Netbank

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2021 Annual Report

Netbank (A Rural Bank) Inc. *(formerly Community Rural Bank of Romblon [Romblon], Inc.)*

Bagong Lipunan Street, corner
Governor Perez Street, Brgy. 1, Poblacion,
Romblon, Romblon 5500 Philippines
www.netbank.ph

MISSION

A leading technology driven bank in the Philippines, focused on financial inclusion, providing safe banking for all.

VISION

Within partnership operations, provide 'banking as a service' as a series of 'solutions': a product set designed for a particular end-client segment, on a B2B2C basis.

- Focus on end client segments which are not receiving cost-effective / good banking services.
- Provide both utility services and 'complete solutions'.
- Service Fintech, financial institutions (financial services via the institutions that people already trust), corporates, SMEs.
- Focus on bringing international clients to the Philippines.
- Replicate tools and business models already operating well in other markets

In Romblon Province, provide personalized, fast, efficient services responsive to the emerging needs of the community by providing banking services via technology. Focus on the needs of SMEs, small farmers, fishermen, small merchants and small industries in the rural areas to accelerate production for a sound economy. Be the bank of choice in Romblon / for companies in Romblon.

OUR VALUES

Invigorating: Setting audacious goals we are determined to achieve. Simple, concise, fast and decisive. Forward thinking and creative, understanding technology. Positive and solution focused.

Committed: Making and fulfilling promises. Proactively solving problems. Taking ownership until a solution is found. Accurate and professional.

Serving: Listening to partner's needs and responding passionately. Supporting colleagues to develop and achieve. Enjoying others' success.

Flexible: Working across disciplines. Working with partners. Willing to accept mistakes and change direction.

Commercial: Working across disciplines. Working with partners. Willing to accept mistakes and change direction.

CORPORATE PROFILE

Netbank (A Rural Bank), Inc. (formerly Community Rural Bank of Romblon (Romblon), Inc.) started banking operations in 1973. It is a fully regulated bank, with national license (Rural Bank License), working in Romblon and through partnerships. Focused on B2B / white-label services, Netbank offers its clients a full range of digital-centric banking services. Clients can launch very fast, focus on their end-clients and product.

Its founders decided to put up a bank with the goal of providing banking services to the Romblonanons. For 49 years, the bank has strived to attain this through its various products and services which, although offered by a rural bank, are clearly at par with those of larger and highly capitalized commercial banks with dedicated product development personnel.

Through the years, Netbank has sustained its operations through the continued patronage of its clients and for this reason, Netbank has been unwavering in its commitment to bring banking services to its clients.

Netbank's talented people and its technological stack provide the backbone of its solutions delivery.

In the future, the bank expects a continued growth, expanding exponentially for next five years. And with the help of a reliable technological and talent backbone, in the next year or two, the bank will continue to provide digital-centric solutions to the Philippine Market, based on the changing business and risk landscapes.

Netbank : a bank to promote Digital Financial inclusion

Vision

A leading **technology driven** bank in the Philippines, **focused on financial inclusion**, providing safe banking for all.

Business model

Branch banking	Partnership Banking
•Raise deposits in Romblon province •Continue existing lending program •Expand to other Islands •Merge with other banks •Focus on Digital Lending Model	•Work with Partners to originate loans – originate via a branchless model •Work with Partners to open transaction accounts •Work with Partners to provide payment services •API based connections

At Netbank, we are focused on financial inclusion via the utilization of emerging technologies and digital solutions. We do this with a strategy of accelerating the FinTechs and SMEs - a B-2-B approach, providing them the necessary Fintech tools to launch/grow and scale fast. This ultimately benefits the end-clients, or the individuals who are the focus of financial inclusion, at a very efficient, very secured and very convenient manner.

HISTORY

Established on June 25, 1973, with the assistance of the Bangko Sentral ng Pilipinas (BSP), the Bank was incorporated primarily for the economic welfare and upliftment of the clients. Located in Romblon, the Bank is one of the few financial service providers in the community.

Ably led by its Chairman, Mr. Nelson R. Lim and its Board of Directors, The Bank currently has over 80.0 million pesos in assets. The Bank is currently in its full operations - booking loans originated by alternative lenders; it has also built the infrastructure needed to provide a full range of banking services, via utilizing a cloud-based core banking system and direct connection to central bank payment switches. Netbank also provides solutions for all types of businesses.

