Assets).

Sinking Fund
Sinking fund is a fund containing money set aside or saved to pay off a debt or bond. A Group that issues debt will need to pay that debt off in the future, and the sinking fund helps to soften the hardship of a large outlay of revenue. A sinking fund is established so the Group can contribute to the fund in the years leading up to the bond's maturity.

Impairment of Nonfinancial Assets

Property and Equipment, Noncurrent Assets Held for Sale, Intangible Assets, Investment Properties and Goodwill

At each reporting date, the Group assesses whether there is any indication of impairment on property and equipment, non-current assets held for sale, intangible assets, investment properties and goodwill or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of net recoverable amount.

The net recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the CGU to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or CGU while fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or CGU) exceeds its net recoverable amount, the asset (or CGU) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is charged against operations in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged first to the revaluation increment of the said asset.

The impairment loss should be allocated to reduce the carrying amount of the assets of the CGU in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the CGU; and
- then, to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the unit.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income. Impairment loss with respect to goodwill is not reversed.

After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock

Capital stock refers to the total amount of fully paid common stock, including stock dividends, for which the corresponding certificates have been issued. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. Where the Group purchases its own share capital (treasury stocks), the consideration paid is deducted from equity attributable to the Group's shareholders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Group's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

Paid-in Surplus

Paid-in surplus refers to the premium received on the issuance of common stock.

Surplus

Surplus includes accumulated results of operations as reported in consolidated and separate statements of income reduced by the amount of dividends declared. Surplus free refers to the unappropriated or free portion of the accumulated profits of the Group while surplus reserves pertain to amounts set aside for possible or unforeseen losses or for undeterminable liabilities not otherwise recorded in the books.

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen to the Group that can be measured reliably.

The following specific recognition criteria must also be met before income and expense are recognized:

Interest Income and Interest Expense

Interest income and interest expense are recognized in consolidated and separate statements of income for all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVPL as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently.

The carrying amount of the financial asset or liability is adjusted if the Group revises its estimates of payments or receipts. The change in carrying amount is recognized in statements of income as interest income or expense.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Trading and Investment Securities Gains or Losses

Trading and investment securities gains or losses represent results arising from disposal of financial assets at FVPL and trading activities (realized gains and losses) and from the changes in fair value of financial assets and financial liabilities at FVPL (unrealized gains or losses).

Service Charges, Fees and Commissions

Fees and commission income are recognized to the extent that an inflow of economic benefits is probable and that the amount of revenue can be reliably measured. Fees and commission income is recognized at the fair value of the consideration received/receivable.

Fees and commission income and expenses that are integral to the EIR of a financial asset or liability are included in the measurement of the EIR. If the fees are received upfront, these are amortized over the term that the service is rendered. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period.

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to their collectability. Fees earned for the provision of services over a period of time are accrued over that period.

Fees and commission expenses are recognized when incurred.

Dividends

Dividend income is recognized when the Group's right to receive payment is established.

Other Income

Other income includes income on penalty charges, gain on foreclosure and sale of non-financial assets, and other gains. Penalty charges are recognized as outright income upon the completion of the underlying transaction. Gain on sale of non-financial assets is recognized upon completion of the earning process and when the collectability of the sales price is reasonably assured.

Gain on curtailment is recognized when there is significant reduction in the numbers of employees resulting to decrease in retirement liability.

Expenses

Expenses are recognized in the statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized 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 an expenditure produces no future economic benefit or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses are presented using the function of expense method. Operating expenses are costs attributable to the administrative and other business activities of the Group.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

The Group has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines as amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement asset/liability recognized in consolidated and separate statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurement of the retirement asset/liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized under "Salaries and other employee benefits" in consolidated and separate statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in consolidated and separate statements of income.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Group has the right to direct the use of the asset of either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At the inception or on reassessment of a contract that contains a lease component, the Group has not elected to separate non-lease components and account for the lease and non-lease components as a single lease component.

Group as a lessee. The Group recognizes right-of-use assets and lease liabilities at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use assets is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

In addition, the right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments option renewal period if the Group is reasonably to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. It is remeasured when there is a change in future lease payments or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Income Taxes

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date.

Deferred Tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group 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 charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Contingent Liabilities

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

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or entities.

The definition of a “related party” is extended to include a management entity that provides key management personnel services to the company, either directly or through a group entity.

Foreign Exchange Transactions
Transactions in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the date in which the transaction took place. Foreign currency denominated monetary assets and liabilities of the Bank are translated using the prevailing exchange rate as of financial reporting date. Gains or losses arising from these transactions and translation are credited or charged to profit or loss.

Events after the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in consolidated and separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated and separate financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

(a) Functional Currency

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

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

(b) Provisions and Contingencies

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between commitments and contingencies (see Note 30).

(c) Determination Whether an Arrangement Contains a Lease

The Group assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019

Group as lessee
The Group has entered into lease agreements as a lessee. Depreciation of right-of-use of asset and interest expense on lease liability recognized in statement of income are disclosed in Note 26.

Group as Lessor
The Group has entered into lease agreements as a lessor. The Group has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

(d) *Determining the Lease Term of Contracts with Renewal and Termination Options – Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

(e) *Classification of Financial Instruments*

The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in consolidated and separate statements of financial position.

In 2022, the Bank reclassed its investments previously recognized as investment in amortized cost to investment at FVOCI amounting to P2.53 billion (see Notes 7 and 8). During the year, the Bank changed its business model for managing financial assets. The management assessed that these investments will:

a. Be held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(f) *Determination of Acquisition Date for Business Combination*

For each business combination, the Group as acquirer identified the acquisition date which is the date on which control is obtained of the acquiree. The date on which the Group obtains control is generally the date on which the Group legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree - the closing date. However, the Group might obtain control on a date that is either earlier or later than the closing date.

MORB Section X378, *Limits on Investment in the Equities of Financial Allied Undertakings*, provides guidelines in determining compliance with ceilings on equity investments in financial allied undertakings. For a thrift bank investor, the equity investment in a rural or thrift bank financial allied undertaking is limited to 49.00% subject to 93 BSP approval. However, the BSP approval of the Group's acquisition of up to 100.00% of the issued and outstanding common shares of the acquiree under the specific circumstance that the acquisition is a necessary first step towards merger. Thus, the Group assesses that the acquisition is a transaction which is part of the merger and therefore should not be accounted for separately from the merger itself. Consequently, the date which constitutes the effectivity of the merger is the date on which the SEC approves the merger.

After considering all pertinent facts and circumstances, the Group determined that the acquisition date for the business combination should be the date of the approval of the merger by the SEC.

(g) Evaluating deferred tax.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(h) Determining fair value of acquired assets classified as either investment properties or assets held-for-sale.

The Group determines the fair value of acquired properties through internally- or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical conditions of the properties.

(i) Determining classification of acquired properties.

The Group classifies its acquired properties as bank premises, furniture, fixtures and equipment if used in operations, as assets held-for-sale if expected that the properties will be recovered through sale rather than use, or as investment properties if intended to be held for capital appreciation.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recognized in consolidated and separate statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(b) Allowance for ECL on Loans and Receivables

Provisions are made for specific and groups of accounts, where objective evidence of credit loss exists. The Group evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for ECL would increase the recorded costs and expenses and decrease current assets.

The Group has allowance for ECL on receivables amounting to ₱941.89 million as at December 31, 2022. The Parent has allowance for ECL amounting to ₱939.00 million and ₱432.08 million as at December 31, 2022 and 2021, respectively (see Note 9).

The Group's carrying amount of receivables amounted to ₱21.32 billion as at December 31, 2022. The Parent's carrying amount of receivables amounted to ₱21.29 billion and ₱18.31 billion as at December 31, 2022 and 2021, respectively (see Note 9).

(c) ECL on Investment Securities

Loss on Investments at Amortized Cost and Financial assets at FVOCI are assessed when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

No impairment loss was recognized in 2022 and 2021.

(d) Impairment of Nonfinancial Assets

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The Group and Parent's carrying amount of noncurrent assets held for sale amounted to ₱53.74 million and ₱155.03 million as at December 31, 2022 and 2021, respectively (see Note 10).

(e) Impairment of Goodwill

The Group's management conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group used its weighted average cost of capital in discounting the expected cash flows from specific CGUs. Future cash flows from the business are estimated based on the theoretical annual income of the CGUs. Average growth rate was derived from the average increase in annual income during the last five (5) years.

The recoverable amount of the CGUs has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. A pre-tax discount rate is applied to cash flow projections. Value in use calculation of CGUs is most sensitive to the following assumptions: a) interest margin; b) discount rates; and c) projected growth rates used to extrapolate cash flows beyond the budget period.

The consolidated goodwill acquired represents the excess of the acquisition cost over the fair market value amounted to ₱103.91 million in 2022, and the separate and individual goodwill amounted to ₱100.38 million and ₱65.53 million in 2022 and 2021, respectively (see Note 14).

No impairment loss was recognized in 2022 and 2021

(f) Estimated Useful Lives of Property and Equipment, Software Costs and Investment Properties

The useful lives, and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment, software costs and investment properties.

The Group's property and equipment's carrying value amounted to ₱905.20 million as at December 31, 2022 with accumulated depreciation amounting to ₱1.03 billion as at December 31, 2022. The Parent's property and equipment's carrying value amounted to ₱903.66 million and ₱896.42 million as at December 31, 2022 and 2021, respectively. The Parent's accumulated depreciation of property and equipment amounted to ₱1.03 billion and ₱0.92 billion as at December 31, 2022 and 2021, respectively (see Note 11).

The Group's investment property, net of accumulated depreciation and allowance for impairment losses, amounted to ₱1.73 billion as at December 31, 2022. Accumulated depreciation of investment property amounted to ₱230.49 million and allowance for impairment losses amounted to ₱31.17 million as at December 31, 2022. The Parent's investment property, net of accumulated depreciation and allowance for impairment losses, amounted to ₱1.73 billion and ₱1.54 billion as at December 31, 2022 and 2021, respectively. Accumulated depreciation of investment property amounted to ₱230.48 million and ₱197.85 million and allowance for impairment losses amounted to ₱31.17 million and ₱71.20 million as at December 31, 2022 and 2021, respectively (see Note 12).

The Group's software costs' carrying value amounted to ₱27.58 million as at December 31, 2022 with accumulated amortization amounting to ₱88.15 million as at December 31, 2022. The Parent's software costs' carrying value amounted to ₱27.57 million and ₱49.46 million as at December 31, 2022 and 2021, respectively. The Parent's accumulated amortization of software cost amounted to ₱87.58 million and ₱88.00 million as at December 31, 2022 and 2021, respectively (see Note 14).

(g) Realizability of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The Group's deferred tax assets amounted to ₱79.27 million as at December 31, 2022. The Parent's deferred tax assets amounted to ₱79.27 million and ₱111.53 million as at December 31, 2022 and 2021, respectively (see Note 28).

(h) Present Value of Retirement Benefits Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date.

The Group and Parent's retirement liability or (assets) amounted to ₱7.26 million and (₱26.59 million) as at December 31, 2022 and 2021, respectively.

(i) Leases – Estimating the incremental borrowing rate (IBR)

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

(j) Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed by management in consultation with the legal counsels handling the Group's legal defense in these matters, and is based upon an analysis of potential results.

The Group's management currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings. No accruals were made in relation to these proceedings.

5. **Financial Risk Management Objectives and Policies**

To ensure that corporate goals and objectives, and business and risk strategies are achieved, the Group utilizes a risk management process that is applied throughout the Group in executing all business activities. The Group's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk and market risk. The BOD has the overall responsibility for the Group's financial risk management, which includes establishment and approval of risk strategies, policies and limits. The BOD created the Audit, Corporate Governance and Risk Management Committees to closely monitor and evaluate the financial risks in line with the strategies, policies and limits set by the BOD. The main objective of the financial risk management is to minimize the adverse impact of financial risks on the Group's financial performance and financial condition due to the unpredictability of financial markets.

The Group's principal financial instruments consist of COCI, due from BSP, due from other banks, investments at amortized cost, financial assets at FVOCI, loans and receivables, deposit liabilities and bills payable. The main purpose of these financial instruments is to generate income and raise finances for the Group's operations.

The Group maintains a CAR of 10.00% or better at all times.

The main risks arising from the Group's use of financial instruments are summarized as follows:

(a) Credit Risk and Concentration Limit,
(b) Liquidity Risk,
(c) Market Risk,
(d) Foreign Exchange Risk, and
(e) Interest Risk.

Credit Risk and Concentration Limit

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration limits for the Group are set by types of borrowers and loan classifications. In setting the concentration limits, the Group considers the BSP regulations.

To avoid significant concentrations of credit risk on the Group's loans and receivables, it spreads out its risks by setting limits on loan amounts that are way below its allowable single borrower's limit and sets a limit on industry concentration. The Group's system of credit approval is such that the higher the credit exposure, the more approving bodies are required to review and approve the credit proposal.

