



PRODUCERS BANK

ANNUAL REPORT 2023



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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). 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 60% farmers and SME loans, 40% consumer 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.

FINANCIAL HIGHLIGHTS

	Consolidated ¹		Parent Bank (Solo)	
	2023	2022	2023	2022
Profitability				
Total Net Interest Income	2,062,396,155	1,856,565,697	2,035,064,307	1,852,846,655
Total Non-Interest Income	1,198,277,043	909,823,212	1,191,713,282	908,262,790
Total Non-Interest Expenses	1,756,641,184	1,683,000,930	1,738,390,052	1,678,066,743
Pre-provision profit	1,504,032,014	1,083,387,979	1,488,387,537	1,083,042,702
Allowance for credit losses	716,524,324	941,888,301	700,884,881	938,999,277
Net Income	1,250,884,652	852,739,760	1,237,401,467	852,363,776
Selected Balance Sheet Data				
Liquid Assets	7,238,141,149	7,566,318,994	6,963,207,655	7,512,886,665
Gross Loans	25,233,583,781	21,211,990,112	25,131,929,555	21,179,256,178
Total Assets	36,891,250,772	33,305,982,892	36,575,940,028	33,227,365,188
Deposits	23,024,734,070	21,936,495,998	22,727,223,212	21,859,451,441
Total Equity	5,626,611,519	4,241,295,193	5,613,128,333	4,239,811,543
Selected Ratios				
Return on equity	23.23%	24.06%	25.23%	24.06%
Return on assets	3.40%	2.80%	3.40%	2.80%
CET 1 capital ratio (for UBs/KBs)				
Tier 1 capital ratio (for Ubs/KBs)				
Capital Adequacy Ratio	16.01%	14.95%	16.02%	14.95%
Per common share data (For UB, KBs and publicly listed Banks)				
Net Income per share:	9.34	6.37	9.24	6.36
Basic	133,955,801	133,955,801	133,955,801	133,955,801
Diluted				
Book Value	42.00	31.66	41.90	31.65
Others				
Stock dividends declared				
Headcount	2,062	1911	2,030	1903
Officers	763	316	758	315
Staff	1,299	1,595	1,272	1,588

* Based on 2023 Audited FS

* In 2023, PSBC has 2 Subsidiaries - RB Maasin and RB San Felipe

“Grapes must be crushed to make wine. Diamonds form under pressure. Olives are pressed to release oil. Seeds grow in darkness. Whenever you feel crushed, under pressure, pressed, or in darkness, you are in a powerful place of transformation and transmutation.”

— Lalah Delia

Chairperson's Message

As this quote is often said inside the walls of Producers Bank, it is with great honor and pride to share with you how Producers Bank was able to successfully apply this concept in its operations for 2023.

It is second nature to Producers Bank to always exceed its past performances and achievements. We have remained like this every single year, challenging ourselves to be better than before.

For 2023, we just did not plan to be better than 2022, rather, we pushed for targets that would test how far can Producers Bank go.

We just did not implement minimum thresholds for net income, growth in deposits and loans, rather, we have challenged our branches to grow at least thirty percent (30%) in their loan booking and deposit generation.

We just did not aim to continue offering our existing products and services, rather, we seek to develop what more can we offer to our customers.

We just did not aim to maintain status quo within our organization, rather, we aim to continuously navigate and transform our organization to adapt to change and be ahead of our game.

And we did not disappoint.

As Chairperson, I would like to congratulate the management and staff for your exemplary performances for 2023. The kind of hard work and perseverance that each one of you displayed is admirable. The resilience and the drive to push forward to meet the Bank's goals never wavered despite the difficulties along the way.

Producers Bank booked and shored up its earnings as it generated a net income of Pesos: One point Two Billion (PhP1.2 Billion*) and registered a forty nine per cent (49%) increase amounting to Pesos: Four Hundred Seven Million (PhP407 Million)



compared to its 2022 net income of Pesos: Eight Hundred Twenty Nine point Sixty Eight Million (PhP829.68 Million).

In terms of deposit generation, deposits increased to Pesos: Twenty Three point Zero Seven Billion (PhP23.07 Billion*) which echoes the kind of reputation that Producers Bank built in every community where it operates. On the other hand, the Bank's loan portfolio peaked at Pesos: Twenty Five point Seventy Six Billion (PhP25.76 Billion*) as Producers Bank continued to be aggressive in catering to the financial needs of the whole agricultural value chain as well as to consumer lending.

Again, Producers Bank proved that it can achieve more and do more. With the Bank's officers and staff standing boldly to carry out what they committed to deliver amidst the challenges and competition.

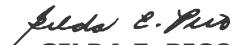
In addition, the level of determination and the passion to forge ahead would not have been kindled without the President & CEO, Mr. Andres M. Cornejo who inspired all levels of the organization to keep on forging ahead, no matter how tough the going may be.

Finally, I would like to recognize the active involvement and overall guidance of my fellow members of the Board of Directors (BOD) of Producers Bank. Your valuable contributions are instrumental in overseeing good governance to ensure that Producers Bank and all its officers and staff remain on track in achieving its goals and targets for 2023.

To end, Producers Bank may have come a long way in the past twenty-eight (28) years and we stand proud of what Producers Bank has achieved so far. Yet, we still have a lot of crushing, pressing and growing, to undergo through, as we realize our vision of becoming the number one (1) partner bank of farmers and entrepreneurs in the country.

Congratulations and keep pressing on!

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


GILDA E. PICO
Chairperson

*“What your mind can conceive and believe,
it can achieve.”*

– Napoleon Hill

President's Report

Thoughts are powerful things that can be translated to reality when they are coupled with definiteness of purpose, persistence and a burning desire. And this is what we did in Producers Bank for 2023.

Producers Bank has shown a steady growth in its operations for the past twenty-eight (28) years. It has never rested on its laurels despite all its remarkable achievements in the past. Producers Bank has always aspired to surpass its previous performances and persists to level up as a banking institution.

For 2023, I am pleased to inform everyone that Producers Bank was able to achieve its yearend targets. Allow me therefore to report to our shareholders, officers, employees and creditors, Producers Bank's accomplishments during the twelve-month period ending December 31, 2023.



FINANCIAL PERFORMANCE

The financial highlights of the Bank in 2023 based on key indicators, with comparative figures for the last five (5) years (2019-2023), are presented below:

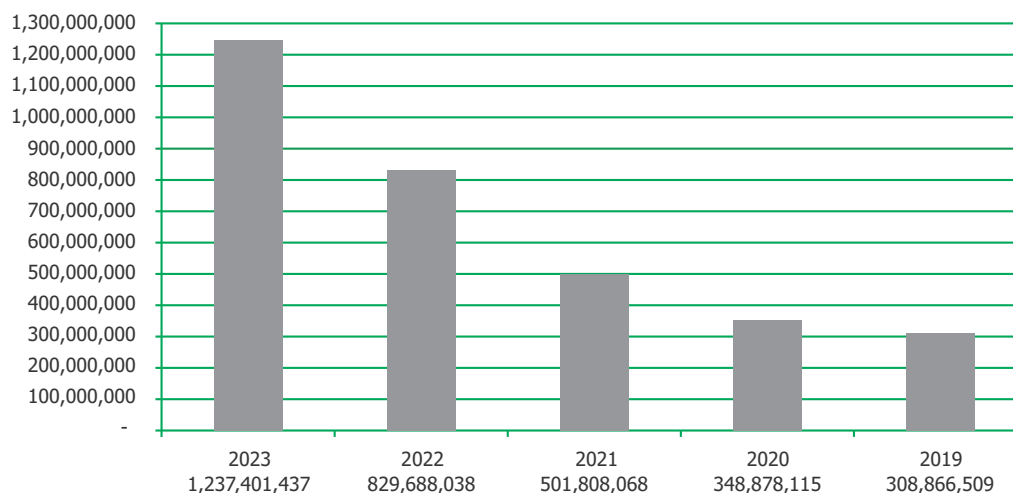
FINANCIAL HIGHLIGHTS

	2023	2022	2021	2020	2019
Net Income	1,237,401,437	829,688,038	501,808,068	348,878,115	308,866,509
Capital	5,626,611,519	3,768,491,899	3,215,078,203	2,726,071,426	2,344,598,245
Return on Equity	25.23%	24.06%	16.97%	13.82%	14.39%
Total Resources	36,891,252,272	32,615,632,115	28,808,803,789	28,676,392,056	25,450,567,480
Return on Assets	3.40%	2.807%	1.97%	1.56%	1.58%
Loan Portfolio	25,731,041,184	22,054,127,991	19,070,113,455	18,499,261,853	17,487,057,339
Deposit Liabilities	23,072,011,709	21,859,451,441	20,235,436,962	17,691,333,346	15,150,502,875
Past Due Loans	2,199,694,699	1,825,978,970	1,580,290,895	1,397,836,711	1,059,621,401
Past Due Ratio	8.54%	8.27%	8.29%	7.50%	5.99%
NPL	1,808,218,943	1,328,021,983	921,543,097	689,741,361	691,837,062
NPL ratio	7.03%	6.02%	4.83%	3.71%	3.92%

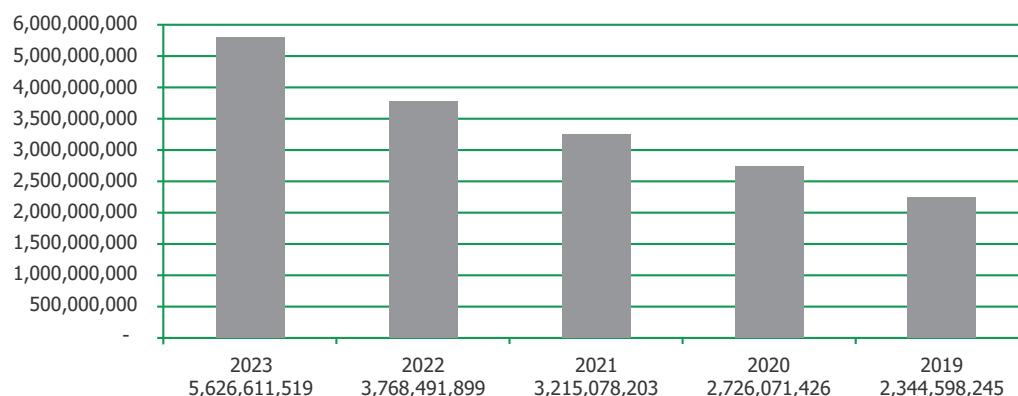
* Based on Financial Reporting Package (FRP) submitted to Bangko Sentral ng Pilipinas (BSP).

In 2023, Producers Bank generated a Net Income of PhP1.237 Billion, up by 49.14% from the previous year. The increase is due to the expansion of our loan portfolio by servicing more borrowers and continuously providing credit and financial relief to our existing borrowers. This translates to a Return on Equity of 25.23% and a Return on Assets of 3.40%. Compared to our target income for the year, Producers Bank is higher by P26.012 Million.

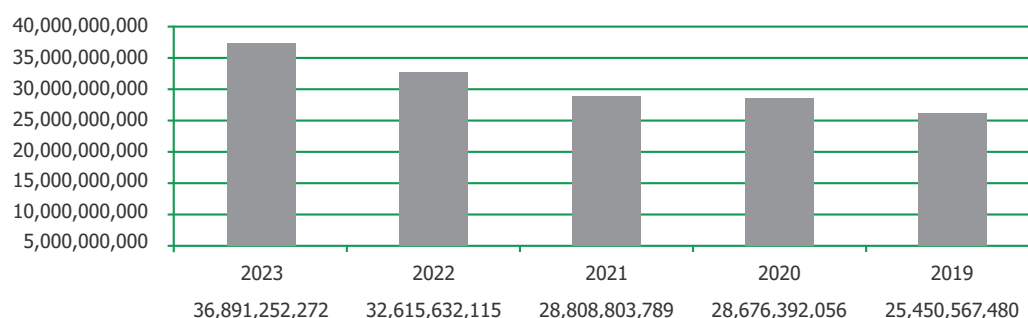
NET INCOME



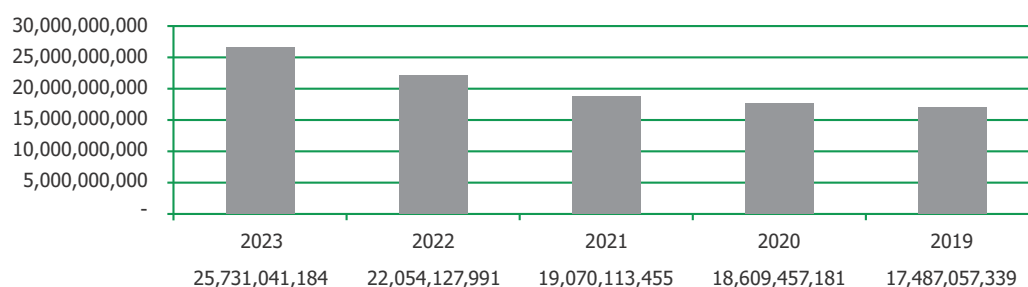
The Bank's earnings resulted in a sizable increase in capital to PhP5.626 Billion from PhP3.768 Billion the previous year thereby exceeding the PhP2.0 Billion minimum capital requirement of the Bangko Sentral ng Pilipinas (BSP) for thrift banks with Head Office in NCR.

CAPITAL

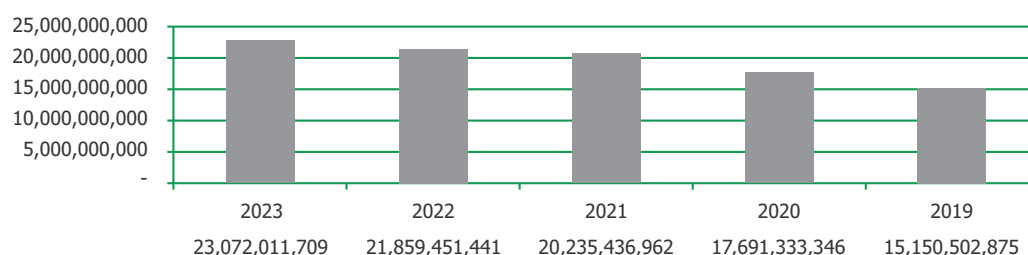
The Bank's total resources amounted to Php36.891 Billion as of the end of 2023, a growth of Php4.276 Billion or 13.11% from the previous year.

TOTAL RESOURCES

Loans reached Php25.731 Billion, a growth of Php3.677 Billion or 16.67% from the previous year's Php22.054 Billion.

LOAN PORTFOLIO

Deposits, on the other hand, increased by 5.55% to Php23.072 Billion from the previous year's deposits of Php21.859 Billion.

DEPOSIT LIABILITIES

BRANCH NETWORK EXPANSION

The Bank had two (2) bank acquisitions for 2023 namely: Rural Bank of Maasin (Southern Leyte), Inc. and Community Rural Bank of San Felipe (Zambales), Inc.

The acquisition of Rural Bank of Maasin, Inc. in Southern Leyte which was approved by the Bangko Sentral ng Pilipinas (BSP) on 26 May 2023 opened the door to Producers Bank in Region VIII.

With the acquisition and eventual merger of RB Maasin, Producers Bank will have a total of three (3) branches in Southern Leyte strategically located in Maasin, Bontoc and Sogod.

Meanwhile, the acquisition of CRB San Felipe on December 29, 2023 further strengthened the Bank's presence in the province of Zambales.

Producers Bank also got the approval of the merger with Countryside Rural Bank of Palauig (Zambales) on January 30, 2023.

Ten (10) organic branches were opened for the year:

Branch	Address	Date of Opening
1. Gerona	Poblacion 1, Gerona, Tarlac	17 April 2023
2. Siniloan	PSBC Building, G. Redor St., Brgy. M. Pandeno, Siniloan, Laguna	20 April 2023
3. La Paz	PSBC Building, Poblacion, La Paz, Agusan del Sur	18 May 2023
4. Loreto	PSBC Building, Loreto, Agusan del Sur	31 July 2023
5. Gabaldon	C & D Building, Brgy. South Poblacion, Gabaldon, Nueva Ecija	9 October 2023
6. Concepcion	BKG Building, L. Cortez St., Brgy. San Jose, Concepcion, Tarlac	19 October 2023
7. Subic	PSBC Building, National Highway, Purok 2, Calapandayan, Subic, Zambales	13 December 2023
8. Angat	M.A. Fernando Street, Sta. Cruz, Angat Bulacan	20 December 2023
9. Gen. Tinio	PSBC Building, Poblacion Central, Gen Tinio, Nueva Ecija	21 December 2023
10. Lemery	PSBC Building, Illustre Ave., Brgy. District 1, Lemery, Batangas	28 December 2023

As of December 31, 2023, the total branch network of Producers Bank is two hundred seventy three (273) branches spread over fifteen (15) regions and fifty one (51) provinces in the country.

E-BANKING

Producers Bank remains to keep up with the latest electronic banking services, offering a comprehensive range of digital solutions for convenient and efficient banking. Producers Bank offers E-Banking services such as ATM, Remittance, Payments, Online Banking and Agency Banking services using Point-Of-Sale (POS) solutions.

With an extensive network of 326 ATMs nationwide as of December 31, 2023 strategically located in the countryside will ensure 24/7 access to ATM services for both personal and business clients. Moreover, the ATM debit cards enable cash withdrawals from any Bancnet accredited ATMs, streamlining transactions for clients on the go. We also 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.