Aside from traditional bank products, Netbank also offers servicers services through partners, including:

1) Hold - Open transaction accounts via API or Upload. Real and 'virtual' accounts. Implement tools for specialist flows.
2) Lend - Fund client loans with an efficient balance sheet structure, connecting via API or direct access. Reduce losses using our credit tools.
3) Pay - Disburse and Collect payments via API or file upload. PESONet and InstaPay, plus access to 12,000 physical payment points. Mastercard member.
4) Check - Automated KYC and KYB processes, allowing accelerated on-boarding for partners. Range of credit checking tools to lower credit risk.
5) Connect - Access accounts and payments via API, connecting to CBS on the cloud. White-labelled mobile app. Connect to databases and tools.

With a dynamic workforce under the professionalism of its directors and officers, Netbank will continue on the path to growth that it has been taken for the past 49 years of existence.

CHAIRPERSON'S MESSAGE

Dear Shareholders,

This year 2021 is a year full of hope for all of us, a hope to strive and moving forward to a year much better than before. We experienced the faltering of our economy in this country because of the effect of Covid-19. It continued to ravage the human population amidst vaccine hesitancy and loosening mandates for mask and social distancing which result to Delta and Omicron variant continue spreading. Travel restriction has been imposed again by the Government to prevent and reduce the growing number of infected by Covid-19. As a result, the economy returns to be faltering again.

Despite of all of these, we are still thankful that we emerged somewhat unscathed and with the set of minds to be more positive. This crisis has taught us many things and faced challenges from the traditional approach to a technology operating business aligned. We develop and make ways on how to reach our clients online in order for the bank to remain competitive and embraces the ever-changing banking system.

Sincerely,

Mr. Nelson R. Lim
Chairman

MESSAGE FROM THE PRESIDENT

This year 2021, the Bank has faced more challenges. But that amidst these challenges faced by our country, it was also a year of continuous growth for the Bank which is testament to the Bank's resilience and strive for success. This year, lot of products has also been developed and launched by the Bank.

The first quarter of 2021 is a big challenge for all the Filipinos us as this is the period that the COVID-19 resurges. Despite this, the Bank's performance was not gravely affected and the Bank was able to continue to serve its clients through its digital-centric solutions. We have worked hand-in-hand to perform better, through building everyone's skills, improving processes, and enhancing the services to provide full service satisfaction to our clients.

Sincerely,

Ms. Sheryl M. Garbosa
President

Netbank

BOARD OF DIRECTORS

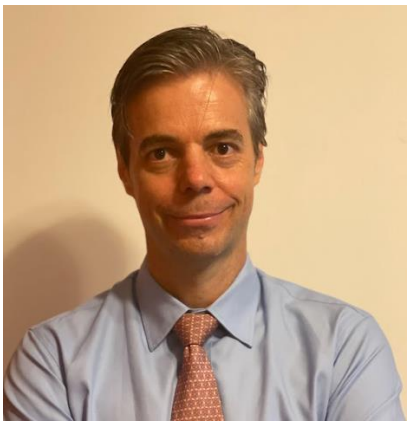
Name and Position	Number of Years Served	Type of Directorship	Principal SH? (Y/N)	Bank Shares Held	Percent age of Shares Held
NELSON R. LIM Chairman & Director Age: 81 	9 years	Executive	Y	1,315	2.648%
SHERYL M. GARBOSA Director & President Age: 36 	1 years	Executive	Y	1	0.002%
HENRY M. SY Director Age: 66 	13 year	Non-Executive	Y	245	0.493%
DAVID PAULO T. DELA PAZ Director Age: 30 	1 year	Executive	Y	1	0.002%
KLEMENTINE O. FERRERA Director Age: 48 	21 years	Non-Executive	Y	1200	2.416%
ALEXANDRA Q. DE CHAVEZ Director Age: 37 	1 year	Non-Executive	Y	711	1.553%
REYNALDO M. SY Director Age: 56 	1 year	Non-Executive (Independent)	Y	1	0.002%

SENIOR MANAGEMENT TEAM

SHERYL M. GARBOSA

President

EXECUTIVE COMMITTEE



ANGUS JAMES POSTON

Co-founder

JAYMAR G. MENDOZA

Co-founder

DAVID PAULO T. DELA PAZ

Co-founder

GOVERNANCE

Upholding Integrity

We believe that leadership entails responsibilities. This is why we take our commitment to upholding the highest standards of integrity.