To mitigate credit risk, the Group has set a target of having at least 90.00% of total loan portfolio secured by tangible collateral, predominantly by registered mortgages on real properties. An independent unit in the Group validates property appraisal, title verification, credit investigation and credit evaluation done by the loan originating branch. Insurance coverage and assignment of the insurance policies in favor of the Group are required on these assets (e.g., improvements on real properties, motor vehicles, etc.). Further, the Group requires that the borrowers be insured (e.g., life insurance, mortgage redemption insurance, etc.) and assign the insurance policies in favor of the Group.

Credit Risk Exposures

The table below shows the Group's maximum exposure to credit risk for collateral held or other credit enhancements, as at December 31, 2022 and 2021:

	Consolidated December 31, 2022		Separate December 31, 2022		Individual December 31, 2021	
	Before Collateral	**After financial Effect of Collateral or Credit Enhancement**	**Before Collateral**	**After financial Effect of Collateral or Credit Enhancement**	Before Collateral	After financial Effect of Collateral or Credit Enhancement
Due from BSP	**₱1,661,529,878**	**₱1,661,529,878**	**₱1,659,243,931**	**₱1,659,243,931**	₱2,459,474,236	₱2,459,474,236
Due from other banks	**681,424,193**	**681,424,193**	**634,875,509**	**634,875,509**	877,290,088	877,290,088
Interbank loan receivables	**1,227,250,613**	**1,227,250,613**	**1,227,250,613**	**1,227,250,613**	847,000,614	847,000,614
Investments at amortized cost	**32,264,358**	**32,264,358**	**29,288,536**	**29,288,536**	2,884,810,950	2,884,810,950
Small and medium-sized entity	**5,076,899,330**	**-**	**5,075,985,862**	**-**	5,677,591,667	-
Salary	**9,324,183,011**	**9,324,183,011**	**9,298,515,506**	**9,298,515,506**	6,581,842,166	6,581,842,166
Agrarian reform	**4,967,751,671**	**-**	**4,965,609,089**	**-**	4,071,033,467	-
Auto	**1,067,436,799**	**-**	**1,067,436,799**	**-**	1,084,127,762	-
Housing	**568,900,390**	**-**	**566,275,979**	**-**	549,592,372	-
Loans to individuals for other purposes	**237,568,614**	**237,568,614**	**236,099,689**	**236,099,689**	291,255,302	291,255,302
Sinking fund	**7,061,837**	**7,061,837**	**7,061,837**	**7,061,837**	7,083,300	7,083,300
Security deposits*	**15,637,839**	**15,637,839**	**15,637,839**	**15,637,839**	15,637,839	15,637,839
	₱24,867,908,533	**₱13,186,920,343**	**₱24,783,281,189**	**₱13,107,973,460**	₱25,346,739,763	₱13,964,394,495

** Presented under Other Assets account*

Collateral and Other Credit Enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collateral obtained are as follows:

- Due from other banks is insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum of ₱500,000 for every depositor per grouping institution;

- The Group has established a loan product to lend to small farmers who may have no access to formal credit institutions because the land they are tilling are small and are not covered by a guarantee or surety to be executed in favor of the Group by the Agricultural Guarantee Fund Pool (AGFP).

Borrower Risk Rating (BRR) Disclosure

The Group also established an Internal Credit Risk Rating System (ICRRS), which is a loan review and loan loss provisioning system that clearly sets forth the criteria for uniformly classifying loans. ICRRS has three (3) components, namely:

- the BRR which requires an assessment of the creditworthiness of the borrower, focusing on the outlook for loan repayment without considering the type or amount of the facility, or its security arrangements. The criteria to be assessed here are those which have a direct bearing on the borrower's long-term chances of survival and the factors directly to these. Although the borrower's financial condition is evaluated on the basis of the past three (3) years' historical financial statements, this is primarily to determine any trend in the entity's financial condition going forward, and how it will impact the borrower's future solvency, or debt-service capabilities. The BRR is determined by focusing on the borrower's credit quality based on factors such as the borrower's: (a) stability, (b) access to financial markets, (c) ability to service debt, (d) financial position strength, and (e) external rating by agencies, where applicable;

- the Facility Risk Factor (FRF) which is determined for each individual facility, taking into account the different security arrangements, or risk influencing factors, to allow a more precise depiction of risk. FRF is determined based on security arrangements supporting the facility. Since the FRF focuses on the quality and quantity of the collateral cover applicable to the underlying facility, independent of borrower quality, the FRF can upgrade the BRR on the basis of the facility's collateral position, or can downgrade it due to risk-enhancing features; and

- the Adjusted Borrower Risk Rating (ABRR) which is the result of the combination of the BRR and FRF.

Risk Concentration

Credit risk can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Credit risk is managed through a continuing review of credit policies, systems and procedures.

Credit Quality Per Class of Financial Assets

The credit quality of the Group's Due from BSP and other banks, investments at amortized cost, sinking fund and security deposits are based on the nature of the counterparty and internal rating system.

Loans are secured either by real estate, chattel, or other assets (see Note 9).

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

The Group's bases in grading its financial assets are as follows:

- *High Grade*
  These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable).
- *Standard Grade*
  These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.
- *Substandard Grade*
  These are receivables that can be collected provided a persistent effort to collect them is made.

The tables below show the credit quality by class of financial assets (gross of credit and impairment losses and unearned discount) based on the Group's credit rating:

	December 31, 2022					
	Neither Past Due nor Individually Impaired					
Consolidated	**High Grade**	**Standard Grade**	**Substandard**	**Unrated**	**Past Due or Impaired**	**Total**
Due from BSP	**₱1,661,529,879**	**₱-**	**₱-**	**₱-**	**₱-**	**₱1,661,529,879**
Due from other banks	**681,424,192**	**-**	**-**	**-**	**-**	**681,424,192**
Interbank loan receivables	**1,227,250,613**	**-**	**-**	**-**	**-**	**1,227,250,613**
Investments at amortized cost	**32,264,358**	**-**	**-**	**-**	**-**	**32,264,358**
Financial assets at FVOCI	**3,530,120,384**	**-**	**-**	**-**	**-**	**3,530,120,384**
Loans and receivables	**20,112,915,285**	**-**	**-**	**-**	**2,181,007,058**	**22,293,922,343**
Sinking fund	**7,211,680**	**-**	**-**	**-**	**-**	**7,211,680**
Security deposit*	**15,637,839**	**-**	**-**	**-**	**-**	**15,637,839**
	₱27,268,354,230	**₱-**	**₱-**	**₱-**	**₱2,181,007,058**	**₱29,449,361,288**

Separate	December 31, 2022 Neither Past Due nor Individually Impaired High Grade	Standard Grade	Substandard	Unrated	Past Due or Impaired	Total
Due from BSP	**₱1,659,243,931**	**₱-**	**₱-**	**₱-**	**₱-**	**₱1,659,243,931**
Due from other banks	**634,875,509**	**-**	**-**	**-**	**-**	**634,875,509**
Interbank loan receivables	**1,227,250,613**	**-**	**-**	**-**	**-**	**1,227,250,613**
Investments at amortized cost	**29,288,536**	**-**	**-**	**-**	**-**	**29,288,536**
Financial assets at FVOCI	**3,530,120,384**	**-**	**-**	**-**	**-**	**3,530,120,384**
Loans and receivables	**20,082,747,683**	**-**	**-**	**-**	**2,178,357,770**	**22,261,105,453**
Sinking fund	**7,061,837**	**-**	**-**	**-**	**-**	**7,061,837**
Security deposit*	**15,637,839**	**-**	**-**	**-**	**-**	**15,637,839**
	₱27,186,226,332	**₱-**	**₱-**	**₱-**	**₱2,178,357,770**	**₱29,364,584,102**

** Presented under Other Assets account*

Individual	December 31, 2021 Neither Past Due nor Individually Impaired High Grade	Standard Grade	Substandard	Unrated	Past Due or Impaired	Total
Due from BSP	₱2,459,474,236	₱-	₱-	₱-	₱-	₱2,459,474,236
Due from other banks	877,290,088	-	-	-	-	877,290,088
Interbank loan receivables	847,000,614	-	-	-	-	847,000,614
Investments at amortized cost	2,884,810,950	-	-	-	-	2,884,810,950
Loans and receivables	17,199,088,360	-	-	-	1,580,290,895	18,779,379,255
Sinking fund	7,083,000	-	-	-	-	7,083,000
Security deposit*	15,637,839	-	-	-	-	15,637,839
	₱24,290,385,087	₱-	₱-	₱-	₱1,580,290,895	₱25,870,675,982

** Presented under Other Assets account*

The table below shows the aging analysis of the Group on loans and receivables:

Consolidated	December 31, 2022 Current	Number of days past due 1-30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
Loans:							
Small and medium-sized entity loans	**₱4,196,540,472**	**₱48,715,546**	**₱214,999,850**	**₱78,265,590**	**₱514,160,754**	**₱24,217,118**	**₱5,076,899,330**
Salary loans	**7,641,478,799**	**786,421,149**	**317,060,904**	**42,036,039**	**115,951,560**	**421,234,560**	**9,324,183,011**
Agrarian reform loans	**2,657,777,764**	**1,751,214,754**	**49,112,856**	**2,656,667**	**209,538,443**	**297,451,187**	**4,967,751,671**
Housing loans	**485,063,800**	**14,547,669**	**2,149,617**	**1,556,252**	**12,341,369**	**53,241,683**	**568,900,390**
Auto loans	**1,039,808,292**	**2,239,472**	**1,520,620**	**850,240**	**9,819,121**	**13,199,054**	**1,067,436,799**
Loans to individuals for other purposes	**237,568,614**	**-**	**-**	**-**	**-**	**-**	**237,568,614**
Other receivables:							
Accounts receivable	**704,805,837**	**-**	**-**	**-**	**-**	**-**	**704,805,837**
Sales contracts receivable	**78,172,046**	**-**	**-**	**-**	**-**	**-**	**78,172,046**
Accrued interest receivable	**268,378,196**	**-**	**-**	**-**	**-**	**-**	**268,378,196**
	₱17,309,593,820	**₱2,603,138,590**	**₱584,843,847**	**₱125,364,788**	**₱861,811,247**	**₱809,343,602**	**₱22,294,095,894**

December 31, 2022							
		Number of days past due					
Separate	**Current**	**1-30 days**	**31-60 days**	**61-90 days**	**91-180 days**	**Over 180 days**	**Total**
Loans:							
Small and medium-sized entity loans	**₱4,194,605,847**	**₱48,715,546**	**₱214,999,850**	**₱79,734,515**	**₱513,712,986**	**₱24,217,118**	**₱5,075,985,862**
Salary loans	**7,616,887,414**	**786,421,149**	**317,040,185**	**42,036,039**	**115,951,560**	**420,179,159**	**9,298,515,506**
Agrarian reform loans	**2,656,760,583**	**1,751,214,754**	**49,112,856**	**2,631,667**	**208,599,567**	**297,289,661**	**4,965,609,089**
Housing loans	**482,439,389**	**14,547,669**	**2,149,617**	**1,556,252**	**13,396,770**	**52,186,282**	**566,275,979**
Auto loans	**1,039,808,292**	**2,239,472**	**1,520,620**	**850,240**	**9,819,121**	**13,199,054**	**1,067,436,799**
Loans to individuals for other purposes	**236,099,689**	**-**	**-**	**-**	**-**	**-**	**236,099,689**
Other receivables:							
Accounts receivable	**704,805,837**	**-**	**-**	**-**	**-**	**-**	**704,805,837**
Sales contracts receivable	**78,172,046**	**-**	**-**	**-**	**-**	**-**	**78,172,046**
Accrued interest receivable	**268,204,645**	**-**	**-**	**-**	**-**	**-**	**268,204,645**
	₱17,277,783,742	**₱2,603,138,590**	**₱584,823,128**	**₱126,808,713**	**₱861,480,004**	**₱807,071,274**	**₱22,261,105,452**

December 31, 2021							
		Number of days past due					
Individual	Current	1-30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
Loans:							
Small and medium-sized entity loans	₱4,612,956,975	₱2,529,368	₱176,598,907	₱301,179,626	₱459,714,194	₱124,612,597	₱5,677,591,667
Salary loans	6,235,288,816	70,913,243	82,296,431	9,418,087	88,812,462	95,113,127	6,581,842,166
Agrarian reform loans	2,584,358,504	1,238,415,998	50,991,346	23,481,521	114,312,335	59,473,763	4,071,033,467
Housing loans	450,741,232	27,718,835	20,729,831	1,233,724	1,714,613	47,454,137	549,592,372
Auto loans	1,045,424,568	21,178,471	824,640	1,190,426	2,683,115	12,826,542	1,084,127,762
Loans to individuals for other purposes	291,255,302	-	-	-	-	-	291,255,302
Other receivables:							
Accounts receivable	236,963,640	-	-	-	-	-	236,963,640
Sales contracts receivable	104,104,008	-	-	-	-	-	104,104,008
Accrued interest receivable	182,868,871	-	-	-	-	-	182,868,871
	₱15,743,961,916	₱1,360,755,915	₱331,441,155	₱336,503,384	₱667,236,719	₱339,480,166	₱18,779,379,255

Liquidity Risk

Liquidity risk is the risk from inability to meet obligations when they become due because of inability to liquidate assets or obtain adequate funding. The Group ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements.