Additionally, the bank's partnership with Electronic Commerce Payments Inc. (ECPay) further enhances its payment services, providing a secure and convenient platform for bill payments.

RURAL FINANCIAL INSTITUTION

As an Accredited Rural Financial Institution (ARFI) of the Bangko Sentral Ng Pilipinas (BSP), 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.

To date, Producers bank has one hundred forty one (141) depositor banks with Special Time Deposit Account for Banks which can serve as their compliance with RA 10000.

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.

HUMAN RESOURCES

Producers Bank has a total manpower complement of Two Thousand Thirty (2,030) employees as of December 31, 2023. This included new hires for the year as a result of new branch openings, mergers and additional manpower in existing branches.

The Human Resources Management Department (HRMD) has initiated changes in the handling of various HR processes which successfully translated to improvement in employee engagement, employee discipline, values formation and training and development. It has implemented monitoring tools which helped in HR analytics and provided the management with general HR observations based on data/figures.

Recognizing that people are the most important resource of the Bank, HRMD ensured that the needs and concerns of the Bank's employees are attended

to timely and promptly. HRMD has spearheaded active participation of employees in various HR activities and programs which further developed employees' knowledge, skills and attitudes. Lastly, HRMD ensured compliance with SSS, Philhealth, Pag-ibig, BIR and DOLE rules and regulations.

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 for the year 2023. 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 2023.

Presented below are the Bank's performance ratios as of December 31, 2023 vis-à-vis the TB System ratios.

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

	Ratios	December 31, 2023		Higher/Better (Lower but acceptable)
		TB System	PSBC	
CSOC				
1	Cash and Due from Bank to Deposits	13.35%	14.23%	0.88%
2	Liquid Assets to Deposits	33.97%	30.47%	-3.50%
3	Loans (gross) to Deposits	92.44%	111.52%	19.08%
4	Capital Adequacy Ratio -BSP Regulatory requirement is 10.00%	10.00%	16.02%	6.02%
5	Total Capital to Total Assets	15.12%	13.97%	-1.15%
CSIE				
6	Earning Asset Yield	10.81%	11.79%	0.98%
7	Funding Cost	3.37%	1.30%	-2.07%
8	Interest Spread	7.44%	10.49%	3.05%
9	Net Interest Margin	7.55%	9.67%	2.12%
10	Net Interest Income to Total Operating Income	84.91%	73.77%	-11.14%
11	Cost to Income Ratio	61.66%	45.85%	-15.81%
12	Return on Assets	1.84%	3.40%	1.56%
13	Return on Equity	12.33%	25.23%	12.90%
Others				
14	Past Due Ratio	9.27%	8.54%	-0.73%
15	NPL Ratio (Gross)	6.46%	7.03%	0.57%
16	NPL Ratio (Net NPL)	3.53%	5.71%	2.18%
17	NPL Coverage	66.95%	38.04%	-28.91%

Cash and due from banks to deposit, 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 and past due ratio are better than the industry ratio. Liquid assets to deposit, total capital to total assets, NPL ratio, net NPL ratio and NPL coverage are slightly below the industry ratios for valid reasons.

We could have not attained these noteworthy successes in 2023 if we did not aim beyond what we think we can be. Yet, with our intense yearning and fortitude, we were able to translate our plans to reality. We have

labored together to pass through any adversity. We were not discouraged and we were willing to stake all that we got to deliver the results expected of us. We have shown our initiative, faith and the will to win.

I would like to recognize everyone who has made a significant impact on the success of Producers Bank for 2023 namely: (i) the shareholders for their full support, (ii) the members of the Board of Directors (BOD) for their active participation and oversight in prioritizing good governance and compliance, (iii) all officers and staff for your diligence and persistence in bringing in the committed targets in loans, deposits and income, (iv) our valued clients for their continued patronage, (v) our creditors for their unwavering 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

The Philippine economy in 2023 showed resilience and growth despite facing several challenges such as global inflation pressures and geopolitical uncertainties. The robust local consumer demand, strategic public infrastructure investments, and strong remittance flows have contributed to the continuing recovery from the impacts of the COVID-19 pandemic. However, challenges such as inflation control, labor market issues, and the need for further structural reforms persisted. The government's efforts in addressing these challenges and promoting digital transformation have been crucial in sustaining the recovery trajectory. For the SME and farmer sectors, concerted efforts from the government and private sector were pursued to address their unique challenges and leverage new opportunities for growth and development in 2023.

For PSBC, Loans and Receivables grew at a remarkable pace of 19% from ₱21.3B in 2022 to ₱25.3B rendering bigger credit services to farmers, SMEs and teachers in 2023. This was achieved through the agile organization of the Bank which catered 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 the three (3) Board Committees, namely, 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 the Risk Management Group (RMG) headed by the Chief Risk Officer (CRO) and the AC by the 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's 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.

The board of directors ensures that Bank existing policies and guidelines remain consistent with government regulatory requirements and with PSBC's long term corporate strategy. New policies and guidelines proposed by the top management are reviewed by the board committees and subsequently approved by the Board. Henceforth, these are implemented by the bank operating units and monitored by the top management for proper compliance.

RISK APPETITE AND STRATEGY

PSBC may be classified generally as a "moderately risk averse" savings bank whose preference for secured F/SME loans unequivocally proves this risk appetite. As of 31 Dec. 2023, at least 45% 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 ₱50M 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, the 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, Interbank Loan Receivables, 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 – PSBC's 2023-2022 Comparable Principal Financial Instruments

	Consolidated	Consolidated
	31-Dec-23	31-Dec-22
Due from BSP	723,001,357	1,659,243,931
Due from other banks	802,700,590	634,875,509
Interbank loan receivables	599,111,629	1,227,250,613
Investment at amortized cost	27,961,026	29,288,536
Financial assets at FVTOCI	3,652,344,862	3,530,120,384
Loans and Receivables	25,348,121,601	21,291,439,429
Sinking Fund	7,061,837	7,061,837
Security Deposits	15,637,839	15,637,839
TOTAL	P31,283,713,993	P28,394,918,078

Table 1 shows the summary of PSBC's principal financial instruments as of end-year 2023. The largest Credit Risk Exposure of the Bank is "Loans and Receivables" which stood at ₱25.35 Billion. This is followed by "Financial Assets at Fair Value through Other Comprehensive Income" at ₱3.65 Billion and followed next by "Due from other banks" at ₱802 Million.

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 lending funds are placed in

safe (low risk highly liquid) instruments such as Due from BSP and Other Banks to ensure adequate liquidity consistent with the regulatory requirements.

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

- **Credit Risk**

Credit Risk refers to the risk of loss arising from a borrower or counterparty failing to meet its contractual obligations. It is one of the major risks of the Bank with an exposure of at least ₱25 Billion in lending activities. It is incumbent upon the Bank to employ adequate and effective credit risk management systems, consistent with sound banking principles and practices required by BSP.

- Loan Portfolio

In 2023, the Bank expanded its reach to its target market for loans, ending the year with a Loan Portfolio of ₱25.2 Billion – a substantial increase of ₱4 Billion for a growth of 19% from the previous year's ₱21.2 Billion.

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. Meanwhile, PSBC also participates in government lending programs for F/SMEs and the CMSG Head was tasked to oversee its operations.

With the growing portfolio, the Bank was reorganized to implement the strategy with the Regional Banking Group to fully supervise the larger 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 CMSG were assigned as F/SME Officers to regional 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 37% from ₱9.3 Billion in 2022 to ₱12.8 Billion in 2023. 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.

The Past Due Ratio (PDR) of 8.54% was maintained at much better level than industry's 9.27%. The Gross Non-Performing Loan (NPL) Ratio was lower in 2023 at 7.18% compared to the 2022 ratio of 7.93%.

➤ 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 a conduit for two (2) of its initiatives: the Production Loan Easy Access (PLEA) and the Survival and Recovery Loan (SURE) Programs. PSBC disbursed the ACPC funds to pre-identified loan recipients, collects from the Borrowers, then 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 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. Moreover, to cater to micro and small entrepreneurs with minimal financial requirement, PSBC started offering its credit facilities under its Small Business Loans.

➤ 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 2023, the distribution of loans according to industry is shown in Table 2.

Table 2 - Distribution of Loans and Receivables According to Industry

	SEPARATE 2023	%	Individual 2022	%
Other community, social and personal service activities	P14,301,381,813	56.91%	P10,828,803,781	51.13%
Agriculture, Forestry and Fishing	4,219,468,004	16.79%	4,934,942,343	23.30%
Real Estate Activities	2,214,022,429	8.81%	1,799,515,121	8.50%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	1,653,088,064	6.6%	1,345,921,848	6.35%
Accommodation and Food Service Activities	590,451,663	2.35%	480,737,724	2.27%
Construction	532,580,989	2.12%	433,620,207	2.05%
Financial and Insurance Activities	457,996,520	1.82%	372,894,545	1.76%
Education	365,193,541	1.45%	297,335,621	1.40%
Private households w/ employed persons	245,802,542	0.98%	236,099,689	1.11%
Human health and social work activities	192,602,590	0.77%	156,814,413	0.74%
Manufacturing	157,845,417	0.63%	128,515,594	0.61%
Transportation and Storage	103,890,764	0.41%	84,586,449	0.40%
Electricity, gas, steam and air-conditioning Supply	85,637,115	0.34%	69,724,576	0.33%
Mining and quarrying	11,968,104	0.05%	9,744,268	0.05%
Total	P25,131,929,555	100%	P21,179,256,179	100%

As shown in Table 2, the two industry segments where the Bank has the largest Credit Risk exposures were "Other community, social, and personal service activities" at 57% followed by "Agriculture, Forestry and Fishing" at 17%. As most businesses were slow to recover, the Bank opted to lend out to teachers under the 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 not only expanded the loan portfolio, but increased also the income and lowered 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, 2023					
	High Grade	Standard Grade	Sub Standard	Past Due or Impaired	TOTAL
Due from BSP	P723,001,357	P-	P-	P -	P723,001,357
Due from other banks	802,700,590	-	-	-	802,700,590
Investments at amortized cost	27,961,026	-	-	-	27,961,026
Financial Assets at FVOCI	3,652,344,862	-	-	-	3,652,344,862
Loans and receivables	23,855,311,783	-	-	2,199,694,699	26,055,006,483
Shaking fund	7,061,837	-	-	-	7,061,837
Security deposit*	15,637,839				15,637,839
Net	P29,084,019,294	P-	P-	P2,199,694,699	P31,283,713,993

*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 was very liquid throughout 2023 and as of 31 December 2023, the Bank's Minimum Liquidity Ratio is 33.57% which is way above the regulatory requirement of 20% as shown in the table below.

Item	Nature of Item	As of 31 December 2023
A.	Stock of Liquid Assets	7,030,695,213.25
B.	Qualifying Liabilities	20,943,147,504.18
C.	Minimum Liquidity Ratio (A/B)	33.57%

The Bank manages the MLR on a daily basis to ensure the 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 closely to ensure that sufficient liquid assets are available to meet short-term funding.

Available lines from financial institutions, as of 31 December 2023 are as follows:

Bills Payable (in Million Pesos)		
As of 31 December 2023		
Creditor	Amount	O/S
BSP	1,000.00	
LBP	9,700.00	6,100.00
DBP	1,800.00	966.67
PDIC	42.82	42.82
Total	12,548.82	7,109.49

• **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. With the bank's limited transactions and minimal exposure to financial instruments bearing volatile rates, its market risk is controlled and closely monitored.

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.

Also integrated in the said manual was the four (4) ORM Policy Guidelines issued in 2017, Loss Data Base Management, Vendor Selection Risk Assessment, Advisories on Risk Events, as well as, Risk Event Reporting and Resolution.

• **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 2023, the Bank continued to monitor its hardware refresh or the replacement of servers, storage and firewall with the newest versions for Core Banking System and 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 tightened security.

➤ POS Agency

Launched in 2022, the POS Agency Banking continuous 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 terminals.

➤ Internet Banking and Mobile Banking

PSBC continued its digitalization journey in 2023 by offering its Internet Banking and Mobile Banking services to its customers. 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 successfully migrated its Internet Banking and Mobile Banking-instaPay file messaging format from ISO 8583 to ISO 20022 on November 30, 2023. The ISO 2022 is an open global standard for financial information. Further, it is designed to simplify global business communication for efficient payments clearing and settlement among financial institutions globally.

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

➤ Full Implementation to a new Human Resource Information System (HRIS)

The Bank has fully implemented its new HRIS in 2023. This is an enterprise system which has payroll, benefits administration, time tracking and scheduling, and employee self-service functionalities. The new HRIS 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 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 workstation and ATMS (within the required specifications) continued in 2023. Moreover, all succeeding new PC workstations and ATM purchases are bundled with installed Windows 10 OS.

➤ Automation of AML Process

The acquisition of a new AML system was completed towards the end of 2018 and became fully operational in January 2019. 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.

➤ 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 and Mission, and to create value for its stakeholders. To maintain its industry position, the Bank's human capital is equipped with appropriate leadership and skills improvement programs aimed at regularly enhancing the capabilities of the talent pool. This initiative ensures the robustness of our workforce, keeping it relevant and effectively performing.

Among the important training programs conducted are Company Orientation, Sales and Marketing, Agri-Lending on Credit Process, E-Banking (which include ATM Operations, PESONet, InstaPay, POS, Online Banking), Information Security, Data Privacy, Business Continuity Awareness, Anti-Money Laundering (AML) and Financial Consumer Protection.

• **Legal Risk**

Legal risk exposures arise mostly from foreclosure of properties and loan collection cases. The Legal Department oversees the handling of cases referred to external counsels. It also handles cases in areas where retained counsels are not available. The status of these cases and legal risk exposures are regularly reported to the Chief Executive Officer, the Risk Oversight Committee and the Board of Directors. Management is well guided by sound 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 28 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 in 2024.

• **ANTI-MONEY LAUNDERING RISK**

Producers Bank adopts a Money Laundering/Terrorist Financing and Proliferation 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.

"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 customers 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

	2023	2022
CET-1 capital	P 5,004	P 4,121
Less: Regulatory adjustments to CET-1	178	274
	4,825	3,847
Additional Tier 1 (AT-1) capital	-	-
Less: Regulatory adjustments to AT-1	-	-
Total Tier 1 Capital	4,825	3,847
Tier 2 Capital	219	178
Less: Regulatory adjustments to Tier 2 capital	7	7
	212	171
Total Tier 2 Capital	5,037	4,018
Total qualifying capital	P 31,448	P 26,812
Total risk-weighted assets	15.34%	14.40%
CET-1 Capital Ratio	15.34%	14.40%
Tier 1 Capital Ratio		
Total Capital Ratio	16.02%	15.05%

• **INFORMATION SECURITY**

The information security landscape in 2023 continued to be challenging, with banks of all sizes facing an ever-increasing number of threats and breach in data privacy. In response, we continuously invest in our information security program by implementing a number of new initiatives to improve our security posture.

We made significant initiatives in our technical security controls. We continuously implemented a new firewall and intrusion detection system, and enabled new security configuration in our cloud electronic mail (email) system. We also continuously implemented a number of new security controls to protect our critical data assets, and updated our enterprise endpoint system to the latest Security System, which is touted to be the industry's most comprehensive endpoint protection and includes the powerful extended detection and response architecture.

As a result of these initiatives, we were able to successfully defend against a number of cyberattacks in 2023. We also received positive feedback from our

customers and stakeholders on our commitment to information security.

- Enhancement of our security infrastructure with new firewalls, intrusion detection systems, updates on enterprise endpoint systems including encryption technologies.
- Partnering with external security firms to conduct regular assessments of our security posture.
- Investing in employee training and awareness programs to help our workforce identify and report security threats.

In the years ahead, we plan to focus on the following areas:

- Implementing a zero-trust security model to further strengthen our perimeter defense.
- Investing in enterprise fraud management solutions with artificial intelligence, API security and machine learning technologies to automate security tasks and identify emerging threats.
- Expanding our security awareness training program to reach all employees, regardless of their role in the organization.

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 COMMITTEE

Amador N. Llona	Chairman
Rabboni Francis B. Arjonillo	Member (from January to May 2023)
Julio D. Climaco, Jr.	Member (Appointed new member through Stockholders' Meeting; Member from June to December 2023)
Cecilio B. Lorenzo	Member

RISK OVERSIGHT COMMITTEE

Rabboni Francis B. Arjonillo	Chairman (from January - May 2023)
Julio D. Climaco, Jr.	Chairman (Appointed New Chairman through Annual Stockholders' Meeting; Chairman from June to December 2023)
Amador N. Llona	Member
Cecilio B. Lorenzo	Member

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Cecilio B. Lorenzo	Chairman
Amador N. Llona	Member
Rabboni Francis B. Arjonillo	Member (from January to May 2023)
Julio D. Climaco, Jr.	Member (Appointed new Member through Annual Stockholders' Meeting; Member from June to December 2023)

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Pursuant to BSP Circular No. 1129, series of 2021, titled "Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions", and other relevant provisions of Section 133 of the Manual of Regulations for Banks (MORB 2020), the Corporate Governance and Compliance Committee Charter is hereby amended 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 and the 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 from the independent directors as the Chairperson. The Board may also appoint non-executive Directors as resource persons.