High Ethical Standards

We believe that all directors, officers and employees are accountable to the Bank's shareholders and clients for their actions guided by respect for each individual, the integrity in everything we do, and the transparency in all our dealings. The Bank institutionalizes highest ethical standards through strict implementation of Bank's Code of Conduct that outlines principles and policies governing the activities of the institution, its directors, officers and employees.

Corporate Governance Committee

The Corporate Governance Committee is primarily tasked to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Bank.

Independent Checks and Balances and Strong Compliance

The Bank supports the principle and regulatory mandate of independent checks and balances in the institution as follows:

Audit Committee

The Audit Committee (AudCom) assists the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholder's interest.

The Committee is composed of Board members (all independent directors). They have the necessary technical competencies as required by the regulations. The Chairman of the Board also acts as adviser of the AudCom.

This Committee also serves as the Risk Management Committee of the Board, which provides oversight to the Bank's Risk Management Policies.

In discharging its responsibilities, the AudCom has explicit authority to investigate any matter within its term of reference; full access to and cooperation by Management; full discretion to invite any director or officer to attend its meetings; and adequate resources enable it to effectively discharge its functions.

Risk, Internal Audit and Compliance

Under the direct supervision of the AudCom, the risk, internal audit and compliance division conducts independent assessment of adequacy and effectiveness of internal controls, risk management and governance processes of all units of the Bank. It provides independent and objective assessment and recommendations on the Bank's internal controls, risk management and governance processes. The results of its assurance and consulting activities, combined with those of other control and monitoring units of the Bank, are communicated to Management and the Board of Directors through the AudCom.

In addition, the Bank has a robust compliance program. Reporting directly to the AudCom, the compliance office ensures timely submission of reports, issues advisories on new regulations and amendments, initiates policy pronouncements and implementation, engages regulators on their onsite and offsite reviews, provides training to employees and reports on significant compliance issues of the Management and the Board of Directors.

External Audit

Kathy Quilaton-Malik, CPA was appointed as the external auditor of the Bank at the last annual stockholders meeting dated January 14, 2021. She was tasked to conduct an independent audit of the Bank's financial statements, render an opinion as to its fairness, and report the results thereof to the AudCom, to the management, and to the board of directors and stockholders.

Selection process for the board and senior management

The Bank's Board of Directors are elected by the Stockholder's in its Annual Stockholder's meeting. In the nomination of Board of Directors, the stockholders ensure that the nominee has all the qualifications and none of the disqualifications of a director as listed under the BSP Manual of Regulations for Banks (MORB), Sec. 132.

The Bank's Senior Management are appointed and confirmed by the Bank's Board of Directors. In the nomination of Senior Management, the Board of Directors ensure that the candidate has all the qualifications and none of the disqualifications of an officer as listed under the BSP Manual of Regulations for Banks (MORB), Sec. 134.

For Board of Directors and Officers needed to be confirmed by the BSP, the Bank observes the requirements under the BSP MORB Sec. 137 on *Confirmation of the Election/Appointment of Directors/Officers*.

Board's overall responsibility

The Board is responsible for oversight of the Bank, within the framework defined by the Corporate Code of the Philippines, BSP regulations and the Shareholder Agreement. It will delegate operational issues to the ExCom of the Board. The Board is responsible for:

- Defining the Corporate Governance Framework for the bank
- Defining the Corporate Strategy of the Bank
- Defining and ensuring the effective operation of the Risk Management Framework of the Bank and Control Mechanisms, including audit processes
- Approving annual budgets
- Periodic Performance reporting
- Reviewing the results of BSP audits and ensuring adequate action plans are in place to address all identified issues

The Board has delegated the Executive Committee (ExCom) to be responsible for operational decisions of the Board, to ensure the objectives of the Board are implemented in a timely and effective manner. The ExCom shall be an Approving Authority and shall be delegated the authority to make certain decisions on behalf of the Board, when explicitly delegated by the Board, as defined in the table below. Decisions that fall within the responsibility of the Executive Committee shall only be discussed at the Board once they have been considered by the Executive Committee. ExCom is responsible for:

- Approving individual partners, products and policies (excluding policies that related to the Control Environment, which shall remain with the Board)
- Reviewing commercial proposals
- Defining management selection
- Regular performance reporting

Management shall be responsible for implementing the directions of the Board and ExCom and has ultimate responsibility for the performance of the Bank.