Management of Liquidity Risk

The Group mitigates liquidity risk through its Asset and Liability Committee (ALCO) and Treasury Management Unit, who ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. The amount and the sources of funds (such as secondary liquidity reserves, unused credit lines and rediscounting lines) that are available to the Group and the circumstances under which the Group may use those funds are determined on a weekly basis. The Group requires all branches to maintain liquid assets to total deposits/other liabilities ratio of at least 20% or 15% liquidity reserves, net of legal reserves.

The Group's liquidity, cash and reserves positions are monitored on a daily basis. The Group maintains sufficient liquidity reserves in the form of high-yielding placements with the BSP, deposits with other banks and investments in government securities (GS). The Group also has obtained sufficient liquidity lines from other banks and non-banking lending institutions that can relieve financial pressures in the event of an extraordinary demand for liquidity. Further, the Group actively rediscounts loans with many entities that have given it more than sufficient rediscounting lines.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Group's financial liabilities as at December 31, 2022 and 2021 based on contractual undiscounted repayment obligations.

	December 31, 2022					
Consolidated	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**₱3,646,408,688**	**₱-**	**₱-**	**₱-**	**₱-**	**₱3,646,408,688**
Savings	**11,637,531,633**	**-**	**-**	**-**	**-**	**11,637,531,633**
Time	**1,130,327,766**	**1,459,631,499**	**1,888,710,055**	**2,173,886,357**	**-**	**6,652,555,677**
Bills payable	**-**	**-**	**4,700,000,000**	**1,566,666,667**	**42,819,252**	**6,309,485,919**
Accrued interest, taxes and other payables*	**-**	**185,482,854**	**-**	**-**	**-**	**185,482,854**
Other liabilities**	**224,196,932**	**-**	**-**	**-**	**-**	**224,196,932**
Total undiscounted financial liabilities	**₱16,638,465,019**	**₱1,645,114,353**	**₱6,588,710,055**	**₱3,740,553,024**	**₱42,819,252**	**₱28,655,661,703**

**Amounts include accrued interest payable, accrued taxes and licenses and accrued other expenses*
***Amounts exclude withholding tax payable*

	December 31, 2022					
Separate	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**₱3,646,408,688**	**₱-**	**₱-**	**₱-**	**₱-**	**₱3,646,408,688**
Savings	**11,562,822,323**	**-**	**-**	**-**	**-**	**11,562,822,323**
Time	**1,148,929,750**	**1,459,117,657**	**1,888,045,163**	**2,154,127,860**	**-**	**6,650,220,430**
Bills payable	**-**	**-**	**4,700,000,000**	**1,566,666,667**	**42,819,252**	**6,309,485,919**
Accrued interest, taxes and other payables*	**-**	**185,053,105**	**-**	**-**	**-**	**185,053,105**
Other liabilities**	**224,095,370**	**-**	**-**	**-**	**-**	**224,095,370**
Total undiscounted financial liabilities	**₱16,582,256,131**	**₱1,644,170,762**	**₱6,588,045,163**	**₱3,720,794,527**	**₱42,819,252**	**₱28,578,085,835**

**Amounts include accrued interest payable, accrued taxes and licenses and accrued other expenses*
***Amounts exclude withholding tax payable*

	December 31, 2021					
Individual	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	₱2,955,662,236	₱-	₱-	₱-	₱-	₱2,955,662,236
Savings	10,288,777,349	-	-	-	-	10,288,777,349
Time	1,213,449,965	1,532,389,755	1,982,856,592	2,262,301,065	-	6,990,997,377
Bills payable	-	-	1,500,000,000	-	3,042,819,252	4,542,819,252
Accrued interest, taxes and other payables*	-	179,609,886	-	-	-	179,609,886
Other liabilities**	495,343,675	-	-	-	-	495,343,675
Total undiscounted financial liabilities	₱14,953,233,225	₱1,711,999,641	₱3,482,856,592	₱2,262,301,065	₱3,042,819,252	₱25,453,209,775

**Amounts include accrued interest payable, accrued taxes and licenses and accrued other expenses*
***Amounts exclude withholding tax payable*

The tables below show the contractual expiry by maturity of the Group's contingent liabilities:

	December 31, 2022				
Consolidated	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Contingent liabilities	**₱-**	**₱21,393,487**	**₱-**	**₱-**	**₱21,393,487**

Separate	On Demand	December 31, 2022 Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Contingent liabilities	₱-	₱21,393,487	₱-	₱-	₱21,393,487

Individual	On Demand	December 31, 2021 Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Contingent liabilities	₱-	₱1,988,657	₱-	₱-	₱1,988,657

Market Risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes. The Group's market risk is manageable within conservative bounds.

As at December 31, 2022 and 2021, the Group has not engaged in trading financial instruments.

Interest Rate Risk

Interest rate risk is the risk to earning or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a financial instrument in the current interest environment and the sensitivity of that value to changes in interest rates.

The Group mitigates interest rate risk (risk of loss or the risk of reduction in income due to changes in the interest rate environment) through the ALCO. The Group also monitors and measures the interest rate risk using an interest rate gap analysis. The gap analysis measures, for any given period, any mismatch between the amounts of interest-bearing assets and interest-bearing liabilities, which would mature or reprice during the period.

Interest rate risk is also addressed by the Group by setting prudential limits on short-term loans vis-à-vis medium-term loans (maximum limit of 30% of total outstanding loans receivable). Short-term loans allow the Group to adjust loan pricing quickly should interest rates move up with respect to its sources of funds. Medium-term loans, on the other hand, are generally repriced periodically. In cases of medium-term loan whose interest rates are fixed, the interest rate generally provides sufficient cushion in terms of spread over sourcing rates.

The Group also maintains a very large portion of its deposit base in short-term deposits. The interest rates on savings and time deposits are set by reference to prevailing market rates being quoted by the commercial banks. Demand deposits are generally non-interest bearing.

The Group also makes an extensive use of rediscounting funds, the interest rates on which are generally fixed for the entire term, thus assuring that the interest spread of the Group is maintained at all times.

The Group closely monitors the movements of interest rates in the market and reviews its asset-liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's results of operations:

Consolidated Currency	**December 31, 2022** **Changes in Interest Rates (In Basis Points)**	 **Sensitivity of Net Interest Income (In Millions)**
PHP	+100	**₱2.15**
PHP	-100	**(2.15)**

Separate	**December 31, 2022**	
Currency	**Changes in Interest Rates (In Basis Points)**	**Sensitivity of Net Interest Income (In Millions)**
PHP	+100	**₱2.15**
PHP	-100	**(2.15)**

Individual	December 31, 2021	
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)
PHP	+100	₱2.03
PHP	-100	(2.03)

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and financial liabilities held as at December 31, 2022 and 2021.

The tables set forth the interest rate repricing gap as at December 31, 2022 and 2021, based on the reporting made to BSP.

Consolidated	**December 31, 2022**							
In Millions	**Up to 1 Month**	**1 - 3 Months**	**3 - 12 Months**	**1 - 3 Years**	**3 - 5 Years**	**Beyond 5 Years**	**Non-rate Sensitive**	**Total**
Assets								
Due from BSP	**₱1,661**	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**	**₱1,661**
Due from other Banks	**681**	**-**	**-**	**-**	**-**	**-**	**-**	**681**
Interbank loan receivables	**1,227**	**-**	**-**	**-**	**-**	**-**	**-**	**1,227**
Financial Assets at FVOCI	**-**	**-**	**-**	**-**	**-**	**-**	**3,530**	**3,530**
Loans and receivables	**1,688**	**2,569**	**4,347**	**-**	**9,673**	**2,692**	**-**	**20,969**
Accrued interest income from financial assets	**256**	**-**	**-**	**-**	**-**	**-**	**-**	**256**
	5,513	**2,569**	**4,347**	**-**	**9,673**	**2,692**	**3,530**	**28,324**
Liabilities and Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposit liabilities	**16,413**	**1,460**	**1,889**	**19**	**2,155**	**-**	**-**	**21,936**
Bills payable	**-**	**-**	**4,700**	**-**	**1566**	**43**	**-**	**6,309**
Redeemable preferred shares	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
Accrued interest expense on financial liabilities	**-**	**48**	**-**	**-**	**-**	**-**	**-**	**48**
	16,414	**1,508**	**6,589**	**19**	**3,721**	**43**	**-**	**28,294**
	(₱10,901)	**₱1,061**	**(₱2,242)**	**(₱19)**	**₱5,952**	**₱2,649**	**₱3,530**	**₱30**

Separate	**December 31, 2022**							
In Millions	**Up to 1 Month**	**1 - 3 Months**	**3 - 12 Months**	**1 - 3 Years**	**3 - 5 Years**	**Beyond 5 Years**	**Non-rate Sensitive**	**Total**
Assets								
Due from BSP	**₱1,659**	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**	**₱1,659**
Due from other Banks	**635**	**-**	**-**	**-**	**-**	**-**	**-**	**635**
Interbank loan receivables	**1,227**	**-**	**-**	**-**	**-**	**-**	**-**	**1,227**
Financial Assets at FVOCI	**-**	**-**	**-**	**-**	**-**	**-**	**3,530**	**3,530**
Loans and receivables	**1,673**	**2,565**	**4,340**	**-**	**9,673**	**2,688**	**-**	**20,939**
Accrued interest income from financial assets	**256**	**-**	**-**	**-**	**-**	**-**	**-**	**256**
	5,450	**2,565**	**4,340**	**-**	**9,673**	**2,688**	**3,530**	**28,246**
Liabilities and Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposit liabilities	**16,358**	**1,459**	**1,888**	**-**	**2,154**	**-**	**-**	**21,859**
Bills payable	**-**	**-**	**4,700**	**-**	**1566**	**43**	**-**	**6,309**
Redeemable preferred shares	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
Accrued interest expense on financial liabilities	**-**	**48**	**-**	**-**	**-**	**-**	**-**	**48**
	16,359	**1,507**	**6,588**	**-**	**3,720**	**43**	**-**	**28,217**
	(₱10,909)	**₱1,058**	**(₱2,248)**	**₱-**	**₱5,953**	**₱2,645**	**₱3,530**	**₱29**

Individual	December 31, 2021							
In Millions	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Assets								
Due from BSP	₱2,459	₱-	₱-	₱-	₱-	₱-	₱-	₱2,459
Due from other Banks	877	-	-	-	-	-	-	877
Interbank loan receivables	847	-	-	-	-	-	-	847
Loans and receivables	1,340	2,245	3,798	-	8,580	2,352	-	18,315
Accrued interest income from financial assets	170	-	-	-	-	-	-	170
	5,693	2,245	3,798	-	8,580	2,352	-	22,668
Liabilities and Equity								
Deposit liabilities	14,458	1,532	1,983	-	2,262	-	-	20,235
Bills payable	-	-	1,500	-	-	3,042	-	4,542
Redeemable preferred shares	1	-	-	-	-	-	-	1
Accrued interest expense on financial liabilities	-	47	-	-	-	-	-	47
	14,459	1,579	3,483	-	2,262	3,042	-	24,825
	(₱8,766)	₱666	₱315	₱-	₱6,318	(₱690)	₱-	(₱2,157)

Currency Risk

The Group manages its exposure to the effects of fluctuations in the foreign currency exchanges by complying with existing regulatory guidelines on the FCDU and by limiting such exposure within the limits that management believes to be relatively conservative for the size of the Group.

The Group's exposure to foreign exchange risk as at December 31, 2022 and 2021 is considered to be minimal as the Group's functional currency for FCDU is also in USD. As at December 31, 2022 and 2021, the Group's exposure amounted to $0.02 million, respectively.

Fair Value Measurement

The following table provides the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values should be disclosed:

	December 31, 2022				
Consolidated	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets for which Fair Values are disclosed					
Financial Assets:					
Loans and Receivables	**₱21,321,284,339**	**₱-**	**₱-**	**₱21,321,284,339**	**₱₱21,321,284,339**
Investment at FVOCI	**3,530,120,384**			**3,530,120,384**	**3,530,120,384**
Nonfinancial Assets:					
Investment properties	**1,727,992,736**	**-**	**-**	**1,727,992,736**	**1,727,992,736**
	₱26,579,397,459	**₱-**	**₱-**	**₱26,579,397,459**	**₱26,579,397,459**

	December 31, 2022				
Separate	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets for which Fair Values are disclosed					
Financial Assets:					
Loans and Receivables	**₱21,291,439,429**	**₱-**	**₱-**	**₱21,291,439,429**	**₱21,291,439,429**
Investment at FVOCI	**3,530,120,384**			**3,530,120,384**	**3,530,120,384**
Nonfinancial Assets:					
Investment properties	**1,727,595,024**	**-**	**-**	**1,727,595,024**	**1,727,595,024**
	₱26,549,154,837	**₱-**	**₱-**	**₱26,549,154,837**	**₱26,549,154,837**

	December 31, 2021				
Individual	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets for which Fair Values are disclosed					
Financial Assets:					
Loans and Receivables	₱18,314,973,680	₱-	₱-	₱18,314,973,680	₱18,314,973,680
Nonfinancial Assets:					
Investment properties	1,537,235,248	-	-	1,537,235,248	1,537,235,248
	₱19,852,208,928	₱-	₱-	₱19,852,208,928	₱19,852,208,928

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities follow:

Cash and Other Cash Items, Due from BSP and Other Banks
The carrying amounts approximate their fair values due to the short-term nature of these assets.