The CGCC shall have the following duties and responsibilities:

1. The Committee to assist the Board of Directors in fulfilling its corporate governance responsibilities. It 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. It shall also conduct an annual self-evaluation of its performance.
2. To 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 to ensure the annual continuing education for all directors and implement a policy for on-boarding & orientation program for first time directors. The Committee shall ensure the allocation of sufficient time, budget and other

resources for the continuing education of directors and draw on external expertise as needed.

4. The Committee to decide the manner by which the Board's performance may be evaluated and propose objective performance criteria to be approved by the Board.
5. The Committee to 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 vetting and recommending for Board approval the members of the Board and officers with the rank of VP and up as well as the Treasurer, heads of internal audit, risk management and compliance functions.

Additionally, the CGCC ensures that all interlocking directorships and/or officerships are vetted prior to endorsement for Board approval in accordance with the requirement under BSP Circular No. 1129 (2021) and the Bank's Policy on the Confirmation of the Election/Appointment of Interlocking Directorships and/or Officerships; it ensures that the benefits of having directors or officers with interlocking positions in other entities are optimized and that they devote sufficient time and attention necessary to effectively carry out his/her duties and responsibilities; and it conducts regular assessment of potential conflicts of interest of interlocking directors and/or officers in other entities as well as in interlocking positions held.

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:
 - i. 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;
 - ii. The board of directors shall ensure that non-executive board members 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, at the 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, Retail 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, Retail 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 resolution 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.	11	92%
Adrian Jean Claude D. Cornejo	12	100%
Cecilio B. Lorenzo	11	92%
Rabboni Francis B. Arjonillo	12	100%
Amador N. Llona	12	100%
Atty. Arthur R. Ponsaran (* Director from January to April 2023)	4	100% * 4 Meetings attended as Director
Julio D. Climaco, Jr. (* Independent Director from May 2023 to present)	8	100% * 8 Meetings attended as Director
		98%
Total Number of Meetings Held During the Year	12	

Board Committee Meetings

AUDIT COMMITTEE		
Attendance: 100% for 12 meetings in 2023		
Chairman:	Amador N. Llona	12
Members:	Rabboni Francis B. Arjonillo (Member from January to May 2023)	5
	Julio D. Climaco, Jr. (Appointed new Member through Annual Stockholders' Meeting; Member from June to December 2023)	7
	Cecilio B. Lorenzo	12

RISK OVERSIGHT COMMITTEE**Attendance: 100% for 12 meetings in 2023**

Chairman:	Rabboni Francis B. Arjonillo	5
	<i>(Chairman from January - May 2023)</i>	
	Julio D. Climaco, Jr,	7
	<i>(Appointed new Chairman through Annual Stockholders' Meeting; Chairman from June to December 2023)</i>	
Members:	Amador N. Llona	12
	Cecilio B. Lorenzo	12

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE**Attendance: 100% for 12 meetings in 2023**

Chairman:	Cecilio B. Lorenzo	12
Members:	Amador N. Llona	12
	Rabboni Francis B. Arjonillo	5
	<i>(Member from January to May 2023)</i>	
	Julio D. Climaco, Jr,	7
	<i>(Appointed new Member through Annual Stockholders' Meeting; Member from June to December 2023)</i>	

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 and Compliance 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 2023.

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.

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.

Features of the Producers Bank Retirement Plan.

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 2023, the total compensation of the Bank's Chief Executive Officer and the four (4) highly compensated executive officers amounted to Pesos: Forty Six Million Two Hundred Twenty Thousand (P46,220,000.00) Only.

MAJOR STOCKHOLDER

As of 31 December 2023, 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 2023, 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, SPE 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 B.	Independent Director, Non Executive Director (NED)	Filipino	30	300.00	0.00002%
Arjonillo, Rabonni Francis B.	Director, Non Executive Director (NED)	Filipino	20	200.00	0.00001%
Climaco, Julio Jr. D.	Independent Director, Non Executive Director (NED)	Filipino	11	110.00	0.00001%

BOARD OF DIRECTORS





GILDA E. PICO, 77

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 Master in Business Administration (MBA) at the University of the East.

SANDRA C. MENDOZA, 48

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. She is also the President of Top Star Hotel and Jolly Hearts Academy.



ANDRES M. CORNEJO, 75

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. He is also the Chairman of Top Star Hotel and Jolly Hearts Academy



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, 32

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 in 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.

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.



ARTHUR R. PONSARAN, 80

Director (since May 2021 - April 2023)

Corporate Secretary (since May 2023)

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.



RABBONI FRANCIS B. ARJONILLO, 64

Independent Director

(since May 2021 - April 2023)

Director (since May 2023)

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, 77

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.

JULIO D. CLIMACO, JR., 66

Independent Director
(since May 2023)

Mr. Climaco is a graduate of Bachelor of Science in Commerce, Management of Financial Institutions at De La Salle University in Manila. He also pursued Masters in Economic Research at the University of Asia and the Pacific. He was former member of Board of Directors of the following banks and corporation namely (1) United Coconut Planters Bank (2) UCPB Securities, Inc. (3) Overseas Filipino Bank (4) Producers Savings Bank Corporation (5) LSERV Corporation and (6) LBP Leasing Corporation. Mr. Climaco also handled various positions in Land Bank of the Philippines from 1993 to 2022 (i) Executive Vice President of the Branch Banking Sector (2020-2022), (ii) Executive Vice President of Corporate Services Sector (2014-2019), Senior Vice President of Corporate Services Sector (2012 – 2014), Senior Vice President of Strategic Planning Group (2009-2012), First Vice President of Strategic Planning Group (2000-2004) and Vice President of Corporate Planning Department (1993-2000). He also worked at Isla Lipana and Co. – Price Waterhouse Coopers as Senior Consultant (1988 – 1990), Supervising Consultant (1990 – 1991), Managing Consultant (1991 – 1993), Hongkong Bank Manila (HSBC) as Market Analyst (1985-1987) and Staff Officer of Marketing Department (1987- 1988).

In 2018, Mr. Climaco received the Leadership Award from Post Master Philippines.



ATTY. ARSENIO A. ALFILER, JR., 77

Corporate Secretary
(January - April 2023)

Assistant Corporate Secretary
(since May 2023)

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

- 75 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

- 48 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



EXECUTIVE AND SENIOR MANAGEMENT



FILIPINAS M. FERNANDEZ

Executive Vice President and Head,
APDS Management Support Group

- 60 years old, Filipino
- Graduate of BS Commerce Major in Accounting



CENON M. LADRINGAN

Executive Vice President and
Head, FSME Management Support Group

- 53 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 Banking Group (NCR, Region 3 & 4)

- 32 years old, Filipino
- Graduate of BS Management



ATTY. MELAMY A. SALVADORA – ASPERIN
Vice President & Head, Legal Department

- 41 years old, Filipino
- Graduate of BS Tourism
- Graduate of Bachelor of Laws



JUDEE JOY L. CAPARIÑO
Vice President and Head, Retail Banking Group (Region 6 & 7)

- 40 years old, Filipino
- Graduate of BS Accountancy
- Postgraduate in Master of Business Administration



ELMER G. CAYOG
Vice President and Head, Retail Banking Group (Region 5)

- 51 years old, Filipino
- Graduate of BS Accountancy



NERISSA A. ECHECHE
Vice President and Head, Retail Banking Group (Region 2)

- 44 years old, Filipino
- Graduate of BS Accountancy



TEODORA C. GARCIA
Vice President and Head, Retail Banking Group (Region 1)

- 50 years old, Filipino
- Graduate of BS Accountancy



MARICEL C. LADIGNON
Vice President and Head, Retail Banking Group (Region 3)

- 47 years old, Filipino
- Graduate of BS Accountancy

EXECUTIVE AND SENIOR MANAGEMENT



**MARIA CRISTINA YASMIN
S. MARIÑAS**

Vice President and Regional
Head, Rizal Province

- 46 years old, Filipino
- Graduate of BS Electronics and Communications Engineering
- Postgraduate in Master of Business Administration



**ATTY. EDEN BETH E.
MILLANES**

Vice President and Head, Retail
Banking Group (Region 9 & 10)

- 44 years old, Filipino
- Graduate of Bachelor of Laws
- Graduate of BS Accountancy
- Certified Public Accountant
- Licensed Real Estate Appraiser



**BERNARD APRILONE S.
PADILLA**

Vice President and Head,
Internal Audit Group

- 35 years old, Filipino
- Graduate of BS Accountancy



GINA T. RIVERA

Vice President and Chief ICT
Officer

- 55 years old, Filipino
- Graduate of BS Business Administration Major in Accounting
- Postgraduate in Master of Business Administration



MARIGOLD C. RIVERA

Vice President, Corporate
Communications Officer and
Head, Human Resource
Management Department

- 45 years old, Filipino
- Graduate of AB Philosophy
- Graduate of Bachelor of Laws



REVIER R. AVESTRUZ

Senior Assistant Vice President and Regional Head

- 44 years old, Filipino
- Graduate of Accountancy

PAB RONALD H. CALANOC

Senior Assistant Vice President and Head, Information Security & Technology Risk Management

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



IVY L. ALENSUELA

Assistant Vice President Head, Retail Banking Group (Region 8, 11, 12 & 13)

- 39 years old, Filipino
- Graduate of BS Accountancy

JOFFREY S. APOLONIO

Assistant Vice President and Regional Head

- 39 years old, Filipino
- Graduate of BS Accountancy



CHARITY E. ARRIOLA

Assistant Vice President and Assistant Regional Head

- 35 years old, Filipino
- Graduate of BS in Management Accounting
- Postgraduate in Master of Business Administration

EXECUTIVE AND SENIOR MANAGEMENT

MARY ANN S. BARBASA

Assistant Vice President and Head, FSME

- 49 years old, Filipino
- Graduate of Bachelor of Arts in Economics



MA. REINA M. BELEN

Assistant Vice President and Regional Head

- 50 years old, Filipino
- Graduate of BS Chemistry



MELANY L. BELTRAN

Assistant Vice President and Assistant Regional Head

- 45 years old, Filipino
- Graduate of BS Accountancy



ARACELI D. CHICO

Assistant Vice President and Head, E-Banking Group

- 38 years old, Filipino
- Graduate of BS Accountancy



PATRICIO M. CORNEJO

Assistant Vice President and Head, Bank Security Office / concurrent Head, Special Projects Department

- 62 years old, Filipino
- Graduate of BS Commerce





MA. CECILIA A. CRUZ

Assistant Vice President and Regional Head

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



MARITA T. DADUYO

Assistant Vice President and Regional Head

- 49 years old, Filipino
- Graduate of BS Accountancy



MA. VICTORIA L. DELA ROSA

Assistant Vice President and Head, Controllershship Group

- 40 years old, Filipino
- Graduate of BS Accountancy



RENY BOY S. EDANG

Assistant Vice President and Head, IT Security
(Network and Cybersecurity)

- 36 years old, Filipino
- Graduate of BS in Computer Science
major in Network Engineering



LILIBETH A. FERNANDEZ

Assistant Vice President and Head, FSME

- 49 years old, Filipino
- Graduate of BS Accountancy

EXECUTIVE AND SENIOR MANAGEMENT

ATTY. ANTHONY F. FRAYNA

Assistant Vice President & Head, FSME

- 35 years old, Filipino
- Graduate of BS Accountancy
- Graduate of Bachelors of Laws
- Postgraduate in Master of Management



KEITH SUSIE B. LEGASPI

Assistant Vice President and Chief Compliance Officer

- 39 years old, Filipino
- Graduate of Bachelor of Arts Major in English Literature
- Graduate of Bachelor of Laws



CHARLIE R. MADAYAG

Assistant Vice President and Assistant Regional Head

- 52 years old, Filipino
- Graduate of BS Commerce major in Banking and Finance



MARVIN G. MADRIGAL

Assistant Vice President & Head, Retail Banking Group
(Cordillera Administrative Region & Ilocos Region)

- 50 years old, Filipino
- Graduate of BS Accountancy



LOVELYN D. MALIBIRAN

Assistant Vice President and Regional Head

- 43 years old, Filipino
- Graduate of BS Commerce





MARY ANN D. MONTOKA

Assistant Vice President and Assistant Regional Head

- 44 years old, Filipino
- Graduate of BS Accountancy



MIKE C. ORDONEZ

Assistant Vice President and Regional Head

- 40 years old, Filipino
- Graduate of BS Accountancy



MARRY ELLAINE D. PIÑERA

Assistant Vice President & Head, Treasury Management Department

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



NORDELIZA S. RECTO

Assistant Vice President & Head, Risk Management Unit

- 59 years old, Filipino
- Graduate of BS Mathematics



ROSITA M. REYES

Assistant Vice President and Regional Head

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

EXECUTIVE AND SENIOR MANAGEMENT

HAMILTON B. SALES

Assistant Vice President and Assistant Regional Head

- 43 years old, Filipino
- Graduate of BS Mechanical Engineering



CRISPIN G. TAPIC

Assistant Vice President & Head, CIPAD

- 42 years old, Filipino
- Graduate of BS Civil Engineering
- Licensed Real Estate Appraiser
- Licensed Real Estate Broker



ANIE JOY R. PADILLA

Manager & Head, Funds Management Department &
ROPA Disposal Department

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



REDENTOR M. UBA, JR.

Manager & Head, Clearing Operations Department

- 36 years old, Filipino
- Graduate of BS Commerce



RYAN V. VELAZQUEZ

Manager and Head, Administrative Services Department

- 42 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 as follows:

- Strategic Planning, Execution and Business Department Group
- Legal Department
- Chief Security Officer
- Information Security Officer
- Treasury Management Group
- Controllership Group
- Information & Communication Technology Group
- Manpower and Special 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 operations of the operating sectors as follows:

- APDS Management Support Group
- FSME Management Support Group
- Credit Management Support Group
 - Technical Support Unit
 - Regional Lending Center
 - Credit Investigation & Property Appraisal Department
 - Remedial Management Department
- E-Banking Group
 - ATM Operations Department
 - Remittance Department
- Retail Banking Group

ELECTRONIC BANKING GROUP

Producers Bank continues to lead in electronic banking services, offering a comprehensive range of digital solutions for convenient and efficient banking. The bank offers E-Banking services such as ATM,

Remittance, Payments, Online Banking and Agency banking services using Point-Of-Sale (POS) solutions. With an extensive network of 326 ATMs nationwide as of December 31, 2023 strategically located in the countryside will ensure 24/7 access to ATM services for both personal and business clients. Moreover, the ATM debit cards enable cash withdrawals from any Bancnet accredited ATMs, streamlining transactions for clients on the go. We also 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.

Additionally, the bank's partnership with Electronic Commerce Payments Inc. (ECPay) further enhances its payment services, providing a secure and convenient platform for bill payments.

As the world embraces digital transformation, Producers Bank remains dedicated, leveraging technology to simplify banking processes and enhance customer experience. Online banking services offer a safe and efficient way for clients to manage their finances, with features such as fund transfers via InstaPay that allows up to PHP 50,000.00 per transaction in real time.

Transfer funds through PesoNet, businesses, government, and individuals will be able to transfer to another customer of other participating banks with no maximum amount limit and transactions are posted within the day.

In line with the bank's commitment to financial inclusion, Producers Bank continues to facilitate remittance services, connecting people across distances. As an authorized agent of Western Union, the bank ensures fast and simple money transfers globally, empowering clients to meet their financial obligations efficiently.

Furthermore, as part of its commitment to evolving with the times, Producers Bank is excited to explore the possibility of offering credit card services as a new product and service. The bank aims to provide existing and prospective clients with a seamless and convenient avenue for borrowing funds and making purchases. This strategic initiative will enhance clients' convenience and satisfaction. Through the implementation of credit card services, PSBC will provide innovative banking solutions while effectively meeting the evolving financial needs of our clients in the countryside.

Looking ahead, Producers Bank is dedicated to enhancing the security of its digital platform,

ensuring a safe and secure banking experience for all clients. By providing innovative electronic banking solutions and superior customer service, the bank aims to deepen its connection with clients and merit their on-going support and patronage.

LISTS OF INTERNAL WEBINARS FOR E-BANKING GROUP CONDUCTED FOR THE YEAR 2023

TITLE OF WEBINAR	DATE CONDUCTED	PARTICIPANTS	NO. OF PARTICIPANTS
EC Pay Webinar	April 2, 2023	ProFarmers Bank	15
Refresher on Electronic Banking Webinar	June 10, 2023	Branch Operations	219
ATMPOS Agency for Branch Heads	Sept. 23, 2023	Branch Heads	305



PRODUCERS BANK SUPPORTS BSP FINANCIAL INCLUSION PROGRAM

For 2023, 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) Gerona, Tarlac (ii) Siniloan, Laguna (iii) La Paz, Agusan del Sur (iv) Loreto, Agusan del Sur (v) Gabaldon, Nueva Ecija (vi) Concepcion, Tarlac (vii) Subic, Zambales (viii) Angat, Bulacan (ix) Gen. Tinio, Nueva Ecija (x) Lemery, Batangas.

Furthermore, the merger of Countryside Rural Bank of Palauig (Zambales), Inc. was granted in 2023, and the authorization for the acquisition of Rural Bank of Maasin (Southern Leyte), Inc. and Community Rural Bank of San Felipe (Zambales), Inc. occurred in the same year.