Description of the major role and contribution of the chairman of the board

The Chairman of the board leads the board of directors and presides its meetings. The Chairman provides leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. He also ensures that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns; ensures a sound decision-making process; encourages and promotes critical discussion among the board members and senior management and ensures that dissenting views can be expressed and discussed within the decision-making process; ensures that members of the board of directors receive accurate, timely, and relevant information; ensures the conduct of proper orientation for first-time directors and provides training

opportunities for all directors; and lastly, ensures conduct of performance evaluation of the board of directors.

Directors' attendance at board and committee meetings

	Name of Directors		Board Number of Meetings Attended	%
1	Nelson R. Lim		7	100%
2	Pearlita M. Durano	Resigned	3	100%
3	Henry M. Sy		4	57%
4	Klementine O. Ferrra		7	100%
5	Alexandra Q. De Chavez		7	100%
6	Guadalupe A. Geraldez	Resigned	2	100%
7	Dolores Juanita T. Montaña	Resigned	2	100%
8	Teodulo M. Montojo	Resigned	3	100%
9	Sheryl M. Garbosa		1	100%
10	David Paulo T. De Lapaz		1	100%
11	Reynaldo M. Sy		2	100%
12	Jaymar G. Mendoza	Resigned	3	100%
13	Angus James Poston	Resigned	3	100%
	Total Numbers of Meeting held during the year		**7**	

Audit and Risk Committee	Number of Meetings Attended	%
1. Reynaldo Sy	2	100%
2. Klementine O. Ferrera	2	100%
3. Alexandra De Chavez	2	100%
Total Numbers of Meeting held during the year	**2**	

Performance Assessment Program

The Board reviews and encourages the enhancement of the individual and collective effectiveness of its members. The evaluation of board performance is envisioned to lead to best practice which enhances the Bank's performance.

The Board of Directors of Netbank has resolved to undergo the Directors Evaluation Survey twice every year. Indications on the survey may be modified from time to time. The Survey is being updated as significant modifications are approved by the Board. This evaluation program for directors and its committees are overseen by the Corporate Governance Committee.

Orientation and Education Program

The Bank's Corporate Governance Committee oversees the continuing education program for the Board of Directors. It is responsible for:

- Ensure allocation of sufficient time, budget, etc.
- Develop on-boarding/orientation programs
- Oversee continuing education for all directors (at least 4 hours per year)

Retirement, Succession Policy and Remuneration Policy

The Bank's Corporate Governance Committee also develops and oversees a succession plan for members of the Board of Directors. It also Oversee the design and operation of the remuneration and incentives policy, for all directors, officers and employees.

Policies and procedures on related party transactions.

Pursuant to BSP Circular 895 Guidelines on Related Party Transactions (RPT) dated December 14, 2015, the Board of Directors and Management, Officers and Employees of the Bank hereby commit themselves to the regulations contained in its Related Party Transaction and DOSRI Loans Policy.

The said manual aims to help the Board of Directors (BOD) and Management in:

- providing guidance to all Bank directors, officers, employees, consultants and contractors for recognizing and reporting RPTs, to ensure the interests of Bank shareholders, depositors and other stakeholders are protected;
- providing senior management with a systematic approach to discern related parties/ affiliates, for approved types of related party/affiliate transactions, and for proper documentation of such transactions;
- setting out the policies and responsibilities which ensure that DOSRI and RPTs that cross the materiality threshold are referred to the Board of Directors for approval;
- ensuring that transactions involving related parties are fair, reasonable and consistent, so that a high standard of corporate governance and compliance is achieved.