Loans and Receivables
Fair values of receivables from customers are estimated using the discounted cash flow methodology, that makes use of the Group's current incremental lending rates for similar types of loans. The carrying amounts of other receivables approximate their fair values due to their relatively short-term maturities.

Investment Properties
Fair values are based on valuations made by independent and in-house appraisers, using the market sales comparison approach. Under this approach, recent transactions for similar properties in the same areas as the investment properties were considered, taking into account the economic conditions prevailing at the time the valuations were made. Prices of recent transactions are adjusted to account for differences in a property's size, shape, location, marketability and bargaining allowances. For depreciable properties, other inputs considered in the valuations will include the age and remaining useful life of the buildings and improvements.

Financial Liabilities
Fair values of time deposits and other financial liabilities that are due to mature beyond one (1) year are estimated using the discounted cash flow methodology, using the Group's current incremental borrowing rates for similar borrowings. The carrying amounts of the savings, demand deposits and other financial liabilities approximate their fair values since these are due and demandable.

6. Due from BSP and Other Banks, and Interbank Loans Receivable

Due from BSP
This account represents demand deposit accounts (DDA), and overnight deposit facilities (ODF) and time deposit facility (TDF) of the Group with the BSP maintained to meet the reserve requirements. This also serves as a clearing account for interbank claims. Details are as follows:

	Consolidated	Separate	Individual
	2022	2022	2021
DDA	**₱121,529,878**	**₱119,243,931**	₱109,474,236
ODF and TDF	**1,540,000,000**	**1,540,000,000**	2,350,000,000
	₱1,661,529,878	**₱1,659,243,931**	₱2,459,474,236

DDA represents the deposit maintained by the Group with BSP as reserve requirement against deposit liabilities.

ODF and TDF both bear annual interest rate of 4.50% and 1.50% in 2022 and 2021, respectively.

The account also serves as the Group's clearing account for its check clearing operations as a member of the Philippine Clearing House Corporation (PCHC).

Interbank Loan Receivables
This account pertains to the Parent Bank's reverse repurchase agreements (RRP) with BSP that bear annual interest rate of 2.00% in 2022 and 2021, amounting to ₱1.23 billion and ₱0.85 billion as at December 31, 2022 and 2021, respectively.

Due from Other Banks
This account represents funds deposited with domestic banks which are used by the Group as part of its operating funds. Details are as follows:

	Consolidated	Separate	Individual
	2022	2022	2021
Demand	**₱376,919,733**	**₱376,919,733**	₱395,645,754
Savings	**206,168,124**	**202,054,005**	374,314,820
Time deposits	**98,336,336**	**55,901,771**	107,329,514
	₱681,424,193	**₱634,875,509**	₱877,290,088

Savings account earns interest ranging from 0.25% to 0.75% per annum in 2022 and 2021 while time deposits earn interest ranging from 0.75% to 2.50% per annum in 2022 and 2021.

The savings and time deposits account includes dollar-denominated deposits amounting to $0.28 million and $0.59 million as at December 31, 2022 and 2021, respectively.

Details of interest income earned on due from BSP, interbank loans receivable and other banks follows:

	Consolidated	Separate	Individual
	2022	2022	2021
Due from BSP and interbank loans receivable	**₱49,955,851**	**₱49,934,499**	₱35,092,416
Due from other banks	**2,873,746**	**2,438,965**	2,763,116
	₱52,829,597	**₱52,373,464**	₱37,855,532

7. Investments at Amortized Cost

This account consists of:

	Consolidated	Separate	Individual
	2022	**2022**	2021
Government securities	**₱31,494,927**	**₱28,519,105**	₱2,883,880,201
Other debt securities	**769,431**	**769,431**	930,749
	₱32,264,358	**₱29,288,536**	₱2,884,810,950

Government securities pertain to investments held by the Bureau of Treasury under the Registry of Scripless Securities.

Investments of the Group bear annual interest rates ranging from 2.00% to 6.87% in 2022 and 2021. The Group earned interest amounting to ₱161.56 million in 2022. The Parent level, interest earned amounted to ₱161.39 million and ₱29.13 million in 2022 and 2021, respectively.

The Bank's loss (gain) on sale of investments at amortized cost amounted to ₱3.37 million and (₱0.05 million) as at December 31, 2022 and 2021, respectively.

In 2022, the Bank reclassified its investments previously recognized as investment in amortized cost to investment at FVOCI amounting to P2.53 billion.

8. Financial Assets at FVOCI

This account pertains to investments in various financial institution with the fund value amounting to the following:

	Consolidated	Separate	Individual
	2022	**2022**	2021
Land Bank of the Philippines	**₱1,606,609,999**	**₱1,606,609,999**	₱-
Philippine Bank of Communications	**1,498,816,345**	**1,498,816,345**	-
First Metro Investment Corporation	**224,524,801**	**224,524,801**	-
Unionbank of the Philippines	**151,675,775**	**151,675,775**	-
Philippine Deposit Insurance Corporation	**37,299,599**	**37,299,599**	-
Bank of the Philippine Islands	**5,359,528**	**5,359,528**	-
Bank of Commerce	**4,943,005**	**4,943,005**	-
China Bank	**891,332**	**891,332**	-
	₱3,530,120,384	**₱3,530,120,384**	₱-

The interest rate ranges from 2.38% to 6.86% per annum with maturity of one (1) year to 15 years.

During the year, the Bank recognized unrealized loss in other comprehensive loss amounting to ₱322.03 million.

9. **Loans and Receivables, Net**

This account consists of:

	Note	**Consolidated 2022**	**Separate 2022**	Individual 2021
Loans:				
Small and medium-sized entity loans		**₱5,076,899,330**	**₱5,075,985,862**	₱5,677,591,667
Salary loans		**9,324,183,011**	**9,298,515,506**	6,581,842,166
Agrarian reform loans		**4,967,751,671**	**4,965,609,089**	4,071,033,467
Housing loans		**568,900,390**	**566,275,979**	549,592,372
Auto loans		**1,067,436,799**	**1,067,436,799**	1,084,127,762
Loans to individuals for other purposes		**237,568,614**	**236,099,690**	291,255,302
		21,242,739,815	**21,209,922,925**	18,255,442,736
Less: Unearned discounts		**30,749,703**	**30,666,747**	32,329,895
		₱21,211,990,112	**₱21,179,256,178**	₱18,223,112,841
Other Receivables:				
Accounts receivable		**704,805,837**	**704,805,837**	236,963,640
Sales contracts receivable		**78,172,046**	**78,172,046**	104,104,008
Accrued interest receivable		**268,204,645**	**268,204,645**	182,868,871
		1,051,182,528	**1,051,182,528**	523,936,519
		22,263,172,640	**22,230,438,706**	18,747,049,360
Less: Allowance for probable losses	*16*	**941,888,301**	**938,999,277**	432,075,680
		₱21,321,284,339	**₱21,291,439,429**	₱18,314,973,680

Sales contracts receivable refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dacion in payment and subsequently sold on installment basis whereby the title to the said properties is transferred to the buyer only upon full payment of the agreed selling price.

The Group and Parent's small and medium-sized entity loans with total amount of ₱5.08 billion and ₱5.67 billion, respectively, are part of the compliance with the reserve requirement of BSP as at December 31, 2022 and 2021.

Details of interest income earned on loans and receivables follow:

	Consolidated 2022	**Separate 2022**	Individual 2021
Loans	**₱2,050,370,142**	**₱2,046,387,537**	₱1,687,892,617
Sales contracts receivable	**6,353,160**	**6,353,160**	4,776,683
	₱2,056,723,302	**₱2,052,740,697**	₱1,692,669,300

10. **Noncurrent Assets Held for Sale**

As at December 31, 2022 and 2021, these noncurrent assets were stated at carrying amount and comprised the following:

	Note	**Consolidated 2022**	**Separate 2022**	Individual 2021
Balance at beginning of year		**₱155,025,113**	**₱155,025,113**	₱23,883,926
Transfers*	*12*	**53,737,341**	**53,737,341**	155,025,113
Disposals		**(155,025,113)**	**(155,025,113)**	(23,883,926)
Balance at end of year		**₱53,737,341**	**₱53,737,341**	₱155,025,113

**Pertains to the investment properties transferred to noncurrent asset held for sale*

The Group disposed its noncurrent assets with a carrying amount of of ₱155.03 million and recognized gain on sale amounting to of ₱36.72 million as at December 31, 2022. The Parent's Bank disposed its noncurrent assets with a carrying amount of ₱155.03 million and ₱23.88 million as at December 31, 2022 and 2021, respectively and recognized gain on sale amounting to ₱36.67 million and ₱143.28 million, respectively (see Note 12).

11. Property and Equipment, Net

Details on the movement of this account follow:

	2022			
Consolidated	**Bank Premises, Furniture and Fixtures**	**Equipment**	**Leasehold Improvements**	**Total**
Cost				
Balance at January 1	**₱902,051,432**	**₱599,731,149**	**₱320,643,799**	**₱1,822,426,380**
Additions	**8,499,913**	**44,846,888**	**34,912,396**	**88,259,197**
Disposals	**(60,228)**	**(326,100)**	**-**	**(386,328)**
Other adjustments	**12,392,984**	**10,298,370**	**757,624**	**23,448,978**
Balance at December 31	**922,884,101**	**654,550,307**	**356,313,819**	**1,933,748,227**
Accumulated Depreciation and Amortization				
Balance at January 1	**310,616,871**	**418,441,530**	**194,957,332**	**924,015,733**
Depreciation and amortization	**18,331,826**	**57,920,860**	**28,662,452**	**104,915,138**
Disposals	**(60,228)**	**(326,100)**	**-**	**(386,328)**
Balance at December 31	**328,888,469**	**476,036,290**	**223,619,784**	**1,028,544,543**
Net Book Value at December 31	**₱593,995,632**	**₱178,514,017**	**₱132,694,035**	**₱905,203,684**

	2022			
Separate	**Bank Premises, Furniture and Fixtures**	**Equipment**	**Leasehold Improvements**	**Total**
Cost				
Balance at January 1	**₱900,169,098**	**₱596,893,833**	**₱320,643,799**	**₱1,817,706,730**
Additions	**8,499,913**	**44,846,888**	**34,912,396**	**88,259,197**
Other adjustments	**12,392,984**	**10,298,370**	**757,624**	**23,448,978**
Balance at December 31	**921,061,995**	**652,039,091**	**356,313,819**	**1,929,414,905**
Accumulated Depreciation and Amortization				
Balance at January 1	**309,182,346**	**417,144,825**	**194,957,332**	**921,284,503**
Depreciation and amortization	**18,271,292**	**57,533,304**	**28,662,452**	**104,467,048**
Balance at December 31	**327,453,638**	**474,678,129**	**223,619,784**	**1,025,751,551**
Net Book Value at December 31	**₱593,608,357**	**₱177,360,962**	**₱132,694,035**	**₱903,663,354**

Individual	2021 Bank Premises, Furniture and Fixtures	Equipment	Leasehold Improvements	Total
Cost				
Balance at January 1	₱785,897,116	₱554,030,082	₱277,830,568	₱1,617,757,766
Additions	114,271,982	42,863,751	42,813,231	199,948,964
Balance at December 31	900,169,098	596,893,833	320,643,799	1,817,706,730
Accumulated Depreciation and Amortization				
Balance at January 1	283,159,804	365,005,292	173,049,972	821,215,068
Depreciation and amortization	20,624,465	52,766,294	24,925,530	98,316,289
Other adjustments	5,398,077	(626,761)	(3,018,170)	1,753,146
Balance at December 31	309,182,346	417,144,825	194,957,332	921,284,503
Net Book Value at December 31	₱590,986,752	₱179,749,008	₱125,686,467	₱896,422,227

As at December 31, 2022 and 2021, the cost of fully-depreciated property and equipment still in use amounted to ₱1.39 billion.

As per Section 109 of the MORB, the total investment of the Group in real estate and improvements, thereon, including bank equipment, shall not exceed 50% of the Group's net worth. The Group is in compliant with aforementioned investment limit as at December 31, 2022 and 2021.