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 2023, the Bank was very active and visible in conducting marketing caravans to reach out to more farmers and SMEs.



PRODUCERS BANK BRANCH OPENINGS



OPERATING MANAGEMENT



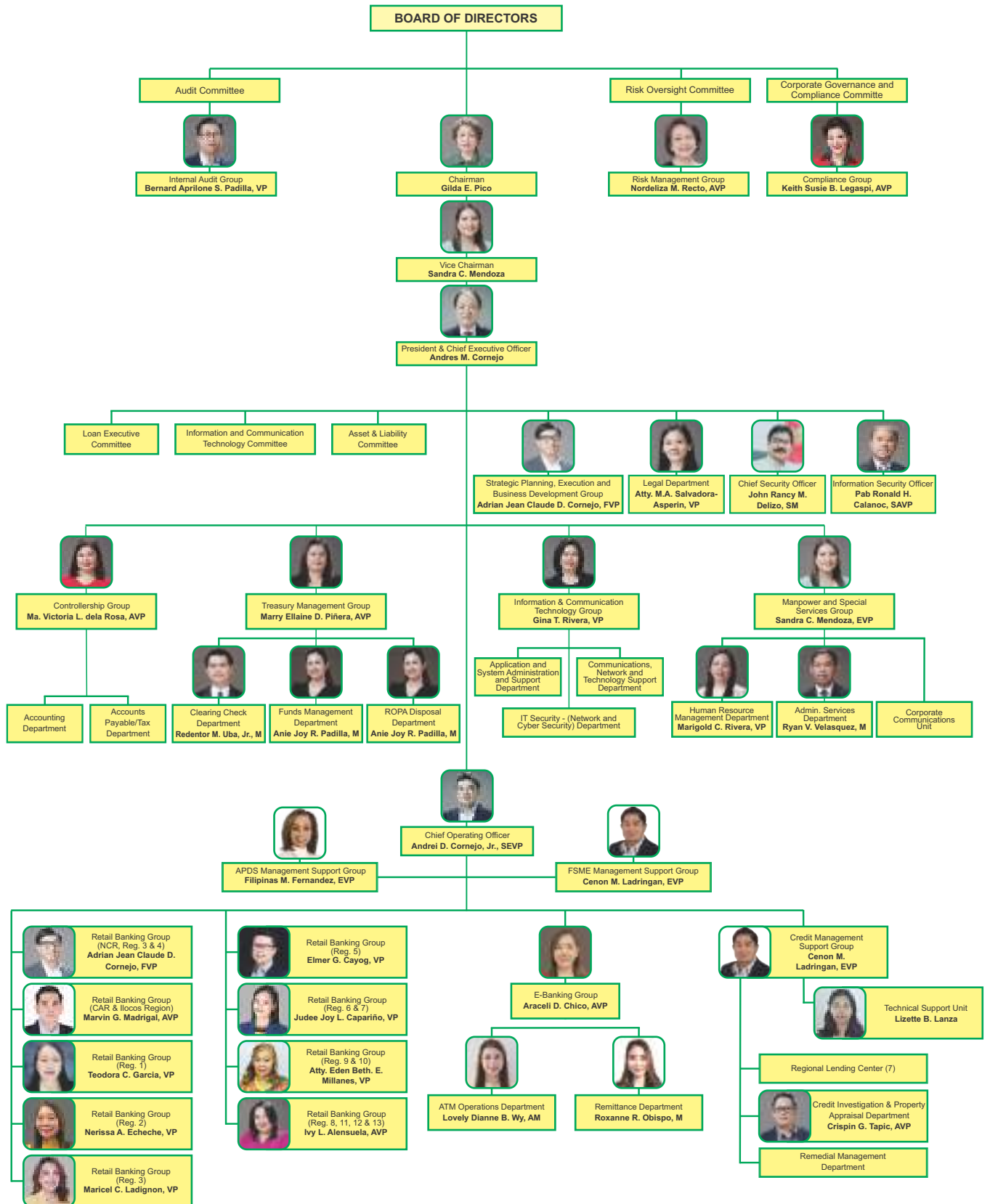
Board of Directors Meeting



PRODUCERS SAVINGS BANK CORPORATION

TABLE OF ORGANIZATION

AS OF JANUARY 30, 2024



RELATED PARTY TRANSACTION

Producers Bank adopts the definition of Related Parties as provided in BSP Circular No. 1129, series of 2021, titled "Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions", and other relevant provisions of Section 133 of the Manual of Regulations for Banks (MORB 2020), the Corporate Governance and Compliance Committee Charter is hereby amended 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 20 percent 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.
- ii. 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.

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 2023 and 2022 is as follows:

	2023	2022
Total outstanding DOSRI loans	P55,998,920.00	P45,415,520.00
Percent of DOSRI loans to total loans	0.22%	0.22%
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.

	2023	2022	2021
Short-term employee benefits	P59,767,389	P59,767,389	P57,989,490
Directors' remuneration	5,288,876	3,688,855	3,447,362
	P65,056,265	P63,456,244	P61,436,852

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.

For 2023, Producers Bank declared a total of P750 Million stock dividends out of the retained earnings of the Bank as of December 31, 2023 to be distributed and issued to common stockholders as of a record date to be fixed/approved by the Securities and Exchange Commission (SEC) after the increase in authorized capital stock shall have been duly approved by the SEC, provided that should there be any fractional share due to a stockholder, the same shall be rounded up to one whole share upon payment of the corresponding par value of the fractional share.

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 that fit 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-range and dedicated approach to consumer protection is offered by PSBC to make it an important priority at all operating levels. PSBC's consumer protection policies highlight the specific and focused consideration to consumer protection at all stages of the customer across the bank. The policies express PSBC's guiding principles 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 the development and continuous improvement of the Bank's consumer protection strategy. It exercises effective oversight over the implementation of consumer protection programs, 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 are responsible for the implementation of the consumer protection policies approved by the Board and manage the day-to-day consumer protection activities of the Bank. They also ensure that there are adequate resources and personnel devoted to the Bank's consumer protection program.

c) Consumer Protection Risk Management System (CPRMS)

• Compliance Program

The Consumer Protection Program is

incorporated in the over-all Compliance System and Program of the Bank to prevent 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.

• Policies and Procedures

The Bank's policies and procedures governing consumer protection are approved by the Audit Committee and the Board of Directors. These officers ensure that policies and procedures are:

- a) Consistent with Consumer Protection Policies as approved by the Board;
- b) Consumer protection practices are embedded in the Bank's business operations;
- c) Compliant with consumer protection laws, rules, and regulations; and
- d) Reviewed periodically and kept up-to-date to serve as reference for employees in their day-to-day activities.

• Internal Audit Function

The Internal Audit Group of the Bank develops and includes the Consumer Protection Audit Program in its audit function/program. It conducts the annual review of the Bank's consumer protection practices, ensures adherence to internal policies and procedures and compliance with existing laws, rules and regulations. The results of the audit findings and exceptions that noted by the Internal Audit Group 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 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). The scope of this policy includes the requirements and minimum guidelines on receiving, recording, evaluating, resolving, monitoring, reporting, and giving feedback to all concerns raised by the clients/consumers of Producers Bank.

The Bank's Consumer Assistance Group (CAG) with the Branch Heads as the concurrent Consumer Assistance Officers at the branch level are 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 reported 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 such as email, telephone, social media, and walk-in clients by which customers can request for assistance, the Bank provided and processed seventeen thousand thirty-five (17,035) requests for assistance for the year of 2023.

Presently, PSBC takes pride in the immediate integration of the recently enacted Financial Products and Services Consumer Protection Act in its Revised Financial Consumer Protection Manual. With the guidance of its Board of Directors, senior management, and its regulator, the Bangko Sentral ng Pilipinas, PSBC will continue to monitor, update, improve and strengthen its policies on consumer protection.

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 & filled 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 Producers 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 three hundred twenty six (326) ATMs nationwide as of December 31, 2023 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 way 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 toll 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.producersbank.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.

HEAD OFFICE

1706 AIC Burgundy Empire Tower, ADB Avenue corner Sapphire Street, Ortigas Center, Pasig City
(02) 570 4137

HEAD OFFICE EXTENSION

17th Floor, One San Miguel Avenue, San Miguel Avenue corner Shaw Boulevard, Ortigas Center, Pasig City
(02) 570 4137

DATA CENTER

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

BRANCHES

1. ALAMINOS

G/F New EJRBldg., National Road, Barangay Palamis, Alaminos City, Pangasinan
(075) 529 5159

2. ALIAGA

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

3. ALICIA

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

4. ALTAVAS

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

5. AMADEO

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

6. ANAO

Poblacion, Anao, Tarlac
(045) 606 0919

7. ANGAT

M. A. Fernando Street, Sta. Cruz, Angat, Bulacan
(0915) 429 0083

8. ANGELES

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

9. ANGONO

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

10. ANTIPOLLO

145 M.L. Quezon Street, Barangay San Roque, Antipollo City, Rizal
(02) 8742 3440

11. APARRI

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

12. ARITAO

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

13. ASINGAN

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

14. ASUNCION

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

15. AURORA, ISABELA

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

16. AURORA, ZAMBOANGA DEL SUR

7th Avenue, San Jose, Aurora, Zamboanga Del Sur
(062) 947-0236

17. BAAO

National Highway, Producers Bank Building, Del Rosario, Baao, Camarines Sur
0966 267 8132

18. BACOLOD

Negros First Cyber Centre Building, corner Lacson Hernaez Street, Bacolod City, Negros Occidental
(034) 454 2007

19. BACOR

F. Giron Arcade, Zapote Rotonda Bacoar, Cavite
(046) 417 5853

20. BAGABAG

Zapata Building, Provincial Road, Barangay San Geronimo, Bagabag, Nueva Vizcaya
(078) 362 0939

21. BAGO

G/F Ramon Gonzaga Arcade, Barangay Poblacion, Bago City, Negros Occidental
(034) 461 1526

22. BAGUIO

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

23. BAIS

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

24. BALANGA

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

25. BALAOAN

Orallo Barangay, National Highway, Barangay Antonino Poblacion, Balaoan, La Union
(072) 610 7836

26. BALER

Quezon Street, Barangay, Suklayin, Baler, Aurora
0919 063 7004

27. BALIUG

Megamart Bldg., Barangay Tangos, Baliug, Bulacan
(044) 766 0541

28. BALOC

Maharlika Highway, Baloc, Sto. Domingo, Nueva Ecija
0919 0833 532

29. BAMBANG

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

30. BANI

Quezon Avenue, Poblacion, Bani, Pangasinan
(075) 523 0325

31. BAROTAC NUEVO

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

32. BATANGAS CITY

24 A.A Pastor Bldg. P. Burgos St., Barangay 16, Batangas City
(043) 786 5398

33. BAYAMBANG

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

34. BAYOMBONG

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

35. BAYUGAN

Esperanza Road, Bayugan City, Agusan del Sur
(085) 231 1974
09090678147

36. BAYUGAN BLU

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

37. BENITO SOLIVEN

National Highway, District 2, Benito Soliven, Isabela
0905 302 7077

38. BINALBAGAN

Poblacion, Binalbagan, Negros Occidental
(034) 432 6414

39. BINALONAN

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

40. BINANGONAN

Baltazar Street corner Rizal Avenue, Barangay Layunan, Binangonan, Rizal
(02) 8532 3136

41. BINMALEY

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

42. BOCAUE

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

43. BOLINAO

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

44. BONGABON

National Road, Barangay Commercial, Bongabon, Nueva Ecija
(044) 958 1243

45. BONTOC

National Highway, Poblacion, Bontoc, Southern Leyte
(053) 570 3390

46. BUENAVISTA

Mclain Street Barangay Poblacion, Buenavista, Guimaras
(033) 322 6640

47. BUGASONG

Barangay Ilauod, Bugasong, Antique
0917 130 1419

48. BULAN

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

49. BUSTOS BONGA MENOR

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

50. BUSTOS POBLACION

Poblacion, Bustos, Bulacan
(044) 760 0048

51. BUTUAN CITY

Producers Bank Building, Zone 4 Barangay 6, Diego Silang, Montilla Boulevard, Butuan City, Agusan del Norte
(085) 817 2438

52. CABADBARAN

Barangay 9, Quarry, Cabadbaran City, Agusan del Norte
(085) 806 0937
0948 288 4733

53. CABANATUAN CENTRAL

Central Terminal Barangay D.S. Garcia Cabanatuan City
(044) 958 0102

54. CABANATUAN EAST

Fortaleza Street, Barangay Bangad, Cabanatuan City, Nueva Ecija
(044) 803 6967

55. CABANATUAN NORTH

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

56. CABANATUAN SOUTH

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

57. CABARROGUIS

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

58. CABATUAN

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

59. CABIAO

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

60. CADIZ

Miranda Bldg. Cabahug Street, Barangay Zone 4, Cadiz City, Negros Occidental
(034) 466 0076

61. CAGAYAN DE ORO - LAPASAN

281 Recto Avenue, Lapanan, Highway, Cagayan De Oro City, Misamis Oriental
(088) 885 0182

62. 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

63. CAINTA

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

64. CALABANGA

Zone 5, San Vicente, Calabanga, Camarines Sur
(054) 811 7015

65. CALAMBA, LAGUNA

National Highway corner Sta. Cecilia Village, Barangay Parian, Calamba City, Laguna
(049) 539 8996

66. CALAMBA, MISAMIS OCCIDENTAL

Felomino Building, National Highway, Solinog, Calamba, Misamis Occidental
(088) 564 0295

67. CALOOCAN

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

68. CALUMPIT

McArthur Highway, Barangay Corazon, Calumpit, Bulacan
(044) 815 5173
0997 927 9929

69. CAMILING

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

70. CANDELARIA

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

71. CANLAON

Andres Bonifacio Street, Midtown, Barangay Mabigo, Canla-on City, Negros Oriental
0929 477 8731

72. CAPAS

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

73. CARIG

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

74. CARMEN

McArthur Highway, Barangay Carmen West, Rosales, Pangasinan
(075) 649 4454

75. CARRANGLAN

Barangay F.C. Otic, Carranglan, Nueva Ecija
0919 063 7005

76. CARRASCAL

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

77. CASIGURAN

Barangay Marikit, Casiguran, Aurora
09310399377

78. CASTILLEJOS

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

79. CATICLAN

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

80. CAUAYAN

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

81. CEBU

1A 260 Cement Center Bldg. Corner Uytengsu Street Osmeña Boulevard Sambag 1, Cebu City
(032) 415 7645

82. COGEO

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

83. COMPOSTELA

Lagab, Poblacion Compostela, Compostela Valley Province
0938 448 8265

84. CONCEPCION, ILOILO

Azucena Street Poblacion, Concepcion, Iloilo
0921 499 8839

85. CONCEPCION, TARLAC

BKG Building, L. Cortez Street, Barangay San Jose, Concepcion, Tarlac
(045) 800 7117

86. CORDON

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

87. CULASI

Jesus of Nazareth Building, Cadiao Street, Centro Poblacion, Culasi, Antique
(036) 540 1281

88. CUYAPO

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

89. DAET

PSBC Building Governor Panotes Avenue, Barangay 8, Daet, Camarines Norte
(054) 885 2605

90. DAGUPAN

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

91. DASMARIÑAS

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

92. DAPITAN

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

93. DAVAO BAJADA

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

94. DAVAO ECOLAND

Door 101-103 Ground Floor Pink Walters Building, Quimpo Boulevard, Ecoland, Davao City
(082) 295 7784

95. DIGOS

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

96. DINALUPIHAN

National Road San Ramon, Dinalupihan, Bataan
(047) 643 2050

97. DINGALAN

Baler Street, Barangay Poblacion Dingalan, Aurora
(042) 724 2498

98. DIPOLOG

083 Rizal Avenue corner Calibo Street, Dipolog City, Zamboanga del Norte
(065) 212 2466

99. DUMAGUETE

Plaza Doña Milagros Bldg., Perdices, corner Sta. Rosa & Pinili Streets, Dumaguete City, Negros Oriental
(035) 523-3460

100. DUPAX DEL NORTE

Aguada's Building, National Highway, Malasin, Dupax Del Norte, Nueva Vizcaya
(078) 362 8313

101. EL SALVADOR

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

102. ESCALANTE

Rotonda, Barangay Balintawak, Escalante City, Negros Occidental
(034) 445 1627

103. GABALDON

Purok Mirasol corner Narra Street South Poblacion, Gabaldon, Nueva Ecija
(044) 511 6352

104. GAPAN

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

105. GEN. NATIVIDAD

Barangay Poblacion, General Natividad, Nueva Ecija
(044) 511 2561

106. GEN. TINIO

Bonifacio Street Poblacion Central, Gen. Tinio, Nueva Ecija
(044) 311 9472

107. GERONA

Poblacion 1, Gerona, Tarlac
(045) 606 7334

108. GOA

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

109. GONZAGA

G/F Cortes Building, National Highway, Barangay Paradise, Gonzaga, Cagayan
(078) 395 9554

110. GUIGUINTO

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

111. GUIHULNGAN

St. Thaddeus Building, Osmeña Avenue, Brgy. Poblacion, Guihulngan City, Negros Oriental
0918 454 5272/0909 345 4461

112. GUIMBA

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

113. HAGONNOY

Felimon Building Sto. Nino, Hagonoy, Bulacan
(044) 931 3244

114. HIMAMAYLAN

Sian Building, Rizal Street, Barangay 2, Himamaylan City, Negros Occidental
0927 1347 825