The policies and procedures for transactions between the Bank and its related parties are reviewed, approved and ratified by the Board of Directors. Dealings of the Bank with any of its directors, officers, stockholders, and related parties should ensure the following:

a. Conducted in an arm's length basis

    - Regular course of Business - this means that transactions shall be managed under terms and conditions' that are substantially the same as those of similar transactions with non-related parties under comparable circumstances.
    - No favourable economic terms than those offered to others.
    - Apply necessary quotation/canvass/comparative process, which may include
    - publication
    - bidding process
    - Proper valuation of the transaction has been performed

- Exercised with appropriate oversight
- Implemented with effective control system

b. Conflict of interest does not exist

- Document and disclose all information to the Board and Management
- No director may engage in any Board or Committee discussion or approval of any RPT in which he or she is the related party concerned. However, the Director concerned must provide to the Board or Committee all material information reasonably requested concerning the transaction.
- Obtain approval of the majority of the non-RPT Board members.

Corporate Social Responsibility Initiatives

The bank's corporate governance structure shall enable the bank to support specific positive activities to promote community well-being and positive community relations, through a corporate social responsibility program, with a focus on environmental protection and the welfare of the citizens of Romblon Province.

Financial Consumer Protection

Pursuant to BSP Circular No. 857 Series of 2014, the Bank recognizes the importance of financial consumer protection for the long-term stability of the global financial system. As highlighted by the effects of the financial crisis of 2007-09 and also of the rapid increase in the use of financial services, the Bank adheres to the need for strengthened financial regulation and consumer education to protect and empower consumers.

The Bank decided to adopt the Financial Consumer Protection Policy in order to protect the interest of its financial clients.

Financial consumer protection sets clear rules of conduct regarding clients. This aims to ensure that the Bank's clients:

- receive information to allow them to make informed decisions;
- are not subject to unfair or deceptive practices; and
- have access to recourse mechanisms to resolve disputes.

Clear rules of conduct for the Bank combined with improved financial literacy for the clients increases the client's trust in the financial industry and will support over-all developments.

Consumer Protection Oversight Functions

Role of the Board of Directors

- Ultimately responsible in ensuring that consumer protection practices are embedded in the Bank's business operations;
- Development of Consumer Protection Strategy and establishing oversight over consumer protection programs;

- Approval and overseeing the implementation of the Bank of the consumer protection policies as well as the mechanism to ensure compliance with said policies;
- Overseeing the performance of Senior Management in managing day to day consumer protection activities of the Bank;
- Development and maintaining a sound Consumer Protection Risk Management System that is integrated into the overall framework for the entire product/ service life-cycle;
- Make certain that Consumer Protection Risk Management System weaknesses are addressed and corrective actions are taken in a timely manner.

Role of the Senior Management

- Together with Board, development of Consumer Protection Strategy and establishing oversight over consumer protection programs;
- Implementation of the Consumer Protection Policies approved by the Board of Directors;
- Periodically review the effectiveness of the Consumer Protection Risk Management System, including how findings are reported;
- Must ensure that sufficient resources have been devoted to the program;
- Together with the Board of Directors, must make certain that Consumer Protection Risk Management System weaknesses are addressed and corrective actions are taken in a timely manner.

Risk Management Framework

Overall risk management culture and philosophy

The Board of Directors and Management of the Bank recognizes that the banking industry is experiencing significant and rapid change, including increased competition from the traditional banking industry and from non-bank financial services firms. The industry is also subject to volatile interest rate changes, changes in banking laws and regulations and technological advances. The Board of Directors and Management further recognize that a comprehensive program is essential to effectively manage the Bank's risks.

The Board of Directors also recognizes that the nature of the business model of Netbank involves additional risks not typically seen in other banks, such as increased risks from deployment of technology, risks inherent in operating businesses through partnerships, risks in deploying a business model in which the national regulatory compliance structure is less mature. As a result the Board remains vigilant to ensure that these unusual risks are understood, assessed and managed on an ongoing basis.

With this, the Bank adopts its Enterprise Risk Management Policy which describes the internal control and risk management program of the Bank. It also describes the management structure, through which the Bank identifies, measures, monitors and controls risk throughout the Bank's operations and in its various products and lines of business.

Risk appetite and strategy

The Board and Management desire to manage risks at a level that permits the Bank to grow and achieve its strategic business objectives, while conducting business in a safe and sound manner, complying with all applicable regulations, and provide a return to shareholders that meets or exceeds their expectations.