12. Investment Properties, Net

The movement in investment properties follows:

Consolidated	**2022** **Land**	**Building**	**Total**
Cost			
Balance as at January 1	**₱1,175,170,257**	**₱631,228,314**	**₱1,806,398,571**
Additions	**370,639,353**	**239,581,596**	**610,220,949**
Transfers and other adjustments	**(186,847,071)**	**(201,427,719)**	**(388,274,790)**
Disposals	**(28,072,471)**	**(10,614,931)**	**(38,687,402)**
Balance as at December 31	**1,330,890,068**	**658,767,260**	**1,989,657,328**
Accumulated Depreciation			
Balance as at January 1	**-**	**197,852,514**	**197,852,514**
Depreciation	**-**	**42,732,866**	**42,732,866**
Reclassification	**-**	**(4,068,304)**	**(4,068,304)**
Disposals	**-**	**(6,026,267)**	**(6,026,267)**
Balance as at December 31	**-**	**230,490,809**	**230,490,809**

Forward

Consolidated	**2022** **Land**	**Building**	**Total**
Allowance for Impairment Losses			
Balance as at January 1 and December 31	**₱-**	**₱31,173,782**	**₱31,173,782**
Net Carrying Amount	**₱1,330,890,068**	**₱397,102,669**	**₱1,727,992,737**

Separate	2022 Land	 Building	 Total
Cost			
Balance as at January 1	**₱1,175,061,880**	**₱631,226,202**	**₱1,806,288,082**
Additions	**370,507,830**	**239,416,120**	**609,923,950**
Transfers and other adjustments	**(186,847,071)**	**(201,427,719)**	**(388,274,790)**
Disposals	**(28,072,471)**	**(10,614,931)**	**(38,687,402)**
Balance as at December 31	**1,330,650,168**	**658,599,672**	**1,989,249,840**
Accumulated Depreciation			
Balance as at January 1	**-**	**197,851,534**	**197,851,534**
Depreciation	**-**	**42,724,071**	**42,724,071**
Reclassification	**-**	**(4,068,304)**	**(4,068,304)**
Disposals	**-**	**(6,026,267)**	**(6,026,267)**
Balance as at December 31	**-**	**230,481,034**	**230,481,034**
Allowance for Impairment Losses			
Balance as at January 1 and December 31	**-**	**31,173,782**	**31,173,782**
Net Carrying Amount	**₱1,330,650,168**	**₱396,944,856**	**₱1,727,595,024**

Individual	2021 Land	 Building	 Total
Cost			
Balance as at January 1	₱1,157,055,879	₱566,630,907	₱1,723,686,786
Additions	226,649,438	29,776,895	256,426,333
Disposals	(98,844,208)	-	(98,844,208)
Transfers and other adjustments	(109,799,229)	34,818,400	(74,980,829)
Balance as at December 31	1,175,061,880	631,226,202	1,806,288,082
Accumulated Depreciation			
Balance as at January 1	-	166,958,428	166,958,428
Depreciation	-	37,230,066	37,230,066
Transfers and other adjustments	-	(6,336,960)	(6,336,960)
Balance as at December 31	-	197,851,534	197,851,534
Allowance for Impairment Losses			
Balance as at January 1 and December 31	21,360,390	49,840,910	71,201,300
Net Carrying Amount	₱1,153,701,490	₱383,533,758	₱1,537,235,248

The fair values of the Group's investment properties have been determined by BSP-accredited appraisers or in-house appraisers on the basis of recent sales of similar property in the same area as the investment property and are therefore within Level 3 of the fair value hierarchy. In compliance with pertinent BSP rules, the appraisals of individual real estate properties with a carrying amount of loan of more than 5.00 million were conducted by independent appraisers acceptable to the BSP. The fair value of investment properties approximates the carrying value as at December 31, 2022 and 2021.

Details on gain on assets foreclosed and sold are as follow:

	Note	**Consolidated** **2022**	**Separate** **2022**	Individual 2021
Gain on foreclosure of investment properties		**₱75,077,474**	**₱75,077,474**	₱80,044,284
Gain on sale of noncurrent assets held for sale and investment properties	*10*	**36,721,869**	**36,671,240**	143,276,878
		₱111,799,343	**₱111,748,714**	₱223,321,162

Direct operating expenses other than depreciation expense and impairment losses on investment properties amounting to ₱10.28 million and ₱8.68 million in 2022 and 2021, respectively, are recorded under the "Litigation and assets acquired expenses" account in the statements of income.

13. **Sinking Fund**

In 2007, the Group placed two (2) sinking fund accounts equivalent to the present value of its liability for the redemption of its issued Preferred "A" and Preferred "B" shares of stocks with Land Bank of the Philippines Trust Banking Group.

The Group has outstanding sinking fund accounts amounting to ₱7.06 million as at December 31, 2022. The Parent Bank has outstanding sinking fund accounts amounting to ₱7.06 million ₱7.08 million as at December 31, 2022 and 2021, respectively.

14. **Intangible Assets, Net**

This account consists of:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Software costs	**₱27,576,286**	**₱27,567,953**	₱49,460,832
Goodwill	**103,913,930**	**100,379,430**	65,531,728
	₱131,490,216	**₱127,947,383**	₱114,992,560

Software Costs

Software costs include costs incurred relative to the acquisition of software licenses for the Group's computerized banking services. The initial software license cost of the Finacle System is amortized on a straight-line basis over 10 years.

Movement in software costs follows:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Cost			
Balance as at January 1	**₱138,036,684**	**₱137,461,665**	₱131,530,561
Additions	**487,500**	**487,500**	5,931,104
Disposals	**(22,796,897)**	**(22,796,897)**	-
Balance as at December 31	**115,727,287**	**115,152,268**	137,461,665
Accumulated Amortization			
Balance as at January 1	**88,563,519**	**88,000,833**	73,587,641
Amortization	**16,865,041**	**16,861,041**	14,315,066
Disposals	**(17,277,559)**	**(17,277,559)**	98,126
Balance as at December 31	**88,151,001**	**87,584,315**	88,000,833
Net Book Value	**₱27,576,286**	**₱27,567,953**	₱49,460,832

The Group recognized direct write off of intangible assets pertaining to software amounting to ₱5.52 million as at December 31, 2022.

Goodwill

Movement in goodwill follows:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Cost			
Balance as at January 1	**₱65,531,728**	**₱65,531,728**	₱55,469,219
Adjustment	**38,382,202**	**34,847,702**	10,062,509
Balance as at December 31	**₱103,913,930**	**₱100,379,430**	₱65,531,728

The goodwill acquired from the consolidation represents the excess of the acquisition cost over the fair market value of the net identifiable assets, liabilities and contingent liabilities acquired.

On August 16, 2022, the Group purchased 100% of the total outstanding shares of Countryside Rural Bank of Palauig (Zambales), Inc. with a total purchase price of ₱11.00 million. Relative fair value of the identifiable assets and liabilities of the acquired subsidiaries are as follow:

	2022		
	Asset	**Liabilities**	**Net Asset**
Countryside Rural Bank of Palauig (Zambales), Inc.	₱86,173,185	₱77,600,021	₱8,573,164

Goodwill Impairment

The methods used in the annual impairment test of goodwill are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

The Group assesses at each financial reporting date whether there is an indication that the goodwill is impaired and believes that there is no such indication as of December 31, 2022 and 2021.

15. Other Assets

This account consists of:

		Consolidated	**Separate**	Individual
	Note	**2022**	**2022**	2021
Stationery and supplies on hand		**₱18,284,470**	**₱17,887,001**	₱22,824,935
Security deposits		**4,659,340**	**4,659,340**	4,659,340
Prepayments		**2,096,886**	**2,089,726**	6,933,989
Petty cash fund		**1,216,000**	**1,213,000**	1,164,000
Retirement benefit asset	*25*	**-**	**-**	26,587,595
Miscellaneous assets		**118,878,355**	**118,426,395**	15,765,678
		145,135,051	**144,275,462**	77,935,537
Less: Allowance for losses		**-**	**-**	-
		₱145,135,051	**₱144,275,462**	₱77,935,537

Prepayments include prepaid insurance, legal fees, and other expenses.

Miscellaneous assets include security non-refundable fees paid in 2010 to PCHC. PCHC provides, maintains and renders check clearing service to the Group.

16. Allowance for Probable Losses

Details on the movement of this account is summarized as follows:

	2022			
Consolidated	**Loans and Receivables (Note 9)**	**Investment Properties (Note 12)**	**Other Assets (Note 15)**	**Total**
Balance, January 1	**₱434,964,704**	**₱71,201,300**	**₱-**	**₱506,166,004**
Adjustment from merger	**635,938,015**	**(40,027,518)**	**-**	**595,910,497**
Provisions taken up to profit or loss	**99,801,714**	**-**	**-**	**99,801,714**
Accounts written-off, disposals, transfers and others	**(228,816,132)**	**-**	**-**	**(228,816,132)**
Balance, December 31	**₱941,888,301**	**₱31,173,782**	**₱-**	**₱973,062,083**

	2022			
Separate	**Loans and Receivables (Note 9)**	**Investment Properties (Note 12)**	**Other Assets (Note 15)**	**Total**
Balance, January 1	**₱432,075,680**	**₱71,201,300**	**₱-**	**₱503,276,980**
Adjustment from merger	**635,938,015**	**(40,027,518)**	**-**	**595,910,497**
Provisions taken up to profit or loss	**99,801,714**	**-**	**-**	**99,801,714**
Accounts written-off, disposals, transfers and others	**(228,816,132)**	**-**	**-**	**(228,816,132)**
Balance, December 31	**₱938,999,277**	**₱31,173,782**	**₱-**	**₱970,173,059**

	2021			
Individual	Loans and Receivables (Note 9)	Investment Properties (Note 12)	Other Assets (Note 15)	Total
Balance, January 1	₱806,568,830	₱75,212,624	₱27,319,301	₱909,100,755
Adjustment from merger	(310,248,916)	(4,011,324)	(27,319,301)	(341,579,541)
Provisions taken up to profit or loss	79,701,547	-	-	79,701,547
Accounts written-off, disposals, transfers and others	(143,945,781)	-	-	(143,945,781)
Balance, December 31	₱432,075,680	₱71,201,300	₱-	₱503,276,980

17. Deposit Liabilities

This account consists of:

	Consolidated 2022	**Separate 2022**	Individual 2021
Demand	**₱3,646,408,688**	**₱3,646,408,688**	₱2,955,662,236
Savings	**11,637,531,633**	**11,562,822,323**	10,288,777,349
Time	**6,652,555,677**	**6,650,220,430**	6,990,997,377
	₱21,936,495,998	**₱21,859,451,441**	₱20,235,436,962

Savings deposit liabilities bear annual fixed interest rate of 0.25% in 2022 and 2021. Time deposit liabilities bear fixed interest rates ranging from to 0.50% to 6.00% in 2022 and 2021. Foreign currency-denominated deposits are subject to annual interest rates ranging 0.25% to 0.50% in 2022 and 2021.

In 2020, BSP Circular No. 1092 was issued reducing the reserve requirements against deposit and deposit substitute liabilities to 2%. The Group complied with the reserve requirements as of December 31, 2020 under the guidance of BSP Circular No. 1100, allowing peso-denominated loans that are granted to micro, small and medium enterprises as alternative compliance (see Note 6 and 9).

The Group is in compliance with such regulations as at December 31, 2022 and 2021.

Overall, the Group's total deposit liabilities increased by ₱1.70 billion or 7.75% from last year. This increase came from extensive deposit campaigns by the branches including the deposits from the newly merged banks and newly opened branches.

In 2022, savings and time deposits continue to be the primary sources of funds for the Group. Savings deposits has likewise increased by 11.02% while time deposits had a decreased of 5.12% as various depositors whose time deposits have matured have been shifted to demand and savings deposits in order to have easier access to cash in preparation for the spending (harvest) season.

Interest expense on deposit liabilities consists of:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Savings	**₱25,834,212**	**₱25,689,177**	₱20,292,834
Time	**160,389,357**	**159,646,694**	167,100,620
	₱186,223,569	**₱185,335,871**	₱187,393,454

18. Bills Payable

This account consists of borrowings from rediscounting facility availed by the Group from other banks. Details on the movement of this account is summarized as follows:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Balance, January 1	**₱4,542,819,252**	**₱4,542,819,252**	₱7,542,819,252
Availments	**4,791,666,667**	**4,791,666,667**	1,500,000,000
Payments	**(3,025,000,000)**	**(3,025,000,000)**	(4,500,000,000)
Balance, December 31	**₱6,309,485,919**	**₱6,309,485,919**	₱4,542,819,252

Interest expense incurred by the Group on bills payable amounted to ₱175.48 million and ₱124.73 million in 2022 and 2021, respectively.

Bills payable of the Group are subject to annual interest rates ranging from 2.12% to 4.00% and 1.12% to 6.00% in 2022 and 2021, respectively.

19. Accrued Interest, Taxes and Other Payables

This account consists of:

	Consolidated 2022	Separate 2022	Individual 2021
Accrued interest payable			
Bills payable	**₱16,584,657**	**₱16,584,657**	₱9,381,898
Deposit liabilities	**31,884,794**	**31,709,127**	36,940,627
	48,469,451	**48,293,784**	46,322,525
Accrued taxes and licenses payable	**27,911,578**	**27,911,578**	19,999,197
Income tax payable	**40,485,620**	**40,724,153**	99,832,633
Accrued other expenses	**163,453,145**	**163,426,498**	113,288,164
	₱280,319,794	**₱280,356,013**	₱279,442,519

Accrued other expenses pertain to provision for retirement, manager's check payable and accrual of employees' salaries and bonuses.