115. HINIGARAN

Tupas Building, Rizal Street, Barangay III, Hinigaran, Negros Occidental
(034) 7410 384

116. IBA

Bugallon Street corner Taveria, Zone V, Iba, Zambales
(047) 602 2139

117. ILAGAN

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

118. ILIGAN

Plaza Alemania Hotel, Quezon Avenue Extension Pala-o, Iligan City, Lanao del Norte
(063) 221 1318

119. IMELDA

Calamohoy Building, Rizal Street, Poblacion, Imelda, Zamboanga Sibugay
0905 884 7684

120. IMUS

Unit D & E, Double Tree Building, Gen. Emilio Aguinaldo Highway, Anabu 1-A, City of Imus, Cavite
(046) 886 1858

121. IPIL

Purok Petrotex, Poblacion, Ipil, Zamboanga Sibugay
(062) 955 6860

122. IRIGA

G/F Lemar's Building, San Roque, Iriga City, Camarines Sur
0981 598 6635

123. ISABELA, NEGROS OCCIDENTAL

Tourism Building, Burgos St., Barangay 4, Isabela Negros Occidental
0963 2888 666

124. ISULAN

National Highway Barangay
Dansuli, Isulan, Sultan Kudarat
(064) 471 3247

125. JAEN

PSBC Building, Barangay
Sapang, Jaen, Nueva Ecija
(044) 511 1738

126. JARO

Ground Floor Door 2 Balsy
Building, Barangay Cuartero
EL 98 Jaro, Iloilo City
(033) 315 5458

127. KABANKALAN

Producers Bank Building,
Aguiles Zayco Ave. Brgy. 1,
Kabankalan City, Negros
Occidental
(034) 485 4632

128. KALIBO

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

129. KAPALONG

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

130. LAGAWE

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

131. LA PAZ, ADS

Purok 4 Poblacion, La Paz,
Agusan del Sur
0931 217 9962

132. LA PAZ, TARLAC

Unit #517 Market Place
Building, San Isidro,
La Paz, Tarlac
(045) 800 7394

133. LA TRINIDAD

Lubos Building, Km 5, Pico,
La Trinidad, Benguet
(074) 661 0949

134. LAUR

Gen. Tinio corner Gen.
Natividad Streets, Barangay II,
Laur, Nueva Ecija
0919 063 8641
(044) 463 6807

135. LEGAZPI

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

136. LEMERY

Ilustre Avenue, Barangay
District 1, Lemery, Batangas
(043) 756 3910

137. LINGAYEN

G/F Micu Commercial Bldg.,
Avenida Rizal East, Poblacion,
Lingayen, Pangasinan
(075) 540 7065

138. LILOY

Momar Insong Building,
Baybay, Lilo Zamboanga del
Norte
0967 950 2450

139. LIPA

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

140. LLANERA

Lagasca Avenue, Barangay
Plaridel, Llanera,
Nueva Ecija
(044) 958 1979

141. LOS BAÑOS

National Road, San Antonio,
Los Baños, Laguna
(049) 557-1395

142. LORETO

Purok 4, Poblacion, Loreto,
Agusan Del Sur
0912 2360 466

143. LUCENA

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

144. LUPAO

Producers Bank Building,
National Highway, Barangay
Flores, Lupao,
Nueva Ecija
(044) 456 0428

145. LUPON

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

146. MAASIN

E. Rafols Street, Tunga-Tunga
Street, Maasin City,
Southern Leyte
(053) 570 9835
(053) 802 5546

147. MAASIN BLU

E. Rafols Street, Tunga-Tunga
Street, Maasin City,
Southern Leyte
(053) 802 5546

148. MABALACAT

Lot 8, Golden Crown Bldg.,
Mc Arthur Highway,
Mamatitang, Mabalacat City,
Pampanga
0977 415 1356
0931 809 9350

149. MADDELA

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

150. MADRID

Purok 3, Barangay Linibunan,
Madrid, Surigao del Sur
(086) 213 4167

151. MAGARAO

San Pantaleon, Magarao,
Camarines Sur
0933 815 4394

152. MALASIQUI

Ramon Magsaysay Street,
Barangay Poblacion,
Malasiqui, Pangasinan
(075) 656 5464

153. MALITA

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

154. MALLIG

Adriosula Building,
Centro 2, Mallig,
Isabela
(078) 3058 300

155. MALOLOS

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

156. MANAOAG

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

157. MANDALUYONG

#673 Boni Avenue, Barangay
Plainview, Mandaluyong City
(02) 829 7061

158. MANDAUE

Grand Arcade A.C Cortes Ave.
Mandaue City, Cebu
(032) 238 8137

159. MANGALDAN

G/F Berex Enterprises
Building, Mangaldan
Commercial Center, J. Rizal
Avenue, Bari, Mangaldan,
Pangasinan
075 524 7252

160. MANGATAREM

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

161. MANUKAN

Caballero Bldg, Poblacion
Manukan, Zamboanga Del
Norte
0917 322 7267
0970 916 2575

162. MARIA AURORA

ML Quezon Street, Barangay 4,
Maria Aurora, Aurora
0919 063 8645
(042) 714 5322

163. MARIKINA CITY

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

164. MARILAO

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

165. MATI

Doña Rosa Building, Madang
Street, Barangay Central,
Mati City, Davao Oriental
(087) 811 2628
0930 380 8280

166. MOLAVE

Roxas Avenue, Makugihon,
Molave, Zamboanga Del Sur
0977 8010 133

167. MOLO

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

168. MONCADA

Maharlika Highway,
Barangay Rizal, Moncada,
Tarlac
(045) 934 1486

169. MUÑOZ

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

170. MURCIA

Brgy Salvacion, Murcia Negros
Occidental
(034) 474 8065

171. NABUA

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

172. NAGA PANGANIBAN

G/F Producers Bank Building,
Panganiban Drive, Barangay
Concepcion Pequeña,
Naga City, Camarines Sur
0917 939 4789

173. NAGCARLAN

692 Jose Coronado Street,
Nagcarlan, Laguna
(049) 547 7732

174. OLONGAPO

A. Sia Bldg #41 Gordon Ave.,
Pag Asa, Olongapo City,
Zambales
(047) 611 0145

175. ORTIGAS (OSMA)

LG/F One San Miguel Avenue,
San Miguel Avenue corner
Shaw Boulevard, Ortigas
Center, Pasig City
(02) 8556 2684
0919 0873244

176. OROQUIETA

LM Building Ozamiz Street,
Lower Langcangan,
Oroquieta City, Misamis
Occidental
088 531 0477

177. OTON

J.C. Zulueta Street, Poblacion
South, Oton, Iloilo
(033) 321 6160

178. OZAMIZ

Ground Floor Insular Life
Building, Don Anselmo Bernad
Avenue, Ozamiz City,
Misamis Occidental
0918 728 1675

179. PAGADIAN

F.S Pajares corner Sanson
Street, San Francisco,
Pagadian City, Zamboanga del
Sur
(062) 993 4100

180. PALAYAN

Aurora Road, Barangay
Caimito, Palayan City,
Nueva Ecija
(044) 940 9798

181. PALAUIG

West Poblacion, Palauig,
Zambales
0912 215 4307

182. PAMPLONA

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

183. PANABO

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

184. PANDAN

Dy Buco Building, Barangay
Centro Sur, Pandan, Antique
(036) 540 1280

185. PANDI

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

186. PANTABANGAN

East Poblacion, Pantabangan,
Nueva Ecija
0919 063 8642

187. PASACAO

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

188. 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

189. PASSI

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

190. PILI

Zone 5, New San Roque, Pili,
Camarines Sur
0930 801 1212

191. PIÑAN

Jose S. Hamoy Avenue,
Poblacion South, Piñan,
Zamboanga del Norte
0975 934 1247

192. PLARIDEL

Calata Building., Banga I,
Plaridel, Bulacan
(044) 792 1815

193. POLANGUI

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

194. POZORRUBIO

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

195. PRESIDENT QUIRINO

Ramos Building, National
Highway, Poblacion, Pres.
Quirino, Sultan Kudarat
(064) 477 5650

196. PROSPERIDAD

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

197. PULILAN

National Road, Barangay
Cut-cot, Pulilan, Bulacan
(044) 760 2203

198. RAGAY

Poblacion Ilaod, Ragay,
Camarines Sur
0912 120 2904

199. RAMOS

Poblacion Center, Ramos,
Tarlac
(045) 491 1265

200. RIZAL

Aglipay Street, Poblacion Sur,
Rizal, Nueva Ecija
(044) 951 2182
0936 950 3528

201. ROOSEVELT

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

202. ROSALES

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

203. ROSARIO

Carillo Building, Barangay
Subusub, Rosario, La Union
(072) 687 0446

204. ROXAS, CAPIZ

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

205. ROXAS, ISABELA

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

206. SAN ANTONIO

Barangay Tikiw, San Antonio,
Nueva Ecija
(044) 456 7337

207. SAN CARLOS, NEGROS OCCIDENTAL

Gaisano Mall, FC Ledesma
Avenue corner Ledesma
Street, San Carlos City,
Negros Occidental
(034) 729 9328

208. SAN CARLOS, PANGASINAN

Palaris Street,
San Carlos City,
Pangasinan
(075) 531 3757

209. SAN FABIAN

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

210. SAN FERNANDO, CAMARINES SUR

Zone 1 Bonifacio, San
Fernando, Camarines Sur
0907 054 0402

211. SAN FERNANDO, LA UNION

G/F Nebres Building,
Quezon Avenue, Downtown
Commercial Center,
San Fernando City,
La Union
(072) 888 2938

212. SAN FERNANDO, PAMPANGA - DOWNTOWN

Consunji Street, Sto. Rosario,
San Fernando City,
Pampanga
(045) 887 1625

213. SAN FRANCISCO

National Highway, Purok-4,
Barangay 5, San Francisco,
Agusan del Sur
0907 580 7137

214. SAN ILDEFONSO

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

215. SAN JACINTO

137 Ildefonso Street, Barangay
Capaoay, San Jacinto,
Pangasinan
075 662 0848

216. SAN JOSE, ANTIQUE

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

217. SAN JOSE CITY, NUEVA ECIIJA

G. Salvador Building,
Maharlika Road, San Jose City,
Nueva Ecija
(044) 486 2952

218. SAN LEONARDO

Poblacion, San Leonardo,
Nueva Ecija
(044) 958 5925

219. SAN MANUEL

Perez Street, Barangay Guiset Sur, San Manuel, Pangasinan
0906 302 6109
(075) 565 2549

220. SAN MATEO, ISABELA

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

221. SAN MATEO, RIZAL

San Mateo-Batasan Road cor. Gen. Antonio Luna Avenue, Barangay Banaba, San Mateo, Rizal
(02) 8363 3315

222. SAN MIGUEL

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

223. SAN NICOLAS

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

224. SAN PABLO

#80 Rizal Avenue, Barangay VI-A, San Pablo City
(049) 562 2842
(049) 562 2771

225. SAN QUINTIN

Figuerola St., Poblacion Zone II, San Quintin, Pangasinan
(075) 632 7718

226. SANTIAGO

Marilyn 1949 Building, City Road, Centro West, Santiago City
078 324 4110

227. SIAYAN

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

228. SIBAGAT

Poblacion, Sibagat, Agusan del Sur
0907 660 2156

229. SIBALOM

Veñegas Street, District III, Sibalom, Antique
(036) 540 1280

230. SILANG

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

231. SILAY

Door 2, APSSI Building, Rizal Street, Barangay Mambulac, Silay City, Negros Occidental
(034) 495 0362

232. SINDANGAN

Quezon Avenue, Poblacion, Sindangan, Zamboanga del Norte
(065) 224 2241

233. SINILOAN

G.Redor Street, Barangay Pandeño, Siniloan, Laguna
049 537-9158

234. SIPOCOT

San Juan Avenue, South Centro, Sipocot, Camarines Sur
(054) 331-2147

235. SOLANO

National Highway TAM-AN Corporate Building Poblacion South, Solano, Nueva Vizcaya
078 321 5471

236. SORSOGON

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

237. STA. BARBARA, ILOILO

Teresita Building, Magalona Street, Sta. Barbara, Iloilo
(033) 333 1273

238. STA. BARBARA, PANGASINAN

Poblacion Sur, Sta. Barbara, Pangasinan
(075) 529 5867

239. STA. IGNACIA

Poblacion West, Santa Ignacia, Tarlac
(045) 9255913

240. STA. JOSEFA

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

241. STA. MARIA

1/F Galinato Building., Palaruan Street, Poblacion East, Sta. Maria, Pangasinan
(075) 529 5897

242. STA. ROSA

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

243. STO. DOMINGO HIGHWAY

Provincial Road, Brgy. Pulong Buli, Sto. Domingo, Nueva Ecija
0918 904 2847

244. STO. DOMINGO POBLACION

D. Noriel Street, Hulo, Sto. Domingo, Nueva Ecija
0917 566 1323

245. SUBIC

National Highway, Brgy. Calapandayan, Subic, Zambales
(047) 2321 352

246. SURIGAO

Narciso Corner Rizal Street, Barangay Washington, Surigao City, Surigao del Norte
(086) 826 9106

247. TABACO

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

248. TACURONG

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

249. TAGUDIN

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

250. TAGUM

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

251. TALACOGON

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

252. TALAVERA

Maharlika Highway, Talavera, Nueva Ecija
044 486 8260

253. TALUGTUG

Provincial Road, Barangay Magsaysay, Talugtug, Nueva Ecija
(044) 951 0297

254. TANAY

Unit 2 & 3, RK Building, New Market Road, Barangay Plaza Aldea, Tanay, Rizal
(02) 8442 8941

255. TANDAG

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

256. TARLAC

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

257. TAYABAS

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

258. TAYTAY

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

259. TAYUG

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

260. TERESA

Magsaysay Avenue, Barangay San Gabriel, Teresa, Rizal
(02) 8293 3540

261. TINAMBAC

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

262. TORIL

G/F Grandma Building, National Highway, Toril, Davao City, Davao
(082) 224 2503

263. TRENTO

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

264. TUGUEGARAO

#371 Zone 3, Buntun Highway, Tuguegarao City, Cagayan
(078) 375 3044

265. TUMAUNIN

Padron Building, Barangay San Pedro, National Highway, Tumaunin, Isabela
(078) 323 0809

266. UMINGAN

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

267. URBIZTONDO

Rizal Street, Urbiztondo, Pangasinan
(075) 636 1507

268. URDANETA

Urduja Building, Alexander Street, Poblacion, Urdaneta City, Pangasinan
(075) 568 7207

269. VALENCIA

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

270. VALENZUELA CITY

38 M.H. Del Pilar Street, Barangay Palasan, Valenzuela City
(02) 8518 9953
0919 087 3246

271. VALERIA

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

272. VALLADOLID

Barangay Poblacion, Valladolid, Negros Occidental
(034) 431 3789

273. VICTORIA

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

274. VICTORIAS

Osmeña Avenue, Victorias City, Negros Occidental
(034) 399 2778
(034) 717 7121

275. VILLASIS

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

276. ZARAGOZA

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

277. COMMUNITY RURAL BANK OF SAN FELIPE (ZAMBALES), INC.

National Highway, Barangay West Feria, San Felipe Zambales
(047) 232 7927

www.producersbank.com.ph

AUDITED FINANCIAL STATEMENTS

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, 2023 and 2022, 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, 2023 and 2022, 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 misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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, 2022SEC Accreditation No. 111361-SEC, Group A, issued on February 4, 2020,
effective for the audit of 2019 to 2023 financial statements of SEC covered institutionsBSP 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

April 02, 2024

Makati City



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 April 02, 2024.