The Board of Directors sets risk tolerance levels annually through several means. The overall risk environment of the Bank is being considered annually in conjunction with the strategic planning process of the Board of Directors and Management. In this regard, the Strategic Plan includes a Risk Appetite Statement. Specific levels of risk tolerance within key business units, such as credit/lending (i.e., concentration risk), interest rate and liquidity, are being set annually through the review, and if necessary, amendment of the Bank's business programs related to those areas. Specific risk tolerance limits and guidelines are included, as appropriate, in the Bank's Policies.

An effective internal control program cannot be structured without an understanding of the Bank's risks and exposures and an effective risk management process. Risk management is defined as the ability of the Bank to identify, measure, monitor and

control risks. The Bank, through its Board, management and staff, must be able to respond to changing circumstances and to address risks that might arise from changing business or economic conditions, a decline in the effectiveness of internal controls; the initiation of new business activities or the offering of new products and services.

It is important to the success of the Bank's risk management efforts that risks be defined consistently throughout the Bank in accordance with the following definitions.

Credit Risk.

Credit risk is the most recognizable risk associated with banking. Essentially, credit risk is the risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Bank, or otherwise fail to perform as agreed. This definition, however, encompasses more than the traditional definition associated with lending activities. Credit risk is found in all activities where success depends on counter-party, issuer, or borrower performance. Any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether recorded on the Bank's balance sheet or off the balance sheet, the Bank is exposed to credit risk. Credit risk may also arise where the performance of guarantors is required. In addition, credit risk arises in conjunction with a broad range of non-lending activities, including selecting and purchasing portfolio investments and processing and settling investment transactions with counter-parties.

Interest Rate and Market Risk.

Interest Rate and Market risk are those risks to a financial institution earnings and asset quality and valuation resulting from adverse movements in market rates or prices, such as interest rates, foreign exchange rates or equity prices. This type of risk focuses on the economic scenarios relative to the value of the Bank in the current interest rate environment, and the sensitivity of that value to changes in interest rates. Market risk occurs due to: (1) differences between the timing of rate changes and the timing of cash flows (repricing risk); (2) changing rate relationships among different yield curves affecting bank activities (basis risk); (3) changing rate relationships across the range of maturities (yield curve risk); and (4) interest-related options embedded in bank products (options risk). Valuation of interest rate risk must also consider the potential effect of complex, illiquid hedging strategies, and also the potential effect on fee income, which is sensitive to changes in interest rates. Changes in interest rates may have a significant effect on other areas of risk. For example, market risk can impair the Bank's liquidity position. It also potentially affects earnings if the Bank is unable to meet its obligations when they come due without incurring unacceptable losses (i.e., liquidating investments that declined in value due to rising interest rates). This type of risk affects the Bank's ability to establish new relationships or services or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation.

Liquidity Risk.

Liquidity risk is the risk to earnings or capital that arises from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. It also arises from the Bank's failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. Liquidity risk exposure is present in various funding situations, but primarily deposit and lending activities. Again, interest rate and market risks affect the Bank's liquidity position. This type of risk may affect the Bank's ability to establish new relationships or services or to continue servicing existing relationships, and can expose the Bank to litigation, financial loss, or damage to its reputation.

Operational / transaction Risk.

Operational risk arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected losses. Operational risk includes both transaction and strategic risk. Transaction risk is the risk to earnings or capital arising from problems with service or product delivery and may include potential financial losses from human error or fraud, incomplete information, and related decision-making or operational disruption. The risk is a function of the adequacy of internal control and information systems, employee integrity, management policies and operating processes. Operational risk may exist in all products and services. This type of risk ultimately affects the Bank's ability to establish new relationships or services or to continue servicing existing relationships, and may result in damage to the Bank's reputation.

Compliance and Legal Risk.

The Bank, its directors, management, and staff must operate in compliance with a myriad of laws, rules and regulations.

Compliance Risk refers to the risk to earnings and capital arising from the violations of. or nonconformance with laws, rules and regulations, prescribed practices or ethical standards. Compliance risk also arises in situations where the laws and rules governing certain products and activities of the Bank's clients may be ambiguous or untested. Compliance risk exposes the Bank to monetary penalties, non-monetary sanctions and possibility of contracts being annulled or declared unenforceable.