20. Other Liabilities

This account consists of:

	Consolidated 2022	Separate 2022	Individual 2021
Accounts payable	**₱207,546,822**	**₱207,479,081**	₱482,774,599
Documentary stamp payable	**10,141,431**	**10,141,431**	10,091,051
Withholding tax payable	**9,494,541**	**9,470,387**	5,851,024
SSS and Medicare benefits payable	**6,520,158**	**6,486,337**	2,478,025
	₱233,702,952	**₱233,577,236**	₱501,194,699

Accounts payable include ACPC funds, rent, Bancnet credits, janitorial, messengerial and various expenses attributable to the Group's operations.

21. Redeemable Preference Shares

The composition of the account follows:

	Consolidated 2022	Separate 2022	Individual 2021
Authorized:			
Preferred A - 15,000,000 shares	**₱150,000,000**	**₱150,000,000**	₱150,000,000
Preferred B - 35,000,000 shares	**350,000,000**	**350,000,000**	350,000,000
	500,000,000	**500,000,000**	500,000,000
Issued and outstanding:			
Preferred A - 1,000,000 shares	**-**	**-**	-
Preferred B - 3,000,000 shares	**-**	**-**	-
Balance, January 1	**1,365,000**	**1,365,000**	180,400
Issuance of shares	**-**	**-**	1,184,600
Balance, December 31	**1,365,000**	**1,365,000**	1,365,000

The liability for the redeemable preferred shares was assumed from the consolidation of PSBC and Iloilo City Development Bank.

As stated in the Parent's Articles of Incorporation, preferred shares shall have preference over common shares in the assets of PSBC in the event of liquidation. The preferred shares shall consist of (a) preferred-series "A" share consisting of 15,000,000 shares and (b) preferred series "B" share consisting of 35,000,000 shares.

Preferred-series "A" Shares
Preferred-series "A" shares which was issued to the Land Bank of the Philippines (LBP) shall have the following rights, preferences, qualifications and limitations incorporated in the certificates of stock evidencing the preferred shares:

Dividend Rights and Restrictions
The holders of the preferred-series "A" shares are entitled to receive, as and when declared by the BOD, an annual cumulative preferential dividend, payable commencing at the end of the year following the issue date and at the end of each year thereafter (the "Dividend Payment Date") at a rate equivalent to the average 364-day Treasury Bill based on the latest weekly auction prior to the release of the equity or anniversary date plus one percent (1%) per annum.

Dividends accrued and unpaid, if any, on the preferred-series "A" shares shall be cumulative and no cash dividends shall be declared and paid to holders of common shares until after such accumulated, accrued and unpaid dividends on the preferred-series "A" shares shall have been paid or provision thereof made; Provided, that in no case shall dividends be paid on the preferred-series "A" shares in the absence of sufficient undivided profits, free surplus and without the approval of the BSP.

Redemption
The Group shall be obligated to redeem any and all preferred-series "A" shares outstanding at the end of five (5) years from the date of issue of such preferred shares (the "Redemption Date") at a price (the "Redemption Price") equal to the par value thereof together with all accrued and unpaid dividends thereon, provided that:

(a) redemption shall be allowed only upon prior approval of the BSP and only if the shares redeemed are replaced with at least an equivalent amount of newly paid-in shares so that the total paid-in share capital is maintained at the same level immediately prior to redemption; and
(b) such redemption may not be made where the Group is insolvent or if such redemption will cause insolvency, impairment of capital or inability of the Group to meet its debts as they mature.

Sinking Fund
A sinking fund for the redemption of the preferred-series "A" shares shall be created upon the issuance thereof, to be effected by the transfer of free surplus to a restricted surplus account, which sinking fund shall not be available for dividends and without prior approval of the BSP. The preferred-series "A" shares shall be issued upon the further condition that the Group shall not treat in any way the redeemable preferred stock as time deposit, deposit substitute or other forms of borrowing (see Note 13).

Voting Rights
The preferred-series "A" shares shall not have the right to vote, except only on matters where non-voting shares are expressly given the right to vote pursuant to the provisions of the Corporation Code.

Preference in Liquidation
In the event of liquidation, dissolution or winding up of the Group (whether voluntary or involuntary), the holders of preferred-series "A" shares shall be entitled to receive out of the net assets of the Group available for distribution to its shareholders and after satisfying all creditors, whether from capital or earnings, an amount equal to the par value of the preferred-series "A" shares, plus accrued and unpaid dividends if any, before any distribution of the assets of the Group may be made to holders of common shares. The holders of preferred-series "A" shares shall be entitled to no other or further distribution, and any assets remaining after such distribution shall be distributed exclusively to holders of common shares.

Ranking
No amendment of the terms and conditions of issuance of the preferred-series "A" shares may be made without the affirmative vote of a majority of the holders of the preferred-series "A" shares.

Reissuance of Preferred-series "A" Shares Redeemed
All shares of preferred-series "A" redeemed may be reissued, at the option of the BOD, whether as common or preferred shares and of whatever class or series and with such features and under such terms as the BOD shall determine.

Convertibility
No convertibility to common shares upon maturity of the investment.

Other Terms
The BOD may provide for such other terms and conditions for the issuance of the preferred-series "A" share, as may be consistent with the foregoing provisions.

Preferred-series "B" Shares
Preferred-series "B" shares shall have the following rights, preferences, qualifications and limitations, all of which shall be incorporated in the certificates of stock evidencing the preferred shares:

Dividend Rights and Restrictions
The holders of the preferred-series "B" shares shall be entitled to receive, as and when declared by the BOD, a quarterly cumulative preferential dividend, payable commencing 90 days after the issue date and dividend payment date at a rate equivalent to the average 91-day Treasury Bill rate for the last two weekly auctions preceding the immediately preceding Dividend Payment Date plus a premium equivalent to two percent (2%) per annum. Dividends accrued and unpaid, if any, on the preferred-series "B" shares shall be cumulative and no cash dividends shall be declared and paid to holders of common shares until after such accumulated, accrued and unpaid dividends on the preferred-series "B" shares shall have been paid or provision thereof made; Provided, that in no case shall dividends be paid on the preferred-series "B" shares in the absence of sufficient undivided profits, free surplus and without the approval of the BSP.

Redemption
The Group shall be obligated to redeem any and all preferred-series "B" shares outstanding at the end of five (5) years from the redemption date at redemption price") equal to the par value thereof together with all accrued and unpaid dividends thereon, provided that:

(a) redemption shall be allowed only upon prior approval of the BSP and only if the shares redeemed are replaced with at least an equivalent amount of newly paid-in shares so that the total paid-in share capital is maintained at the same level immediately prior to redemption, and
(b) such redemption may not be made where the Group is insolvent or if such redemption wilt cause insolvency, impairment of capital or inability of the Group to meet its debts as they mature.

On January 15, 2021, the BSP approved the request of the Parent for the redemption of preferred shares amounting to ₱40 million.

Sinking Fund/Other conditions
A sinking fund for the redemption of the preferred-series "B" shares shall be created upon the issuance thereof, to be effected by the transfer of free surplus to a restricted surplus account, which sinking fund shall not be available for dividends and without prior approval of the BSP. The preferred-series "B" shares shall be issued upon the further condition that the Group shall not treat in any way the redeemable preferred shares as time deposit, deposit substitute or other forms of borrowing.

Voting Rights
The preferred-series "B" shares shall not have the right to vote, except only on matters where non-voting shares are expressly given the right to vote pursuant to the provisions of the Corporation Code.

Preference in Liquidation
In the event of liquidation, dissolution or winding up of the Group (whether voluntary or involuntary), the holders of preferred-series "B" shares shall be entitled to receive out of the net assets of the Group available for distribution to its shareholders and after satisfying all creditors, whether from capital or earnings, an amount equal to the par value of the preferred-series "B" shares, plus accrued and unpaid dividends, if any, before any distribution of the assets of the Parent may be made to holders of common shares. The holders of preferred-series "B" shares shall be entitled to no other or further distribution, and any assets remaining after such distribution shall be distributed exclusively to holders of common shares.

Ranking
No amendment of the terms and conditions of issuance of the preferred-series "B" shares may be made without the affirmative vote of a majority of the holders of the preferred-series "B" shares.

Reissuance of Preferred-series “B” Shares Redeemed
All shares of preferred-series “B” shares redeemed may be reissued, at the option of the BOD, whether as common or preferred shares and of whatever class or series and with such features and under such terms as the BOD shall determine.

Convertibility
No convertibility to common shares upon maturity of the investment.

Other Terms
The BOD may provide for such other terms and conditions for the issuance of the preferred-series “B” shares, as may be consistent with the foregoing provisions.

22. **Maturity Profile of Assets and Liabilities**

The following tables present the maturity profile of the financial assets and financial liabilities of the Group:

	Consolidated			**Separate**			Individual		
	December 31, 2022			**December 31, 2022**			December 31, 2021		
	Within 1 year	**Beyond 1 Year**	**Total**	**Within 1 year**	**Beyond 1 Year**	**Total**	Within 1 year	Beyond 1 Year	Total
Financial Assets									
Cash and other cash items	**₱1,660,980,181**	**-**	**₱1,660,980,181**	**₱1,659,358,305**	**₱-**	**₱1,659,358,305**	₱1,105,544,615	₱-	₱1,105,544,615
Due from BSP	**1,661,529,878**	**-**	**1,661,529,878**	**1,659,243,931**	**-**	**1,659,243,931**	2,459,474,236	-	2,459,474,236
Due from other banks	**681,424,193**	**-**	**681,424,193**	**634,875,509**	**-**	**634,875,509**	877,290,088	-	877,290,088
Interbank loan receivables	**1,227,250,613**	**-**	**1,227,250,613**	**1,227,250,613**	**-**	**1,227,250,613**	847,000,614	-	847,000,614
Investments at amortized cost	**32,264,358**	**-**	**32,264,358**	**29,288,536**		**29,288,536**	-	2,884,810,950	2,884,810,950
Financial assets at FVOCI		**3,530,120,384**	**3,530,120,384**	**-**	**3,530,120,384**	**3,530,120,384**	-	-	-
Loans and receivables, net	**8,620,710,652**	**12,700,573,687**	**21,321,284,339**	**8,590,865,742**	**12,700,573,687**	**21,291,439,429**	7,382,978,161	10,931,995,519	18,314,973,680
Sinking fund	**-**	**7,061,837**	**7,061,837**	**-**	**7,061,837**	**7,061,837**	-	7,083,300	7,083,300
Security deposits	**-**	**15,637,839**	**15,637,839**	**-**	**15,637,839**	**15,637,839**	-	4,787,179	4,787,179
	13,884,159,875	**16,253,393,747**	**30,137,553,622**	**13,800,882,636**	**16,253,393,747**	**30,054,276,383**	12,672,287,714	13,828,676,948	26,500,964,662
Financial Liabilities									
Deposit liabilities	**15,283,940,321**	**6,652,555,677**	**21,936,495,998**	**15,209,231,011**	**6,650,220,430**	**21,859,451,441**	17,973,135,897	2,262,301,065	20,235,436,962
Bills payable	**-**	**6,309,485,919**	**6,309,485,919**		**6,309,485,919**	**6,309,485,919**	-	4,542,819,252	4,542,819,252
Accrued interest and other payables	**280,319,794**	**-**	**280,319,794**	**280,356,013**	**-**	**280,356,013**	279,442,519	-	279,442,519
Redeemable preferred shares	**1,365,000**	**-**	**1,365,000**	**1,365,000**	**-**	**1,365,000**	1,365,000	-	1,365,000
Other liabilities	**227,182,794**	**-**	**227,182,794**	**227,090,899**	**-**	**227,090,899**	498,716,674	-	498,716,674
	15,792,807,909	**12,962,041,596**	**28,474,529,711**	**15,718,042,923**	**12,959,706,349**	**28,677,749,272**	18,752,660,090	6,805,120,317	25,557,780,407
Net assets (liabilities)	**(₱1,908,648,034)**	**₱3,291,352,151**	**₱1,663,023,911**	**(₱1,917,160,287)**	**₱3,293,687,398**	**₱1,376,527,111**	(₱6,080,372,376)	₱7,023,556,631	₱943,184,255

23. **Equity**

The amount of the authorized common share of the Group is ₱1.50 billion and is divided into 150,000,000 common shares with a par value of ₱10 per share.

The Group has total issued and outstanding shares of 133,955,801 as at December 31, 2022 and 2021.

Capital Management
The primary objective of the Parent's capital management is to ensure its ability to have sufficient capital to underpin its risk-taking activities, continue as a going concern, maintain a strong credit rating and quality Capital Adequacy Ratio (CAR), ensure compliance with BSP regulations and provide reasonable returns and benefits to its shareholders.

The BOD manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's "unimpaired capital" (regulatory net worth) for reporting to the BSP, which is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

The BSP sets and monitors compliance with minimum capital requirements by banks. In implementing current capital requirements, the BSP has issued Circular No. 688 which implemented the Revised Risk Based Capital Adequacy Framework under Basel 1.5 effective on January 1, 2012. It requires the Parent to maintain a prescribed risk-based capital adequacy ratio (expressed as percentage of qualifying capital to risk weighted assets) of not less than 10.00%.