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, 2022SEC Accreditation No. 111361-SEC, Group A, issued on February 4, 2020,
effective for the audit of 2019 to 2023 financial statements of SEC covered institutionsBSP 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

April 02, 2024
Makati City

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022

December 31				
	<i>Note</i>	<i>Consolidated</i>	2023	2022
ASSETS				
Cash and Other Cash Items		P1,787,187,761	P1,757,199,821	1,659,358,305
Due from Bangko Sentral ng Pilipinas	6	732,908,045	723,001,357	1,659,243,931
Due from Other Banks	6	945,696,049	802,700,590	634,875,509
Interbank loan receivable	6	599,111,629	599,111,629	1,227,250,613
Investments at Amortized Cost	7	139,049,828	27,961,026	29,288,536
Financial Assets at Fair Value through Other Comprehensive Income	8	3,652,344,862	3,652,344,862	3,530,120,384
Loans and Receivables - net	9	25,448,846,638	25,348,121,601	21,291,439,429
Non-current Assets Held for Sale	10	29,245,256	29,245,256	53,737,341
Property and Equipment - net	11	962,014,910	957,904,505	903,663,354
Right-to-use Asset	26	179,371,429	179,371,429	220,508,080
Investment Properties - net	12	2,042,887,952	2,039,975,109	1,727,595,024
Investment in Subsidiaries	14	-	95,119,374	11,000,000
Sinking Fund	13	7,180,266	7,061,837	7,061,837
Intangible Assets - net	14	123,141,481	116,481,744	127,947,383
Other Assets - net	15	242,264,665	240,339,889	144,275,462
		P36,891,250,772	P36,575,940,028	33,227,365,188
LIABILITIES AND EQUITY				
Deposit Liabilities				
Demand	17	P4,001,109,603	P4,001,109,603	P3,646,408,688
Savings	17	12,245,935,946	11,973,405,429	11,562,822,323
Time	17	6,777,688,520	6,752,708,180	6,650,220,430
		23,024,734,070	22,727,223,212	21,859,451,441
Bills Payable	18	7,109,485,919	7,109,485,919	6,309,485,919
Lease Liability	26	181,221,115	181,221,115	212,436,831
Accrued Interest, Taxes and Other Payable	19	336,401,398	332,344,780	280,356,013
Redeemable Preference Shares	21	1,483,429	1,365,000	1,365,000
Deferred Tax Liabilities	28	134,742,758	138,789,916	90,881,205
Other Liabilities	20	476,570,565	472,381,752	233,577,236
Total Liabilities		31,264,639,253	30,962,811,694	28,987,553,645
Equity				
Capital stock	23	P1,339,558,010	P1,339,558,010	P1,339,558,010
Paid-in surplus		419,111,471	419,111,471	419,111,471
Surplus free		4,068,086,654	4,054,603,469	2,817,202,002
Surplus reserves		-	-	-
Unrealized gains on financial assets at fair value through other comprehensive income	8	(186,113,341)	(186,113,341)	(322,028,665)
Remeasurement losses on retirement plan	25	(14,031,275)	(14,031,275)	(14,031,275)
Total Equity		5,626,611,519	5,613,128,333	4,239,811,543
		36,891,250,772	36,575,940,028	33,227,365,188

See Notes to Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

		Years Ended December 31		
	Note	Conso	2023	2022
INTEREST INCOME				
Loans and receivables	9	2,426,653,520	2,408,074,737	2,052,740,697
Investment securities	7	172,080,616	165,520,684	161,395,868
Due from Bangko Sentral ng Pilipinas and other banks	6	88,427,725	84,975,800	52,373,464
		2,687,161,862	2,658,571,221	2,266,510,029
INTEREST EXPENSE				
Deposit liabilities	17	249,499,584	248,240,791	185,335,871
Bills payable and other borrowings	18	375,266,123	375,266,123	175,480,158
Lease liabilities	26	-	-	52,847,345
		624,765,707	623,506,914	413,663,374
NET INTEREST INCOME		2,062,396,155	2,035,064,307	1,852,846,655
OTHER INCOME				
Service charges, fees and commissions	24	860,917,586	860,158,722	698,001,077
Gains on foreclosure and sale of property and equipment	10,12	234,886,144	233,946,774	111,748,714
Foreign exchange gains, net		990,180	990,180	8,275,439
Miscellaneous		101,483,133	96,617,606	90,237,560
		1,198,277,043	1,191,713,282	908,262,790
OTHER EXPENSES				
Salaries and other employee benefits	25	840,213,106	829,990,727	695,359,905
Depreciation and amortization	11,12,14,26	231,204,009	243,444,717	208,977,526
Communication, light and water		86,475,139	85,608,572	94,618,266
Provision for probable losses	16	78,235,128	65,000,428	99,801,714
Transportation and travel		59,579,225	59,253,201	59,571,028
Security, janitorial and other services		63,796,146	63,325,925	56,687,400
Insurance		43,808,977	43,104,067	48,229,706
Stationery and supplies		22,180,689	21,935,475	27,662,228
Documentary stamp taxes		93,968,709	93,844,455	
Litigation and asset acquired expenses		4,097,193	3,937,072	7,128,339
Representation and entertainment		18,692,507	18,506,574	22,039,201
Repairs and maintenance		23,715,665	23,486,624	23,776,981
Taxes and licenses		94,784,574	92,898,666	189,014,302
Information technology expense		13,944,759	13,741,115	11,210,823
Miscellaneous	27	81,889,042	80,312,434	133,989,324
		1,756,641,184	1,738,390,052	1,678,066,743
INCOME BEFORE INCOME TAX		1,504,032,014	1,488,387,536	1,083,042,702
INCOME TAX EXPENSE	28	253,147,362	250,986,070	230,678,926
NET INCOME		1,250,884,652	1,237,401,467	852,363,776

See Notes to Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

	Years Ended December 31		
	<i>Note</i>	2023	2022
NET INCOME		1,250,884,652	1,237,401,467
OTHER COMPREHENSIVE INCOME(LOSS)			
reclassified to profit or loss			
Net change in remeasurement			
gains (losses) on retirement			
plan	25		-
		-	-
Items that may be reclassified to profit or loss			
of financial assets at fair value			
through other comprehensive			
income	8	(186,113,341)	(186,113,341)
		(186,113,341)	(186,113,341)
		(186,113,341)	(186,113,341)
TOTAL COMPREHENSIVE INCOME		1,064,771,311	1,051,288,126
Attributable to:			
Equity holders of the Parent		1,064,771,311	1,051,288,126
Non-controlling interest			-
		1,064,771,311	1,051,288,126
		1,064,771,311	1,051,288,126

See Notes to Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

	Capital Stock (Note 23)	Paid-in Surplus	Surplus Free	Surplus Reserves (Note 25)	Unrealized Gains on other comprehensive income (Note 9)	Remeasurement Losses on Retirement Plan (Note 27)	Total Equity
Balance as at January 1, 2022	1,339,558,010	419,111,471	2,817,202,002		(322,028,665)	(14,031,275)	4,239,811,543
Net income for the year			1,237,401,467				1,237,401,467
Other comprehensive income:							-
Net change in remeasurement gains (losses) on retirement plan					-		-
Net change in unrealized gain on financial assets at fair value through other comprehensive income					135,915,324	-	135,915,324
Total comprehensive income for the year	1,339,558,010	419,111,471	4,054,603,469	-	(186,113,341)	(14,031,275)	5,613,128,333
Capital infusion	-						-
Reversal of revaluation of property and equipment							
Redeem							
Share swap as a result of merger with							
Adjustment /others							-
Revaluation of property and equipment			-	-			-
100% ownership of subsidiary							-
							-
Balance as at December 31, 2022	1,339,558,010	419,111,471	4,054,603,469	-	(186,113,341)	(14,031,275)	5,613,128,333

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

		Years Ended December 31	
	<i>Note</i>	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P1,488,387,536	P1,083,042,702
Adjustments for:			
Gain on sale of investments at amortized cost	8,9	-	3,373,365
Gains on foreclosure of investment properties - net	13	(233,946,774)	(75,077,474)
Gains (losses) on sale of nonfinancial assets - net	13		(36,671,240)
Sinking fund	9	-	21,463
Provision for Probable losses	17	65,000,428	99,801,714
Interest on lease liabilities			52,847,345
Depreciation and amortization	12, 13	243,444,717	208,977,527
Write-off of software costs	16		5,519,338
Outright expense of capitalized cost of properties			
Amortization of premium on investments			
Income on Sinking fund		0	
Retirement benefits		36,000,000	34,590,711
Miscellaneous expense			
Information technology expense			
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and receivables		(4,056,682,172)	(3,153,453,782)
Other assets		70,925,972	(66,339,925)
Increase (decrease) in:			
Deposit liabilities		867,771,771	1,624,014,479
Accrued interest, taxes and other expenses		51,988,767	28,400,200
Other liabilities		238,804,516	(267,617,463)
Net cash (absorbed by) generated from operations		(1,228,305,238)	(458,571,040)
Contribution to retirement fund		(63,118,934)	(62,077,417)
Income taxes paid		(250,986,070)	(180,222,327)
Net cash (used in) provided by operating activities		(1,542,410,241)	(700,870,784)

CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	(95,119,374)	(311,592,684)
Property and equipment		
Investment properties	(312,380,085)	107,738,609
Non-current assets held for sale	24,492,085	191,696,353
Investments at amortized cost	1,327,510	
Financial assets at fair value through other comprehensive income		
Acquisition of:		
Investments at amortized cost		(1,000,000,000)
Financial assets at fair value through other comprehensive income		
Intangible assets	15 (1,296,357)	(487,500)
Property and equipment	12 (173,328,500)	(88,259,197)
Additions to cash items as a result of merger	-	
Net cash provided by (used in) investing activities	(556,304,720)	(1,100,904,419)

Years Ended December 31		
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of bills payable	-	4,791,666,667
Proceeds from bills payable	800,000,000	(3,025,000,000)
Payment of lease liabilities	-	(73,472,659)
Issuance of redeemable preferred shares	-	
Net cash used in financing activity	800,000,000	1,693,194,008
EFFECT OF EXCHANGE RATE DIFFERENCES		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,298,714,962)	(108,581,195)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	1,659,358,305	1,105,544,615
Due from Bangko Sentral ng Pilipinas	1,659,243,931	2,459,474,236
Due from other banks	634,875,509	877,290,088
Interbank loan receivable	1,227,250,613	847,000,614
	5,180,728,358	5,289,309,553
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	1,757,199,821	1,659,358,305
Due from Bangko Sentral ng Pilipinas	723,001,357	1,659,243,931
Due from other banks	802,700,590	634,875,509
Interbank loan receivable	599,111,629	1,227,250,613
	3,882,013,396	5,180,728,358
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	2,658,571,221	2,266,510,029
Interest paid	623,506,914	413,663,374

See Notes to Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

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 Victorias, 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 2023, 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
Rural Bank of Maasin (Southern Leyte), Inc.	Nov. 29, 2022	290.54	May 4, 2023	100.00%
Community Rural Bank of San Felipe (Zambales), Inc.	May 30, 2023	414.81	Dec. 07, 2023	100.00%

PSBC has 271 and 261 operating branches as at December 31, 2023 and 2022, respectively. Currently, it operates in 15 regions, namely, Cordillera Autonomous Region, Regions I to III, National Capital Region, Region IV-A, V, VI, VII, VIII, 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, 2023 were approved and authorized for issuance by the BOD on April 02, 2024.

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, 2023 and 2022 is as follows:

	2023		
	Amount without relief	Impact of relief	Amount with relief
Loans and other receivables, net	₱25,348,121,601	₱24,701,670	₱25,323,419,931
Allowance for impairment on loans	(682,183,211)	(24,701,670)	(706,884,881)
Provision for probable losses	40,298,758	24,701,670	65,000,428
Surplus	(4,079,305,139)	24,701,670	(4,054,603,469)
Deferred tax liability, net	(144,965,334)	6,175,418	(138,789,916)

	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)

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, 2023, with individual financial statements presented as comparative information for the year ended December 31, 2022.

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 2023, 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
Countryside Rural Bank of Palauig Zambales, Inc	January 26, 2023

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			
Rural Bank of Maasin (Southern Leyte), Inc.	Philippines	100%	PHP
Community Rural Bank of San Felipe (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, plant, 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.

Amended PFRS Issued but Not Yet Effective

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 unlikelihood 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 disease, 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 reclassified 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 ₱716.52 million as at December 31, 2023. The Parent has allowance for ECL amounting to ₱706.88 million and ₱939.00 million as at December 31, 2023 and 2022, respectively (see Note 9).

The Group's carrying amount of receivables amounted to ₱25.44 billion as at December 31, 2023. The Parent's carrying amount of receivables amounted to ₱25.35 billion and ₱21.29 billion as at December 31, 2023 and 2022, 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 2023 and 2022.

(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 ₱29.25 million and ₱53.74 million as at December 31, 2023 and 2022, 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 ₱108.04 million in 2023, and the separate and individual goodwill amounted to ₱101.42 million and ₱100.38 million in 2023 and 2022, respectively (see Note 14).

No impairment loss was recognized in 2023 and 2022

(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 ₱962.01 million as at December 31, 2023 with accumulated depreciation amounting to ₱958.98 billion as at December 31, 2023. The Parent's property and equipment's carrying value amounted to ₱957.90 million and ₱903.66 million as at December 31, 2023 and 2022, respectively. The Parent's accumulated depreciation of property and equipment amounted to ₱0.94 billion and ₱1.03 billion as at December 31, 2023 and 2022, respectively (see Note 11).

(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.

(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 (P113.36 million) and P7.26 million as at December 31, 2023 and 2022, 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, 2023 and 2022:

	31-Dec-23		31-Dec-23		31-Dec-22	
	Maximum Exposure		Maximum Exposure		Maximum Exposure	
	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	732,908,048	732,908,048	723,001,387	723,001,387	1,659,243,931	1,659,243,931
Due from other banks	945,696,049	945,696,049	802,700,590	802,700,590	634,875,509	634,875,509
Investments at amortized cost	139,049,828	139,049,828	27,961,026	27,961,026	29,288,536	29,288,536
Financial assets at FVTOCI	3,652,344,862	3,652,344,862	3,652,344,862	3,652,344,862	3,530,120,384	-
Loans						
Small and medium-sized entity	6,269,491,865	-	6,234,427,100	-	5,677,591,667	-
Agrarian reform	4,268,685,173	-	4,255,586,974	-	4,071,033,467	-
Housing	708,601,237	-	699,333,512	-	549,592,372	-
Salary	12,785,703,848	12,785,703,848	12,764,954,213	12,764,954,213	6,581,842,166	6,581,842,166
Auto	968,512,705	-	967,944,183	-	1,084,127,762	-
Loans to individuals for other purposes	268,741,314	268,741,314	245,802,542	245,802,542	291,255,302	-
Sinking fund	7,180,266	7,180,266	7,061,837	7,061,837	7,061,837	-
Security deposits	15,637,839	15,637,839	15,637,839	15,637,839	15,637,839	15,637,839
	30,762,552,731	18,547,262,051	30,396,756,035	18,239,464,266	P8,431,626,324	P2,759,180,061

* 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:

	Consolidated					
	Neither Past Due nor Individually Impaired					
	Standard					Total
	High Grade	Grade	Substandard	Unrated Due or Impaired		
Financial assets						
Due from BSP	P732,908,045	P0	P0	P0	P0	P732,908,045
Due from other banks	945,696,049					945,696,049
Investments at amortized co	139,049,828					139,049,828
Financial assets at FVT OCI	3,652,344,862					3,652,344,862
Loans	23,955,330,950			2,210,040,013		26,165,370,962
Sinking fund	7,180,266					7,180,266
Security deposit	15,637,839					15,637,839
	P29,448,147,840	P0	P0	P0	P2,210,040,013	P31,658,187,852

	31-Dec-23					
	Neither Past Due nor Individually Impaired					
	Standard					
	High Grade	Grade	Substandard	Unrated Due or Impaired		Total
Financial assets						
Due from BSP	P723,001,357	P0	P0	P0	P0	P723,001,357
Due from other banks	802,700,590					802,700,590
Investments at amortized cost	27,961,026					27,961,026
Financial assets at FVTOCI	3,652,344,862					3,652,344,862
Loans	23,855,311,783			2,199,694,699		26,055,006,483
Sinking fund	7,061,837					7,061,837
Security deposit	15,637,839					15,637,839
	P29,084,019,294	P0	P0	P0	P2,199,694,699	P31,283,713,993

December 31, 2022						
Neither Past Due nor Individually Impaired						
		Standard Grade	Standard	Neither Past Due nor Individually Impaired		Total
Due from BSP	P2,459,474,236	P-	P-	P-	P-	P2,459,474,236
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
	P24,290,385,087	P-	P-	P-	P1,580,290,895	P25,870,675,982

* Presented under Other Assets account

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, 2023 and 2022 based on contractual undiscounted repayment obligations.

	Consolidated					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	4,001,109,603					4,001,109,603
Savings	12,245,935,946					12,245,935,946
Time	1,434,503,381	395,461,584	619,226,637	1,061,504,014		3,510,695,616
Bills payable		500,000,000	4,050,000,000	135,714,286		4,685,714,286
Accrued interest and other expenses*		336,401,398				336,401,398
Other liabilities**	5,626,611,519					5,626,611,519
Total undiscounted financial liabilities	23,308,160,449	1,231,862,983	4,669,226,637	1,197,218,300	-	30,406,468,369

*Amounts include accrued interest payable, accrued taxes and licenses and accrued other expenses

**Amounts exclude withholding tax payable

	December 31, 2023					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	4,001,109,603					4,001,109,603
Savings	11,973,405,429					11,973,405,429
Time	1,441,790,856	263,715,806	619,226,637	1,061,504,014		3,386,237,313
Bills payable		500,000,000	4,050,000,000	135,714,286		4,685,714,286
Accrued interest and other expenses*		332,344,780				332,344,780
Other liabilities**	472,381,752					472,381,752
Total undiscounted financial liabilities	17,888,687,641	1,096,060,585	4,669,226,637	1,197,218,300	-	24,851,193,163

*Amounts include accrued interest payable, accrued taxes and licenses and accrued other expenses

**Amounts exclude withholding tax payable

Individual	December 31, 2022					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
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	P14,953,233,225	P1,711,999,641	P3,482,856,592	P2,262,301,065	P3,042,819,252	P25,453,209,775
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*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:

Consolidated	December 31, 2023				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Contingent liabilities	P-	P1,988,657	P-	P-	P1,988,657

Separate	December 31, 2023				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Contingent liabilities	P-	P1,988,657	P-	P-	P1,988,657

Individual	December 31, 2022				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Contingent liabilities	P-	P21,393,487	P-	P-	P21,393,487

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, 2023 and 2022, 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	December 31, 2023	
	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)
Currency		
PHP	+100	₱2.54
PHP	-100	(2.54)
Separate	December 31, 2023	
	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)
Currency		
PHP	+100	₱2.54
PHP	-100	(2.54)
Individual	December 31, 2022	
	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)
Currency		
PHP	+100	₱2.15
PHP	-100	(2.15)

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, 2023 and 2022.