Legal risk arises from the potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of a banking organization. Legal risk also arises from violations of or nonconformance with laws, regulations, prescribed practices or industry standards, or ethical standards.

Compliance and legal risks may potentially subject the Bank and its directors and officers to fines and civil money penalties by regulators and result in lawsuits by customers and

others. Exposure to compliance and legal risks can also dramatically affect the Bank's reputation, strategic alternatives, and operations.

Reputation Risk.

Reputation risk is the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions, often as a result of poor earnings, regulatory censure, significant fraud or litigation and failure to provide services or products in conformity to the local market. This type of risk affects the Bank's ability to establish new relationships or services or to continue servicing existing relationships. Reputation risk exposure is present throughout the organization and is driven to a large extent by the Bank's actions to manage compliance, strategic, credit, interest rate and other risks.

Strategic Risk.

Strategic risk results from adverse business decisions or the improper implementation of those decisions. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed to support achievement of those goals, and the quality of implementation. Strategic risk includes the misalignment of business and technology strategic plans, the failure to achieve economies of scale in "scale" driven businesses (e.g., mortgage loan servicing, credit card account servicing, etc.) or improper market positioning (e.g., retail delivery strategies, geographic positioning, etc.) and pricing of products and services.

As a predominantly digital focused bank, Netbank is particularly exposed to specific types of transaction risk, including:

- Risk of external parties penetrating IT systems
- Risk of IT systems initiating transactions which are not correctly authorize
- Information security risk
- Risk of incorrect attribution of transactions and liabilities by IT systems

Properly managing these risks is not only critical to the conduct of safe and sound banking activities, but also crucial to the success of the Bank.

Bank-wide risk governance structure and risk management process

The ultimate responsibility and accountability for risk management rests with the Board of Directors. Management and staff of the Bank also have clearly defined responsibilities for risk management.

Board of Directors Responsibilities

It is the responsibility of the Board, in conjunction with Management, to determine those risks which are warranted and acceptable, based on the Management's ability to: (1) identify and understand such risks, (2) measure the degree of exposure to such risks, (3) monitor the changing nature of the risk and related exposure, and (4) develop and implement processes and procedures to control such risks.

The Board and Management defines risk tolerances (i.e., limits) in the policies of the Bank. The Board and Management ensures that periodic reports are provided to Directors that permit them to measure Management's compliance with risk limits and to gauge the changing nature of risk inherent in the Bank's chosen lines of business and operations and as a result of changing factors within the Bank, such as Management and personnel changes, technology changes, etc. To aid them in fulfilling their risk management responsibilities, the Board has established a Risk Committee (which may be combined with the audit committee in initial years of operation).

The Audit and Risk Management Committee of the Board provides oversight to the Risk Policy. The Charter of the Audit and Risk Management Committee is defined in the Bank's Corporate Governance Manual.

Management Responsibilities

Management is charged with employing personnel with the appropriate skills and experience to identify, measure, monitor and control risks within the areas of their expertise. To aid them in fulfilling their risk management responsibilities, Management has established a network of oversight committees, which are defined in the Appendix to this document.

The Charters of Management Committees are details below:

<u>Asset and Liabilities Management Committee (ALCO)</u> - The ALCO shall be responsible for reviewing policies relating to Market Risk recommending them to the Audit and Risk Management Committee.

<u>Operational Risk Committee</u> - The Operational Risk Committee shall be responsible for reviewing policies relating to Operational Risk and recommending them to the Audit and Risk Management Committee.

Credit Risk Committee - The Credit Risk Committee shall be responsible for reviewing policies relating to Credit Risk and recommending them to them to the Audit and Risk Management Committee.

Client Protection Risk Committee - The Client Protection Risk Committee shall be responsible for reviewing policies relating to Client Protection Risk and recommending them to them to the Audit and Risk Management Committee.

IT Steering Committee - IT Steering Committee assumes the following duties and responsibilities:

- Organize regular meetings of at least once every quarter, extend invitations to appropriate meeting participants, and make physical arrangements for the meetings.
- Obtain the approval and support of all partners involved in the adoption and implementation of project development/action plan.
- Manage the planning and assessment of project and provide all necessary guidance and direction to staff, consultants, sub-committees, and action teams.
- Create the framework and delegate responsibility to those who are best suited to develop and carry out the plan.
- Provide general reviews of major IT projects for perusal of the Board.
- Approve and monitor major projects, IT budgets, priorities, standards, procedures, and overall IT performance.
- Coordinate priorities between the IT department and user departments.
- Review the adequacy and allocation of IT resources in terms of funding, personnel, equipment, and service levels.
- Alignment: The committee helps ensure that IT strategy is aligned with the strategic goals of the organization.