Qualifying capital consists of Tier 1 and Tier 2 capital elements, net of required deductions from capital. Tier 1 capital includes paid-up capital, retained earnings and current year profit. Deferred income tax and total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders, and related interests (DOSRI) are considered as deductions from the Tier 1 Capital. On the other hand, Tier 2 capital is comprised of general loan provision which is limited to 1.00% of credit risk-weighted assets.

The breakdown of the Group's risk-weighted assets as at December 31, 2022 and 2021 as reported to the BSP follows (in millions):

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Credit risk-weighted assets	**₱24,215**	**₱24,254**	₱20,301
Operational risk-weighted assets	**2,558**	**2,558**	2,145
	₱26,773	**₱26,812**	₱22,446

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

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
CET-1 capital	**₱4,121**	**₱4,121**	₱3,246
Less: Regulatory adjustments to CET-1	**276**	**274**	276
	3,845	**3,847**	2,970
Additional Tier 1 (AT-1) capital			
Less: Regulatory adjustments to AT-1	**-**	**-**	-
Total Tier 1 Capital	**3,845**	**3,847**	2,970
Tier 2 Capital	**179**	**178**	171
Less: Regulatory adjustments to Tier 2 capital	**7**	**7**	7
Total Tier 2 Capital	**172**	**171**	164
Total qualifying capital	**4,017**	**4,018**	3,134
Total risk-weighted assets	**₱26,773**	**₱26,812**	₱22,446
CET-1 Capital Ratio	**15.00%**	**14.40%**	13.23%
Tier 1 Capital Ratio	**15.00%**	**14.40%**	13.23%
Total Capital Ratio	**15.00%**	**15.05%**	13.96%

24. Service Charges, Fees and Commissions

This account consists of:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Bank commissions	**₱693,158,360**	**₱692,472,783**	₱492,476,379
Service fees	**6,274,853**	**5,528,294**	7,976,081
	₱699,433,213	**₱698,001,077**	₱500,452,460

25. Retirement Cost

The Group has a funded, noncontributory defined benefit retirement plan covering all of its regular and full-time employees. The actuarial present value of the retirement benefit liability under the plan is measured in terms of actuarial assumptions of mortality, investment yield and salary increase rates.

The Group's retirement plan is registered with the BIR as a tax-qualified plan under R.A. No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law".

The plan typically exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk
The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.

Interest rate risk
A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk
The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of the plan members (widow and orphan benefits) is re-insured by an external insurance company.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at December 31, 2021, by an independent actuary. The present value of the defined benefit obligation, the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

As at December 31, 2022 and 2021, the principal actuarial assumptions used in determining retirement benefits liability for the Group's retirement plan are shown below:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Average working life	**31 years**	**31 years**	31 years
Discount rate	**5.08%**	**5.08%**	5.08%
Future salary increases	**6.00%**	**6.00%**	6.00%

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability and its components.

	2022		
Consolidated	**Defined Benefits Obligation**	**Fair Value of Plan Assets**	**Net Retirement Benefit**
Balance at January 1	**₱303,217,515**	**₱328,602,893**	**(₱25,385,378)**
Included in Profit or Loss			
Current service cost	35,941,361	-	35,941,361
Contributions	-	63,129,791	(63,129,791)
Interest expense/income	15,342,377	16,693,027	(1,350,650)
	51,283,738	**79,822,818**	**(28,539,080)**
Benefits paid	**-**	**(61,331,811)**	**61,331,811**
	₱354,501,253	**₱347,093,900**	**₱7,407,353**

	Defined Benefits Obligation		**Fair Value of Plan Assets**		**Net Retirement Benefit Liability (Asset)**	
Separate and Individual	**2022**	2021	**2022**	2021	**2022**	2021
Balance at January 1	**₱302,015,298**	₱281,731,307	**₱328,602,893**	₱291,680,322	**(₱26,587,595)**	(₱9,949,015)
Included in Profit or Loss						
Current service cost	**35,941,361**	35,941,361	**-**	-	**35,941,361**	35,941,361
Contributions	**-**	-	**62,077,417**	38,029,327	**(62,077,417)**	(38,029,327)
Benefits paid	**-**	-	**(61,331,811)**	-	**61,331,811**	-
Interest expense	**15,342,377**	14,706,374	**16,693,027**	15,225,713	**(1,350,650)**	(519,339)
	51,283,738	50,647,735	**17,438,633**	53,255,040	**33,845,105**	(2,607,305)
Included in OCI						
Remeasurement gain (loss) on DBO:						
Due to change in financial assumption	**-**	-	**-**	-	**-**	-
Due to experience	**-**	-	**-**	-	**-**	-
Remeasurement (loss) gain on plan assets	**-**	-	**-**	(16,332,469)	**-**	16,332,469
Remeasurement (gain) loss on effect of asset ceiling - OCI	**-**	(30,363,744)	**-**	-	**-**	(30,363,744)
	-	(30,363,744)	**-**	(16,332,469)	**-**	(14,031,275)
Balance at December 31	**₱353,299,036**	₱302,015,298	**₱346,041,526**	₱328,602,893	**₱7,257,510**	(₱26,587,595)

Movements in remeasurement losses on retirement benefit plan are as follow:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
As at January 1	**₱14,031,275**	**₱14,031,275**	₱25,593,098
Actuarial gain	**-**	**-**	(11,561,823)
As at December 31	**₱14,031,275**	**₱14,031,275**	₱14,031,275

The major categories of plan assets, at carrying values follow:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Deposit in banks	**6.15%**	**6.15%**	6.15%
Financial assets at FVPL	**42.62%**	**42.62%**	42.62%
Government securities	**51.23%**	**51.23%**	51.23%

Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Group by the amounts shown below:

	Change in Assumption	**Defined Benefit Obligation**	
		2022	2021
Discount rate	**+ 100 bps**	**(₱34,350,303)**	(₱34,350,303)
	- 100 bps	**57,452,918**	57,452,918
Salary increase rate	**+ 100 bps**	**55,086,375**	55,086,375
	- 100 bps	**(33,975,089)**	(33,975,089)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The actuary determines the level of funding appropriate for the Group's retirement plan which takes into consideration the Group's employee data, retirement plan benefits and retirement fund balance.

The weighted average duration of the defined benefit obligations is equal to the expected average remaining working lives as at December 31, 2022 and 2021.

Compensation and Fringe Benefits
The details of the following accounts are as follow:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Salaries and wages	**₱466,150,084**	**₱464,288,827**	₱450,702,688
Fringe benefits	**166,518,861**	**166,145,995**	132,627,197
Retirement expense	**34,590,711**	**34,590,711**	35,422,022
Director's fee	**3,688,855**	**3,688,855**	3,447,362
Other benefits	**26,875,965**	**26,645,517**	38,053,739
	₱697,824,476	**₱695,359,905**	₱660,253,008

Maturity analysis of the undiscounted benefit payments:

	Consolidated	Separate	Individual
		2022	2021
Less than 5 years	**₱69,420,683**	**₱69,420,683**	₱69,420,683
More than 5 to 10 years	**42,435,134**	**42,435,134**	42,435,134
More than 10 years	**12,140,885,874**	**12,140,885,874**	12,140,885,874
	₱12,252,741,691	**₱12,252,741,691**	₱12,252,741,691

26. **Leases**

Group as Lessee
The Group leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 5 to 15 years and are renewable upon mutual agreement between the Group and the lessors. The lease obligation is subject to an implicit rate in the lease contract used to discount liability ranging from 5% to 8% per annum.

Maturity analysis - contractual undiscounted cash flows:

	Consolidated	Separate	Individual
Within one year	**₱70,876,583**	**₱70,876,583**	₱70,876,583
After one year but not more than five years	**202,158,608**	**202,158,608**	202,158,608
More than five years	**93,013,807**	**93,013,807**	93,013,807
	₱366,048,998	**₱366,048,998**	₱366,048,998

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Consolidated	Separate	Individual
	2022	**2022**	2021
As at January 1	**₱213,281,713**	**₱213,281,713**	₱227,609,996
Additions	**19,780,432**	**19,780,432**	40,403,872
Accretion of interest	**52,847,345**	**52,847,345**	38,334,605
Payments	**(73,472,659)**	**(73,472,659)**	(93,066,760)
As at December 31	**₱212,436,831**	**₱212,436,831**	₱213,281,713

Right-of-use Assets

Details and movements of right-of-use assets follow:

	Consolidated	Separate	Individual
	2022	**2022**	2021
As at January 1	**₱245,653,015**	**₱245,653,015**	₱261,889,610
Additions	**19,780,432**	**19,780,432**	40,403,872
Depreciation	**(44,925,367)**	**(44,925,367)**	(56,640,467)
As at December 31	**₱220,508,080**	**₱220,508,080**	₱245,653,015

27. Miscellaneous Expenses

This account consists of:

	Consolidated	Separate	Individual
	2022	**2022**	2021
Fees and commission	**₱28,015,362**	**27,973,761**	₱27,294,158
Marketing and advertising	**2,608,825**	**2,607,745**	2,120,082
Supervision fees	**1,047,536**	**1,047,536**	2,188,989
Periodicals and magazines	**196,534**	**196,534**	249,586
Fines, penalties and charges	**783,251**	**783,125**	104,466
Others	**101,963,964**	**101,380,622**	57,835,730
	₱134,615,472	**₱133,989,323**	₱89,793,011

Other expenses include expenses which are not directly related to any specific expense accounts e.g., fuel and lubricants, value gifts and treats distributed to clients, charity events and employees, and supervision fees.

28. Income and Other Taxes

Income and other taxes are comprised of Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU) income taxes which are discussed as follows:

Under Philippine tax laws, the Group is subject to percentage and other taxes presented under "Taxes and licenses" account in the statements of income as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income taxes include the corporate income tax, discussed below, and final tax paid which represents the final withholding tax on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as provision for income tax in the statements of income.

Income tax expense consists of:

	Consolidated	Separate	Individual
	2022	**2022**	2021
Current income tax expense	**₱180,191,620**	**₱180,222,327**	₱110,749,341
Deferred tax expense	**50,456,599**	**50,456,599**	16,712,885
	₱230,648,219	**₱230,678,926**	₱127,462,226

The current provision for corporate income tax in 2022 and 2021 represents regular corporate income tax.

The amount of provision for deferred income tax in 2021 relating to changes in tax rate amounted to ₱11,694,836.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in consolidated and separate statements of income follows:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Income before income tax	**₱1,083,387,979**	**₱1,083,042,702**	₱800,156,932
Income tax at statutory income tax rate of 25% in 2022 and 2021	**270,846,995**	**270,760,676**	200,039,233
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expense	**13,399,591**	**13,360,583**	28,780,892
Tax-exempt income	**(53,598,367)**	**(53,442,333)**	(55,830,290)
FCDU net profit items	**-**	**-**	(201,376)
Effect of CREATE	**-**	**-**	(11,694,836)
Nontaxable income	**-**	**-**	(16,746,717)
Unrecognized DTA	**-**	**-**	(16,884,680)
Effective income tax	**₱230,648,219**	**₱230,678,926**	₱127,462,226

The movements on net deferred tax liability as at December 31 are as follows:

Consolidated	**2022**
At January 1	**(₱40,424,606)**
Charged to profit or loss during the year:	
Unrealized gain on foreclosed properties	**(18,769,368)**
Allowance for probable losses	**(32,253,604)**
Retirement asset	**(6,871,676)**
Adjustments on PFRS 16	**7,438,049**
Net deferred tax liability	**(₱90,881,205)**

Separate and Individual	**2022**	2021
At January 1	**(₱40,424,606)**	(₱70,169,014)
Charged to profit or loss during the year:		
Unrealized gain on foreclosed properties	**(18,769,368)**	(33,122,831)
Allowance for probable losses	**(32,253,604)**	64,825,918
Retirement asset	**(6,871,676)**	497,450
Remeasurement loss on retirement	**-**	(4,170,110)
Adjustments on PFRS 16	**7,438,049**	1,713,981
Net deferred tax liability	**(₱90,881,205)**	(₱40,424,606)

The components of net deferred tax liabilities in consolidated and separate statements of financial position follow:

	2022	
Consolidated	**Tax Base**	**Deferred Tax Asset (Liability)**
Deferred tax asset on:		
Allowance for credit losses	**₱303,061,262**	**₱75,765,315**
Remeasurement losses on retirement	**14,031,275**	**3,507,819**
	317,092,537	**79,273,134**
Deferred tax liability on:		
Adjustments on PFRS 16	**(4,527,411)**	**(1,131,853)**
Retirement asset	**(37,435,724)**	**(9,358,931)**
Unrealized gain on foreclosed properties	**(638,654,221)**	**(159,663,555)**
	(680,617,356)	**(170,154,339)**
Net deferred tax liability	**(₱363,524,819)**	**(₱90,881,205)**

Separate and Individual	**2022** Tax Base	**2022** Deferred Tax Asset (Liability)	2021 Tax Base	2021 Deferred Tax Asset (Liability)
Deferred tax assets:				
Allowance for probable losses	**₱303,061,262**	**₱75,765,315**	₱432,075,679	₱108,018,920
Remeasurement losses on retirement	**14,031,275**	**3,507,819**	14,031,275	3,507,819
	317,092,537	**79,273,134**	446,106,954	111,526,739
Deferred tax liabilities:				
Adjustments on PFRS 16	**(4,527,411)**	**(1,131,853)**	(34,279,613)	(8,569,903)
Retirement asset	**(37,435,724)**	**(9,358,931)**	(9,949,018)	(2,487,255)
Unrealized gain on foreclosed properties	**(638,654,221)**	**(159,663,555)**	(563,576,747)	(140,894,187)
	(680,617,356)	**(170,154,339)**	(607,805,378)	(151,951,345)
Net deferred tax liability	**(₱363,524,819)**	**(₱90,881,205)**	(₱161,698,424)	(₱40,424,606)

29. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities.