The tables set forth the interest rate repricing gap as at December 31, 2023 and 2022, based on the reporting made to BSP.

The tables set forth the interest rate repricing gap as at December 31, 2023 and 2022, based on the reporting made to BSP.

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
RESOURCES								
Due from BSP	723	-	-	-	-	-	-	723
Due from other banks	803	-	-	-	-	-	-	803
Financial assets at fair value through OCI	-	-	-	-	-	-	3,652	3,652
Other investments - net	-	-	-	-	-	28	-	28
Loans	20,361	-	1,233	237	2,071	1,229	-	25,132
Sales contract receivable	-	-	-	92	-	-	-	92
Accrued interest income from financial assets	392	-	-	-	-	-	-	392
	22,279	-	1,233	330	2,071	1,257	3,652	30,822
LIABILITIES AND EQUITY								
Deposit liabilities	1,442	264	619	-	1,062	11,973	4,001	19,361
Bills payable	136	-	4,550	-	-	-	-	4,686
Redeemable preferred shares	1	-	-	-	-	-	-	1
Accrued interest expense on financial liabilities	332	-	-	-	-	-	-	332
	1,911	264	5,169	-	1,062	11,973	4,001	24,380
Total periodic gap	(20,368)	264	3,936	(330)	(1,009)	10,716	349	(6,442)

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	P1,659	P-	P-	P-	P-	P-	P-	P1,659
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
	(P10,909)	P1,058	(P2,248)	P-	P5,953	P2,645	P3,530	P29

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, 2023 and 2022 is considered to be minimal as the Group's functional currency for FCDU is also in USD. As at December 31, 2023 and 2022, 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:

	Consolidated				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVTOCI	P3,652,344,862	P3,652,344,862			P3,652,344,862
	3,652,344,862	3,652,344,862			3,652,344,862
Assets for which Fair Values are disclosed					
Financial Assets					
Loans and Receivables:					
Loans	25,233,583,781		25,233,583,781		25,233,583,781
Sales contract receivables	92,138,956		92,138,956		92,138,956
	25,325,722,738		25,325,722,738		25,325,722,738
Nonfinancial Assets					
Investment properties	2,039,975,109		806,546,351		806,546,351

	December 31, 2023				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVTOCI	P3,652,344,862	P3,652,344,862			P3,652,344,862
	3,652,344,862	3,652,344,862			3,652,344,862
Assets for which Fair Values are disclosed					
Financial Assets					
Loans and Receivables:					
Loans	25,131,929,555		25,131,929,555		25,131,929,555
Sales contract receivables	92,138,956		92,138,956		92,138,956
	25,224,068,512		25,224,068,512		25,224,068,512
Nonfinancial Assets					
Investment properties	2,039,975,109		2,071,148,890		2,071,148,890

Separate	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets for which Fair Values are disclosed					
Financial Assets:					
Loans and Receivables					
Receivables	P21,291,439,429	P-	P-	P21,291,439,429	P21,291,439,429
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
	P26,549,154,837	P-	P-	P26,549,154,837	P26,549,154,837

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
	2023	2023	2022
DDA	₱149,583,461	₱143,001,357	₱119,243,931
ODF and TDF	580,000,000	580,000,000	1,540,000,000
	₱729,583,461	₱723,001,357	₱1,659,243,931

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 5.75% and 6.25% in 2023 and 2022, 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 6.25% in 2023 and 2022, amounting to ₱0.59 billion and ₱1.23 billion as at December 31, 2023 and 2022, 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
	2023	2023	2022
Demand	₱459,701,836	₱459,701,836	₱376,919,733
Savings	384,897,296	287,427,476	202,054,005
Time deposits	101,096,917	55,571,278	55,901,771
	₱945,696,049	₱802,700,590	₱634,875,509

Savings account earns interest ranging from 0.25% to 0.75% per annum in 2023 and 2022 while time deposits earn interest ranging from 0.75% to 3.50% per annum in 2023 and 2022.

The savings and time deposits account includes dollar-denominated deposits amounting to \$0.19 million and \$0.28 million as at December 31, 2023 and 2022, respectively.

Details of interest income earned on due from BSP, interbank loans receivable and other banks follows:

	Consolidated	Separate	Individual
	2023	2023	2022
Due from BSP and interbank loans receivable	₱82,992,692	₱82,992,692	₱49,934,499
Due from other banks	4,014,444	562,519	2,438,965
	₱87,007,136	₱83,555,211	₱52,373,464

7. Investments at Amortized Cost

This account consists of:

	Consolidated	Separate	Individual
	2023	2023	2022
Government securities	₱31,494,927	₱28,519,105	₱28,519,105
Other debt securities	769,431	769,431	769,431
	₱32,264,358	₱29,288,536	₱29,288,536

Government securities pertain to investments held by the Bureau of Treasury under the Registry of Scrippless Securities.

Investments of the Group bear annual interest rates ranging from 2.00% to 6.87% in 2023 and 2022. 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 2023 and 2022, 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, 2023 and 2022, 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
	2023	2023	2022
Land Bank of the Philippines	₱1,659,067,697	₱1,659,067,697	₱1,606,609,999
Philippine Bank of Communications	1,546,976,441	1,546,976,441	1,498,816,345
First Metro Investment Corporation	235,781,895	235,781,895	224,524,801
Unionbank of the Philippines	171,704,026	171,704,026	151,675,775
Philippine Deposit Insurance Corporation	37,864,483	37,864,483	37,299,599
Bank of the Philippine Islands	-	-	5,359,528
Bank of Commerce	-	-	4,943,005
China Bank	950,319	950,319	891,332
	₱3,652,344,862	₱3,652,344,862	₱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 ₱186.11 million.

9. Loans and Receivables, Net

This account consists of:

	Consolidated	Separate	Individual
<i>Note</i>	2023	2023	2022
Loans:			
Small and medium-sized entity loans	₱6,269,491,565	₱6,234,427,100	₱5,075,985,862
Salary loans	12,785,703,848	12,764,954,213	9,298,515,506
Agrarian reform loans	4,268,685,173	4,255,586,974	4,965,609,089
Housing loans	708,601,237	699,333,512	566,275,979
Auto loans	968,512,705	967,944,183	1,067,436,799
Loans to individuals for other purposes	268,741,314	245,802,542	236,099,690
	25,269,735,841	25,168,048,525	21,209,922,925
Less: Unearned discounts	36,152,060	36,118,970	30,666,747

		₱25,233,583,781	₱25,131,929,555	₱21,179,256,178
Other Receivables:				
Accounts receivable		446,414,192	439,218,132	704,805,837
Sales contracts receivable		92,138,956	92,138,956	78,172,046
Accrued interest receivable		393,234,032	391,719,838	268,204,645
		931,787,181	923,076,927	1,051,182,528
		26,165,370,962	26,055,006,483	22,230,438,706
Less: Allowance for probable losses	16	716,524,324	700,884,881	938,999,277
		₱25,448,846,637	₱25,348,121,601	₱21,291,439,429

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, 2023 and 2022.

Details of interest income earned on loans and receivables follow:

	Consolidated	Separate	Individual
	2023	2023	2022
Loans	₱2,422,089,097	₱2,403,510,314	₱2,046,387,537
Sales contracts receivable	4,564,423	4,564,423	6,353,160
	₱2,426,653,520	₱2,408,074,737	₱2,052,740,697

10. Noncurrent Assets Held for Sale

As at December 31, 2023 and 2022, these noncurrent assets were stated at carrying amount and comprised the following:

		Consolidated	Separate	Individual
	<i>Note</i>	2023	2023	2022
Balance at beginning of year		₱155,025,113	₱53,737,341	₱155,025,11
Transfers*	12	29,245,256	29,245,256	3 53,737,341
Disposals		(53,737,341)	(53,737,341)	(155,025,113)
Balance at end of year		₱29,245,256	₱29,245,256	₱53,737,341

*Pertains to the investment properties transferred to noncurrent asset held for sale

The Group disposed its noncurrent assets with a carrying amount of of ₱29.25 million and recognized gain on sale amounting to of ₱55.02 million as at December 31, 2023. The Parent's Bank disposed its noncurrent assets with a carrying amount of ₱29.25 million and ₱155.03 million as at December 31, 2023 and 2022, respectively and recognized gain on sale amounting to ₱55.02 million and ₱36.67 million, respectively (see Note 12).

11. Property and Equipment, Net

Details on the movement of this account follow:

	2023			
	Bank Premises, Furniture and Fixtures	Equipment	Leasehold Improvements	Total
Consolidated				
Cost				
Balance at January 1	₱922,884,101	₱654,550,307	₱356,313,819	₱1,933,748,227
Additions	90,609,097	68,918,231	13,801,173	173,328,500
Other adjustments	(45,607,927)	(91,907,337)	(48,566,601)	(186,081,866)
Balance at December 31	967,885,270	631,561,201	321,548,390	1,920,994,861

Accumulated Depreciation and Amortization				
Balance at January 1	328,888,469	476,036,290	223,619,784	1,028,544,543
Depreciation and amortization	27,511,059	71,932,332	25,741,380	125,184,772
Other adjustments	(50,537,163)	(96,172,223)	(19,337,526)	(166,086,911)
Balance at December 31	305,862,366	451,796,399	201,321,187	958,979,951
Net Book Value at December 31	₱662,022,905	₱179,764,399	₱120,227,203	₱962,014,910

2023				
Separate	Bank Premises, Furniture and Fixtures	Equipment	Leasehold Improvements	Total
Cost				
Balance at January 1	₱921,061,995	₱652,039,091	₱356,313,819	₱1,929,414,905
Additions	90,609,097	68,918,231	13,801,173	173,328,500
Other adjustments	(55,342,978)	(96,643,648)	(48,566,601)	(200,553,228)
Balance at December 31	956,328,113	624,313,674	321,548,390	1,902,190,177
Accumulated Depreciation and Amortization				
Balance at January 1	327,453,638	474,678,129	223,619,784	1,025,751,551
Depreciation and amortization	18,271,292	57,533,304	28,662,452	104,467,048
Other adjustments	(56,130,494)	(101,135,611)	(48,446,727)	(205,712,833)
Balance at December 31	298,208,115	445,163,081	200,914,437	944,285,672
Net Book Value at December 31	₱658,119,959	₱179,150,593	₱120,633,953	₱957,904,505

2022				
Individual	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

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

12. Investment Properties, Net

The movement in investment properties follows:

	2023		
	Land	Building	Total
Cost			
Balance at January 1	P1,330,650,168	P658,599,671	P1,989,249,839
Additions	326,768,426	162,917,972	489,686,397
Reclassifications	(49,351,072)	(15,095,882)	(64,446,954)
Disposals	(37,716,100)	(30,916,274)	(68,632,374)
Balance at December 31	1,570,351,422	775,505,485	2,345,856,908
Accumulated Depreciation			
Balance at January 1	-	239,433,204	239,433,204
Depreciation	-	51,676,241	51,676,241
Reclassifications	-	(16,401,427)	(16,401,427)
Disposals and others	-	-	-
Balance as at December 31	-	274,708,017	274,708,017
Less allowance for impairment losses		31,173,782	31,173,782
Net Carrying Amount	P1,570,351,422	P469,623,687	P2,039,975,109

Individual	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

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, 2023 and 2022.

Direct operating expenses other than depreciation expense and impairment losses on investment properties amounting to ₱10.28 million and ₱8.68 million in 2023 and 2022, 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, 2023. The Parent Bank has outstanding sinking fund accounts amounting to ₱7.06 million ₱7.08 million as at December 31, 2023 and 2022, respectively.

14. Intangible Assets, Net

This account consists of:

	Consolidated	Separate	Individual
	2023	2023	2022
Software costs	₱15,097,590	₱15,062,590	₱27,567,953
Goodwill	108,043,891	101,419,154	100,379,430
	₱123,141,481	₱116,481,744	₱127,947,383

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
	2023	2023	2022
Cost			
Balance as at January 1	₱115,152,268	₱115,152,268	₱137,461,665
Additions	1,331,357	1,296,357	487,500
Disposals			(22,796,897)
Balance as at December 31	115,727,287	115,152,268	115,152,268
Accumulated Amortization			
Balance as at January 1	87,584,315	87,584,315	88,000,833
Amortization	13,234,700	13,234,700	16,861,041
Disposals	567,020	567,020	(17,277,559)
Balance as at December 31	101,386,035	101,386,035	87,584,315
Net Book Value	₱15,097,590	₱15,062,590	₱27,567,953

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:

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, 2023 and 2022.

15. Other Assets

This account consists of:

	Note	Consolidated	Separate	Individual
		2023	2023	2022
Stationery and supplies on hand		₱25,833,180	₱25,626,563	₱17,887,001
Retirement		113,355,408	113,355,408	-
Security deposits		15,637,839	15,637,839	4,659,340
Prepayments		2,653,415	2,584,581	2,089,726
Petty cash fund		1,332,000	1,315,000	1,213,000
Miscellaneous assets		83,402,823	81,820,498	118,426,395
		242,264,665	240,339,889	144,275,462
Less: Allowance for losses		-	-	-
		₱242,264,665	₱240,339,889	₱144,275,462

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:

	2023			
	Loans and Receivables (Note 9)	Investment Properties (Note 12)	Other Assets (Note 15)	Total
Balance, January 1	₱938,999,277	₱31,173,782	₱-	₱970,173,059
Adjustment from merger	17,124,370		-	17,124,370
Provisions taken up to profit or loss	65,000,428	-	-	65,000,428
Accounts written-off, disposals, transfers and others	(314,239,193)	-	-	(314,239,193)
Balance, December 31	₱706,884,881	₱31,173,782	₱-	₱738,058,663

	2022			
	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

17. Deposit Liabilities

This account consists of:

	Consolidated 2023	Separate 2023	Individual 2022
Demand	₱4,001,109,603	₱4,001,109,603	₱3,646,408,688
Savings	12,245,935,946	11,973,405,429	11,562,822,323
Time	6,777,688,520	6,752,708,180	6,650,220,430
	₱23,024,734,070	₱22,727,223,212	₱21,859,451,441

Savings deposit liabilities bear annual fixed interest rate of 0.25% in 2023 and 2022. Time deposit liabilities bear fixed interest rates ranging from to 0.50% to 6.00% in 2023 and 2022. Foreign currency-denominated deposits are subject to annual interest rates ranging 0.25% to 0.50% in 2023 and 2022.

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, 2023 and 2022.

Overall, the Group's total deposit liabilities increased by ₱0.867 billion or 3.97% 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 2023, savings and time deposits continue to be the primary sources of funds for the Group. Savings deposits has likewise increased by 3.55% while time deposits had an increase of 1.54% 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 2023	Separate 2023	Individual 2022
Savings	₱28,053,612	₱27,233,854	₱25,689,177
Time	221,445,971	221,006,937	159,646,694
	₱249,499,584	₱248,240,791	₱185,335,871

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 2023	Separate 2023	Individual 2022
Balance, January 1	₱6,309,485,919	₱6,309,485,919	₱4,542,819,252
Availments	8,700,000,000	8,700,000,000	4,791,666,667
Payments	(7,900,000,000)	(7,900,000,000)	(3,025,000,000)

Balance, December 31	₱7,109,485,919	₱7,109,485,919	₱6,309,485,919
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Interest expense incurred by the Group on bills payable amounted to ₱375.26 million and ₱175.48 million in 2023 and 2022, 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 2023 and 2022, respectively.

19. Accrued Interest, Taxes and Other Payables

This account consists of:

	Consolidated	Separate	Individual
	2023	2023	2022
Accrued interest payable			
Bills payable	₱60,893,344	₱60,893,344	₱16,584,657
Deposit liabilities	43,624,587	43,110,696	31,709,127
	104,517,931	104,004,039	48,293,784
Accrued taxes and licenses payable	16,804,243	16,645,914	27,911,578
Income tax payable	108,827,701	108,827,701	40,724,153
Accrued other expenses	106,251,523	102,867,125	163,426,498
	₱336,401,398	₱332,344,780	₱280,356,013

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	Separate	Individual
	2023	2023	2022
Accounts payable	₱431,120,353	₱429,132,076	₱207,479,081
Documentary stamp payable	12,165,225	12,109,499	10,141,431
Withholding tax payable	24,223,180	24,081,542	9,470,387
SSS and Medicare benefits payable	9,061,808	7,058,635	6,486,337
	₱476,570,565	₱472,381,752	₱233,577,236

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	Separate	Individual
	2023	2023	2022
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	1,483,429	1,365,000	1,365,000
Issuance of shares	-	-	-
Balance, December 31	1,483,429	1,365,000	1,365,000

The liability for the redeemable preferred shares was assumed from the merger of PSBC and PBCOM Rural 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).

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:

- (c) 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
- (d) 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 will 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, 2023			December 31, 2023			December 31, 2022		
	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	1,787,187,761	-	1,787,187,761	1,757,199,821	P-	1,757,199,821	1,659,358,305	P0	P1,659,358,305
Due from BSP	732,908,045		732,908,045	723,001,357	-	723,001,357	1,659,243,931	-	1,659,243,931
Due from other banks	945,696,049		945,696,049	802,700,590	-	802,700,590	634,875,509	-	634,875,509
Interbank loan receivables	599,111,629		599,111,629	599,111,629	-	599,111,629	1,227,250,613	-	1,227,250,613
Investments at									
amortized cost	139,049,828		139,049,828	27,961,026		27,961,026	29,288,536		29,288,536
Financial assets at FVOCI	3,652,344,862		3,652,344,862	3,652,344,862		3,652,344,862	-	3,530,120,384	3,530,120,384
Loans and receivables, net	10,515,875,798	14,932,970,840	25,448,846,638	10,415,150,761	14,932,970,840	25,348,121,601	8,590,865,742	12,700,573,687	21,291,439,429
Sinking fund	7,180,266		7,180,266	7,061,837		7,061,837	-	7,061,837	7,061,837
Security deposits	-	15,637,839	15,637,839	-	15,637,839	15,637,839	-	15,637,839	15,637,839
	18,379,354,239	14,948,608,679	33,327,962,918	17,984,531,882	14,948,608,679	32,933,140,561	13,800,882,636	16,253,393,747	30,054,276,383
Financial Liabilities Deposit liabilities									
	16,247,045,550	6,777,688,520	23,024,734,070	15,974,515,032	6,752,708,180	22,727,223,212	15,209,231,011	6,650,220,430	21,859,451,441
Bills payable		7,109,485,919	7,109,485,919		7,109,485,919	7,109,485,919		6,309,485,919	6,309,485,919
Accrued interest and other									
payables	336,401,398		336,401,398	332,344,780		332,344,780	280,356,013	-	280,356,013
Redeemable preferred									
shares	1,483,429		1,483,429	1,365,000		1,365,000	1,365,000	-	1,365,000
Other liabilities	476,570,565		476,570,565	472,381,752		472,381,752	227,090,899	-	227,090,899
	17,061,500,942	13,887,174,439	30,948,675,381	16,780,606,564	13,862,194,099	30,642,800,663	15,718,042,923	12,959,706,349	28,677,749,272
Net assets (liabilities)	1,317,853,297	1,061,434,240	2,379,287,537	1,203,925,318	1,086,414,580	2,290,339,898	(P1,917,160,287)	P3,293,687,398	P1,376,527,111

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, 2023 and 2022.

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, 2023 and 2022 as reported to the BSP follows (in millions):

	Consolidated	Separate	Individual
	2023	2023	2022
Credit risk-weighted assets	₱28,292	₱28,292	₱24,254
Operational risk-weighted assets	3,156	3,156	2,558
	₱31,448	₱31,448	₱26,812

The following table sets the capital adequacy ratio as reported to the BSP as of December 31, 2023 and 2022 (in millions):

	Consolidated	Separate	Individual
	2023	2023	2022
CET-1 capital	₱5,004	₱5,004	₱4,121
Less: Regulatory adjustments to CET-1	178	178	274
	4,825	4,825	3,847
Additional Tier 1 (AT-1) capital			
Less: Regulatory adjustments to AT-1	-	-	-
Total Tier 1 Capital	4,825	4,825	3,847
Tier 2 Capital	219	219	178
Less: Regulatory adjustments to Tier 2 capital	7	7	7
Total Tier 2 Capital	212	212	171
Total qualifying capital	5,037	5,037	4,018
Total risk-weighted assets	₱31,448	₱31,448	₱26,812
CET-1 Capital Ratio	15.34%	15.34%	14.40%
Tier 1 Capital Ratio	15.34%	15.34%	14.40%
Total Capital Ratio	16.02%	16.02%	15.05%

24. Service Charges, Fees and Commissions

This account consists of:

	Consolidated	Separate	Individual
	2023	2023	2022
Bank commissions	₱851,296,055	₱851,296,055	₱692,472,783
Service fees	9,290,844	8,862,667	5,528,294
	₱860,586,899	₱860,158,722	₱698,001,077

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, 2023 and 2022, the principal actuarial assumptions used in determining retirement benefits liability for the Group's retirement plan are shown below:

	Consolidated	Separate	Individual
	2023	2023	2022
Average working life	31 years	31 years	31 years
Discount rate	6.12%	6.12%	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.

	Defined Benefits Obligation		Fair Value of Plan Assets		Net Retirement Benefit	
	2023	2022	2023	2022	2023	2022
Balance at January 1	353,299,036	302,015,298	346,041,526	328,602,893	7,257,510	(26,587,595)
Included in Profit or Loss						
Current service cost	45,558,161	35,941,361			45,558,161	35,941,361
Contributions			63,118,934	62,077,417	(63,118,934)	(62,077,417)
Benefits paid	(5,720,063)		(5,720,063)	(61,331,811)	-	61,331,811
Asset Return in Net Interest Cost			17,578,910		(17,578,910)	-
Interest expense	17,947,591	15,342,377		16,693,027	17,947,591	(1,350,650)
	57,785,689	51,283,738	74,977,781	17,438,633	(17,192,092)	33,845,105
Included in OCI						
Remeasurement gain (loss) on DBO:						
Due to change in financial assumption						
Due to experience						
Remeasurement (loss) gain on plan assets			47,470,005		(47,470,005)	-
(Gain)/Loss to be Recognized in OCI	(55,950,821)				(55,950,821)	-
	(55,950,821)	-	47,470,005	-	(103,420,826)	-
Balance at December 31	355,133,904	353,299,036	468,489,312	346,041,526	(113,355,408)	7,257,510

Movements in remeasurement losses on retirement benefit plan are as follow:

	Consolidated	Separate	Individual
	2023	2023	2022
As at January 1	₱14,031,275	₱14,031,275	₱14,031,275
Actuarial gain	-	-	-
As at December 31	₱14,031,275	₱14,031,275	₱14,031,275

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	
		2023	2022
Discount rate	+ 100 bps	(P34,350,303)	(P34,350,303)
	- 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, 2023 and 2022.

Compensation and Fringe Benefits

The details of the following accounts are as follow:

	Consolidated	Separate	Individual
	2023	2023	2022
Salaries and wages	P659,273,814	P653,358,554	P464,288,827
Fringe benefits	115,531,228	113,264,150	166,145,995
Retirement expense	36,000,000	36,000,000	34,590,711
Director's fee	5,288,876	5,288,876	3,688,855
Other benefits	24,119,189	22,079,147	26,645,517
	P840,213,106	P829,990,727	P695,359,905

Maturity analysis of the undiscounted benefit payments:

	Consolidated	Separate	Individual
	2023	2023	2022
Less than 5 years	P122,525,835	P122,525,835	P69,420,683
More than 5 to 10 years	30,201,625	30,201,625	42,435,134
More than 10 years	14,227,384,978	14,227,384,978	12,140,885,874
	P14,380,112,438	P14,380,112,438	P12,252,741,691

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
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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
	2023	2023	2022
As at January 1	₱212,436,831	₱212,436,831	₱213,281,713
Additions			19,780,432
Accretion of interest	52,847,345	52,847,345	52,847,345
Payments	(84,063,061)	(84,063,061)	(73,472,659)
As at December 31	₱181,221,115	₱181,221,115	₱212,436,831

Right-of-use Assets

Details and movements of right-of-use assets follow:

	Consolidated	Separate	Individual
	2023	2023	2022
As at January 1	₱220,508,080	₱220,508,080	₱245,653,015
Additions			19,780,432
Depreciation	(41,136,651)	(41,136,651)	(44,925,367)
As at December 31	₱179,371,426	₱179,371,426	₱220,508,080

27. **Miscellaneous Expenses**

This account consists of:

	Consolidated	Separate	Individual
	2023	2023	2022
Fees and commission	₱30,970,708	30,520,144	27,973,761
Marketing and advertising	3,460,693	3,171,960	2,607,745
Supervision fees	9,554,616	9,496,874	1,047,536
Periodicals and magazines	159,842	159,362	196,534
Fines, penalties and charges	315,544	302,085	783,125
Others	37,113,327	36,662,010	101,380,622
	₱81,889,042	₱80,312,434	₱133,989,323

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
	2023	2023	2022
Current income tax expense	₱184,057,937	₱181,896,645	₱180,222,327
Deferred tax expense	69,089,424	69,089,425	50,456,599
	₱253,147,361	₱250,986,070	₱230,678,926

The current provision for corporate income tax in 2023 and 2022 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
	2023	2023	2022
Income before income tax	₱1,497,032,700	₱1,488,387,536	₱1,083,042,702
Income tax at statutory income tax rate of 25% in 2023 and 2022	374,258,175	372,096,884	270,760,676
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expense	16,250,107	16,250,107	13,360,583
Tax-exempt income	(62,624,121)	(62,624,121)	(53,442,333)
FCDU net profit items	-	-	-
Allowable expense	(78,559,798)	(78,559,798)	-
Nontaxable income	(65,266,427)	(65,266,427)	-
DTA expense	69,089,425	69,089,425	-
Effective income tax	₱253,147,361	₱250,986,070	₱230,678,926

The components of net deferred tax liabilities in consolidated and separate statements of financial position follow:

Consolidated	2023	
	Tax Base	Deferred Tax Asset (Liability)
Deferred Tax Asset on:		
Allowance for credit losses	716,524,324	179,131,081
Retirement liability (asset)	113,355,408	28,338,852
Remeasurement losses on retirement	14,031,275	3,507,819
Accrued expenses	-	-
	843,911,007	210,977,752
Deferred Tax Liability on:		
Net unrealized gain on financial assets at FVOCI	(186,113,341)	(46,528,335)
Unrealized gain on foreclosed properties	(1,195,778,517)	(298,944,629)
Unrealized foreign exchange gain	(990,180)	(247,545)
	(1,382,882,039)	(345,720,510)
Deferred Tax Asset (Liability) - net	(538,971,031)	(134,742,758)

Separate	2023		2022	
	Tax Base	Deferred Tax Asset (Liability)	Tax Base	Deferred Tax Asset (Liability)
Deferred Tax Asset on:				
Allowance for credit losses	706,884,881	176,721,220	303,061,262	75,765,316
Retirement liability (asset)	113,355,408	28,338,852	-	-
Remeasurement losses on retirement	14,031,275	3,507,819	14,031,275	3,507,819
Accrued expenses	-	-	-	-
	834,271,564	208,567,891	317,092,537	79,273,134
Deferred Tax Liability on:				
Net unrealized gain on financial assets at FVOCI	(186,113,341)	(46,528,335)		
Adjustment of PFRS 16	(34,279,613)	(8,569,903)	(4,527,411)	(1,131,853)
Retirement asset	-	-	(37,435,724)	(9,358,931)
Unrealized gain on foreclosed properties	(1,169,038,275)	(292,259,569)	(638,654,221)	(159,663,555)
	(1,389,431,229)	(347,357,807)	(680,617,356)	(170,154,339)
Deferred Tax Asset (Liability) - net	(555,159,665)	(138,789,916)	(363,524,819)	(90,881,205)

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, 2023 and 2022 follow:

	December 31, 2023		December 31, 2022		Terms	Conditions
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance		
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
Savings deposit	14,348,182	238,389,626	(13,358,142)	224,041,444		₱10,000.00 maintaining balance
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, 2023 and 2022.

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, 2023 and 2022 follows:

	Consolidated	Separate	Individual
	2023	2023	2022
Short-term employee benefits	₱59,767,389	₱59,767,389	₱57,989,490
Directors’ remuneration	5,288,876	5,288,876	3,447,362
	₱65,056,265	₱65,056,265	₱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 ₱1,988,657 and ₱21,393,487 as at December 31, 2023 and 2022, respectively.

(b) Commitments

There were no outstanding purchase commitments as at December 31, 2023 and 2022.

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
	2023	2023	2022
Return on average equity	23.23%	25.23%	24.06%
Return on average assets	3.40%	3.40%	2.80%
Net interest margin on average earning assets	9.66%	9.66%	9.19%
Capital to risk assets ratio	16.01%	16.02%	14.95%
Minimum liquidity ratio	33.57%	33.57%	43.22%
Leverage ratio	13.86%	13.97%	12.67%
Total exposure measure	₱36,101,278,142	₱35,814,448,822	₱29,443,396,899

Significant Credit Exposures as to Industry Sector

As at December 31, 2023 and 2022, information on the concentration of credit as to industry before taking into account the allowance for credit losses follow:

	Consolidated		Separate		Individual	
	2023		2023		2022	
	Amount	%	Amount	%	Amount	%
Other community, social and personal service activities	14,389,970,929	57.03%	14,301,381,813	56.91%	10,828,803,781	51.13%
Agriculture, Forestry and Fishing	4,232,533,114	16.77%	4,219,468,004	16.79%	4,934,942,343	23.30%
Real Estate Activities	2,214,022,429	8.77%	2,214,022,429	8.81%	1,799,515,121	8.50%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	1,653,088,064	6.55%	1,653,088,064	6.58%	1,345,921,848	6.35%
Accommodation and Food Service Activities	590,451,663	2.34%	590,451,663	2.35%	480,737,724	2.27%
Construction	532,580,989	2.11%	532,580,989	2.12%	433,620,207	2.05%
Financial and Insurance Activities	457,996,520	1.82%	457,996,520	1.82%	372,894,545	1.76%
Education	365,193,541	1.45%	365,193,541	1.45%	297,335,621	1.40%
Private households with employed persons	245,802,542	0.97%	245,802,542	0.98%	236,099,689	1.11%
Human Health and Social Work Activities	192,602,590	0.76%	192,602,590	0.77%	156,814,413	0.74%
Manufacturing	157,845,417	0.63%	157,845,417	0.63%	128,515,594	0.61%
Transportation and Storage	103,890,764	0.41%	103,890,764	0.41%	84,586,449	0.40%
Electricity, Gas, Steam and Air-Conditioning Supply	85,637,115	0.34%	85,637,115	0.34%	69,724,576	0.33%
Mining and Quarrying	11,968,104	0.05%	11,968,104	0.05%	9,744,268	0.05%
	25,233,583,781	100.00%	25,131,929,555	100.00%	21,179,256,179	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, 2023 and 2022.

Breakdown of Total Loans as to Security

As at December 31, 2023 and 2022, the breakdown of loans as to collateral follows:

	Consolidated		Separate		2022	
	Amount	%	Amount	%	Amount	%
Loans secured by:						
Real estate	P11,246,777,975	44.51%	P11,189,347,586	44.46%	P10,298,217,506	56.41%
Chattel	968,512,705	3.83%	967,944,183	3.85%	1,084,127,762	5.94%
Others	268,741,314	1.06%	245,802,542	0.98%	291,255,302	1.60%
	12,484,031,993	49.40%	12,403,094,312	49.28%	11,673,600,570	63.95%
Unsecured	12,785,703,848	50.60%	12,764,954,213	50.72%	6,581,842,166	36.05%
	P25,269,735,841	100.00%	P25,168,048,525	100.00%	P18,255,442,736	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, 2023 and 2022, the Performing and NPLs of the Group, classified per product type are as follows:

	Consolidated	Separate	Individual
	2023	2023	2022
Gross Performing Loans:			
Small and medium-sized entity loans	5,403,243,486	5,368,179,024	4,526,206,255
Salary loans	12,510,636,039	12,490,472,484	8,762,384,787
Agrarian reform loans	3,711,173,730	3,698,783,732	4,429,053,114
Housing loans	631,369,264	622,995,636	500,692,927
Auto loans	934,715,422	934,146,901	1,044,418,623
Loans to individuals for other purposes	266,560,770	245,251,805	236,099,689
	23,457,698,712	23,359,829,582	19,498,855,395
Gross NPLs:			
Small and medium-sized entity loans	866,248,078	866,248,076	549,779,607
Salary loans	275,067,809	274,481,729	536,130,720
Agrarian reform loans	557,511,444	556,803,242	505,889,229
Housing loans	77,231,973	76,337,876	65,583,052
Auto loans	33,797,283	33,797,283	23,018,176
Loans to individuals for other purposes	2,180,543	550,737	-
	1,812,037,129	1,808,218,943	1,680,400,784
Less: deductions as required by the BSP	-	-	-
Net NPLs	1,812,037,129	1,808,218,943	1,680,400,784

On the Group level, gross and net NPL ratios are 7.17% as at December 31, 2023. On the Parent level, gross and net NPL ratios are 7.18% and 7.93% as at December 31, 2023 and 2022, 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
	2023	2023	2022
Total outstanding DOSRI loans	₱55,998,920	₱55,998,920	₱45,415,520
Percent of DOSRI loans to total loans	0.22%	0.22%	0.22%
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, 2023 and 2022:

	Consolidated 2023	Separate 2023	Individual 2022
Late deposits/payments received	P1,969,596	P1,969,596	P21,371,494
Items held for safekeeping	7,538	7,538	8,842
Items held as collateral	11,523	11,523	13,151
	P1,988,657	P1,988,657	P21,393,487

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	P6,236,862
Documentary stamp tax	128,185,539
BIR Annual registration fee	130,000
Gross receipt tax	61,622,136
	P196,174,537

b. Withholding taxes

Details of withholding taxes paid in 2023 are as follows:

Withholding tax on compensation	P16,509,963
Expanded withholding taxes	14,395,756
Final withholding taxes	26,464,638
	P57,370,357

c. Tax assessment and cases

The Group has no unpaid deficiency tax assessments as of December 31, 2023 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, 2023.