Details of the separate and individual related party transactions as at and for December 31, 2022 and 2021 follow:

	December 31, 2022 Amount/ Volume	**December 31, 2022** Outstanding Balance	December 31, 2021 Amount/ Volume	December 31, 2021 Outstanding Balance	Terms	Conditions
Key Management Personnel						
Demand deposit	**₱1,086,273**	**₱1,486,912**	(₱1,006,223)	₱400,639	0% interest rate	0.25% interest if the account reach the ₱10,000.00 maintaining balance
Savings deposit	**14,348,182**	**238,389,626**	(13,358,142)	224,041,444		
Time deposit	**31,618,788**	**102,899,343**	(30,615,768)	71,280,555	30 days to 1 year	3.00% - 4.00% interest rate
Other Related Parties						
Savings deposit	**4,149,598**	**49,509,369**	4,149,598	45,359,771		0.25% interest if the account reach the ₱10,000.00 maintaining balance

Details of deposit liabilities with related parties are not disclosed in compliance with R.A. No. 1405, *Law on the Secrecy of Group Deposits* and BSP Circular No. 895, *Guidelines on Related Party Transactions.*

The related party transactions shall be settled in cash. The outstanding balances of related party transactions are not impaired as at December 31, 2022 and 2021.

Compensation of Key Management Personnel of the Group
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that Group.

The remuneration of directors and other members of key management included in the "Salaries and other employee benefits" account in consolidated and separate statements of income for the years ended December 31, 2022 and 2021 follows:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Short-term employee benefits	**₱59,767,389**	**₱59,767,389**	₱57,989,490
Directors' remuneration	**3,688,855**	**3,688,855**	3,447,362
	₱63,456,244	**₱63,456,244**	₱61,436,852

30. Other Matters

(a) *Contingencies*

The Group is a party to certain lawsuits or claims filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the financial statements of the Group.

The Group has contingent liabilities particularly items held in trust as collateral amounting to ₱21,393,487 and ₱1,988,657 as at December 31, 2022 and 2021, respectively.

(b) *Commitments*

There were no outstanding purchase commitments as at December 31, 2022 and 2021.

31. Supplementary Information Required Under BSP Circular No. 1074

Basic Quantitative Indicators of Financial Performance and Liquidity

The following basic ratios measure the financial performance and liquidity of the Group:

	Consolidated	Separate	Individual
	2022	2022	2021
Return on average equity	**24.06%**	**24.06%**	16.97%
Return on average assets	**2.80%**	**2.80%**	1.97%
Net interest margin on average earning assets	**9.19%**	**9.19%**	8.02%
Capital to risk assets ratio	**14.95%**	**14.95%**	13.96%
Minimum liquidity ratio	**43.22%**	**43.22%**	29.08%
Leverage ratio	**12.67%**	**12.67%**	9.43%
Total exposure measure	**₱33,313,448,391**	**₱33,313,448,391**	₱29,443,396,899

Significant Credit Exposures as to Industry Sector

As at December 31, 2022 and 2021, information on the concentration of credit as to industry before taking into account the allowance for credit losses follow:

	Consolidated		Separate		2021	
	Amount	**%**	Amount	%	Amount	%
Other community, social and personal service activities	**₱10,854,688,522**	**51.17%**	**₱10,828,803,781**	**51.13%**	₱8,183,678,557	44.91%
Agriculture, forestry and fishing	**4,937,001,969**	**23.27%**	**4,934,942,343**	**23.30%**	4,038,703,572	22.16%
Real estate activities	**1,802,718,347**	**8.50%**	**1,799,515,121**	**8.50%**	1,928,995,007	10.59%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**1,346,553,551**	**6.35%**	**1,345,921,848**	**6.35%**	1,505,440,495	8.26%
Accommodation and food service activities	**480,963,356**	**2.27%**	**480,737,724**	**2.27%**	537,714,755	2.95%
Construction	**433,823,725**	**2.05%**	**433,620,207**	**2.05%**	485,012,871	2.66%
Financial and insurance activities	**373,069,562**	**1.76%**	**372,894,545**	**1.76%**	417,090,004	2.29%
Education	**297,475,174**	**1.40%**	**297,335,621**	**1.40%**	332,575,836	1.83%
Private households with employed persons	**236,099,689**	**1.11%**	**236,099,689**	**1.11%**	291,255,302	1.60%
Human health and social work activities	**156,888,013**	**0.74%**	**156,814,413**	**0.74%**	175,400,056	0.96%
Manufacturing	**128,575,913**	**0.61%**	**128,515,594**	**0.61%**	143,747,262	0.49%
Transportation and storage	**84,626,149**	**0.40%**	**84,586,449**	**0.40%**	94,611,634	0.52%
Electricity, gas, steam and air-conditioning supply	**69,757,301**	**0.33%**	**69,724,576**	**0.33%**	77,988,332	0.43%
Mining and quarrying	**9,748,841**	**0.05%**	**9,744,268**	**0.05%**	10,899,158	0.06%
	₱21,211,990,112	**100.00%**	**₱21,179,256,179**	**100.00%**	**₱18,223,112,841**	**100.00%**

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are controlled and managed accordingly. The Group's loan portfolio 'Other community, social and personal service activities' exceeds the BSP's 30% concentration as at December 31, 2022 and 2021.

Breakdown of Total Loans as to Security
As at December 31, 2022 and 2021, the breakdown of loans as to collateral follows:

	Consolidated 2022		Separate 2022		Individual 2021	
	Amount	**%**	**Amount**	**%**	Amount	%
Loans secured by:						
Real estate	**₱10,613,551,390**	**50.04%**	**₱10,607,870,930**	**50.09%**	₱10,298,217,506	56.51%
Chattel	**1,067,436,799**	**5.03%**	**1,067,436,799**	**5.04%**	1,084,127,762	5.95%
Others	**237,568,614**	**1.12%**	**236,099,689**	**1.11%**	291,255,302	1.60%
	11,918,556,803	**56.19%**	**11,911,407,418**	**56.24%**	11,673,600,570	64.06%
Unsecured	**9,293,433,309**	**43.81%**	**9,267,848,760**	**43.76%**	6,549,512,271	35.94%
	₱21,211,990,112	**100.00%**	**₱21,179,256,178**	**100.00%**	₱18,223,112,841	100.00%

Breakdown of Total Loans as to Status
Under banking regulations, loan accounts shall be considered non-performing when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for `more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, nonperforming loans (NPLs) shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

As at December 31, 2022 and 2021, the Performing and NPLs of the Group, classified per product type are as follows:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Gross Performing Loans:			
Small and medium-sized entity loans	**₱4,528,140,881**	**₱4,526,206,255**	₱5,178,029,204
Salary loans	**8,786,996,891**	**8,762,384,787**	6,397,916,577
Agrarian reform loans	**4,430,012,339**	**4,429,053,114**	3,864,917,475
Housing loans	**503,317,338**	**500,692,927**	500,423,622
Auto loans	**1,044,418,623**	**1,044,418,623**	1,069,027,564
Loans to individuals for other purposes	**236,099,689**	**236,099,689**	291,255,302
	19,528,985,761	**19,498,855,395**	17,301,569,744
Gross NPLs:			
Small and medium-sized entity loans	**550,227,374**	**549,779,607**	499,562,463
Salary loans	**537,186,121**	**536,130,720**	183,925,589
Agrarian reform loans	**506,989,630**	**505,889,229**	173,786,097
Housing loans	**65,583,052**	**65,583,052**	49,168,750
Auto loans	**23,018,176**	**23,018,176**	15,100,198
	1,683,004,353	**1,680,400,784**	921,543,097
Less: deductions as required by the BSP	**-**	**-**	-
Net NPLs	**1,683,004,353**	**1,680,400,784**	921,543,097
	₱21,211,990,114	**₱21,179,256,179**	₱18,223,112,841

On the Group level, gross and net NPL rations are 7.93% as at December 31, 2022. On the Parent level, gross and net NPL rations are 7.93% and 5.06% as at December 31, 2022 and 2021, respectively.

Aggregate amount of secured liabilities and assets pledged as security
In the normal course of operations, the Group has no secured liabilities and securities pledged as security.

Information on Related Party Loans
In the ordinary course of business, the Group has various transactions with its related parties and with certain DOSRI. These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Group, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the amount of their respective unencumbered deposits and book value of their respective investments in the Group. In the aggregate, loans to DOSRI generally should not exceed the lower of the Group's total regulatory capital or 15.00% of the total loan portfolio.

The following table shows information relating to DOSRI loans:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Total outstanding DOSRI loans	**₱45,415,520**	**₱45,415,520**	₱40,031,400
Percent of DOSRI loans to total loans	**0.22%**	**0.22%**	0.21%
Percent of unsecured DOSRI loans to total DOSRI loans	**Nil**	**Nil**	Nil
Percent of past due DOSRI loans to total DOSRI loans	**Nil**	**Nil**	Nil
Percent of nonperforming DOSRI loans to total DOSRI loans	**Nil**	**Nil**	Nil

Contingencies and Commitments Arising from Off-Balance Sheet Items
In the normal course of operations, the Group makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying consolidated and separate financial statements. The Group does not anticipate any material losses as a result of these transactions.

The following is a summary of contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2022 and 2021:

	Consolidated	**Separate**	Individual
	2022	**2022**	2021
Late deposits/payments received	**₱21,371,494**	**₱21,371,494**	₱1,969,596
Items held for safekeeping	**8,842**	**8,842**	7,538
Items held as collateral	**13,151**	**13,151**	11,523
	₱21,393,487	**₱21,393,487**	₱1,988,657

These obligations are not recognized in consolidated and separate statements of financial position, however, these contain credit risk and are therefore part of the overall risk of the Group.

32. Supplementary Information Required under Revenue Regulations (RR)

Presented below is the supplementary information which is required by the BIR under its existing Revenue Regulations (RR) to be disclosed as part of the notes to separate financial statements in addition to the disclosures mandated under PFRS.

Revenue Regulation (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the financial statements in addition to the disclosures mandated under PFRS. Presented below is the supplementary information required under RR 15-2010:

a. Other taxes and licenses

Details of the Group's other taxes and licenses and permits in 2022 are as follows:

Business permit	**₱5,669,875**
Documentary stamp tax	**114,200,604**
BIR Annual registration fee	**125,000**
Gross receipt tax	**69,018,823**
	₱189,014,302

b. Withholding taxes

Details of withholding taxes paid in 2022 are as follows:

Withholding tax on compensation	**₱20,185,789**
Expanded withholding taxes	**6,574,561**
Final withholding taxes	**14,135,354**
	₱40,895,704

c. Tax assessment and cases

The Group has no unpaid deficiency tax assessments as of December 31, 2022 nor does it have any pending tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

REVENUE REGULATION (RR) NO. 34-020

RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents. Section 2 of the RR enumerated the taxpayers required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Company is not covered by the requirements and procedures for related party transactions provided under RR 34-2020 for the year ended December 31, 2022.

MOORE Roxas Cruz Tagle and Co.

Roxas Cruz Tagle and Co.

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INDEPENDENT AUDITOR'S SUPPLEMENTAL WRITTEN STATEMENT

The Shareholders and the Board of Directors
Producers Savings Bank Corporation
17th Floor, AIC Burgundy Empire Tower, ADB Avenue
Corner Sapphire St., Ortigas Center
1605 Pasig City

We have audited consolidated and separate financial statements of **Producers Savings Bank Corporation** (the "Group") for the year ended December 31, 2022 on which we have rendered the attached report dated June 15, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Group has a total number of one hundred thirty-two (132) shareholders owning one hundred (100) or more shares each.

ROXAS CRUZ TAGLE AND CO.

Christian Francis S. Felismino
Partner
CPA Certificate No. 0111361
Tax Identification No. 237-332-255
BIR Accreditation No. 08-001682-016-2019, issued on November 5, 2019,
effective until November 4, 2022
SEC Accreditation No. 111361-SEC, Group A, issued on February 4, 2020,
effective for the audit of 2019 to 2023 financial statements of SEC covered institutions
BSP Accreditation No. 111361-BSP, Group A, issued on February 4, 2020,
effective for the audit of 2019 to 2023 financial statements of BSP covered institutions
PTR No. 9565753, issued on January 3, 2023, Makati City

June 15, 2023
Makati City