Officers Responsible for Risk Management

In addition to the previously described committee structure, certain organizational units are charged with risk management responsibilities.

The President / Chief Executive Officer is primarily responsible for the management of strategic business and strategic technology risk. This objective is fulfilled in conjunction with the Budget and Planning Committee of the Board of Directors and through the annual preparation/update of a strategic business plan and strategic technology plan.

The Head of Operations / Chief Financial Officer - Responsible for ensuring the accuracy of general ledger accounting information and the internal and external financial reports provided to the Board of Directors, Management and regulatory authorities. To fulfill this

responsibility, the Chief Financial Officer and the Controller will be primarily responsible for ensuring the monthly completion of the general ledger certification program. The CFO is also responsible for evaluating and taking the lead in managing liquidity risks and interest rate risks, as well as evaluating credit risk in the Bank's investment portfolio. In this regard, the CFO will be responsible for maintaining and reporting results of interest rate risk/shock, liquidity forecasting and stress testing and capital models. Reports from these models and results of on-going risk assessments will be reported to the Management ALCO Committee and to the Board of Directors.

The CFO is primarily responsible for obtaining insurance. Insurance purchased and the specific coverage and features of each policy, as appropriate, incorporates risk tolerances (i.e., retention, deductibles and limits) commensurate with the Bank's risk appetite and established guidelines. All insurance coverage are being reviewed annually with the Board of Directors.

Chief Risk Officer is responsible for ensuring there is an adequate external review of the bank's operations and reporting these risks to the Risk Committee. Also responsible for ensuring there is an external review of selected business operations, such as reviews of new partnerships, or reviews of significant loans. Responsible for ensuring the subsidiary areas of risk are adequately staffed and risks are prioritized. These areas are as follows:

The Information Security Officer is responsible for information technology risk management, including information technology security. The Information Security Officer is aided in this effort by the Bank's primary technology vendor, who provides certain data processing and data security services, including maintenance of the Bank's Internet firewalls and intrusion detection systems.

The Security Officer is responsible for ensuring that: (1) appropriate security procedures have been established and physical security devices installed, commensurate with the identified risk exposures and in compliance with the Bank Protection Act, (2) employees are properly trained in the execution of security procedures and use of security devices and (3) losses are appropriately investigated.

Responsible for implementing and maintaining credit quality stress tests

The Internal Auditor is responsible for ensuring the adequacy of and coordinating the overall risk management and internal control processes of the Bank. The Internal Auditor is responsible for ensuring that Management has established a framework of specific internal controls, accounting controls and operating procedures, commensurate with exposures to risk and to ensure compliance with the overall guidance of Board-approved policies and applicable regulations. The efforts of the Internal Auditor are augmented through the use of audit resources obtained from third-party vendors in the area of information technology.

The Compliance Officer is responsible for ensuring that: (1) the Bank maintains an appropriate compliance program and organizations, including chairing the Compliance Committee, and (2) that comprehensive tests of compliance are performed to assess the

adequacy of compliance and identify and correct compliance errors. The Compliance Officer is also responsible for ensuring that: (1) changes in regulations are disseminated to the appropriate business units, (2) that business unit managers maintain procedures and systems to ensure that regulations and guidelines are followed, and (3) Directors, managers and staff are knowledgeable of laws and regulations which apply to the Bank's business through ongoing training programs, and (4) libraries of compliance and policy reference material are maintained. The resources of Compliance are augmented, as required, through the use of resources obtained from third-party vendors.

Head of Loans is responsible, in conjunction with the Loan Client Account Officers, for: (1) working with senior management, the Board of Directors and credit officers to develop appropriate credit policies for partners, (2) developing appropriate reporting mechanisms and tools and monitoring compliance with lending policies, (3) evaluating and monitoring the overall quality of the total loan portfolio, (4) identifying credit exposure trends and (5) evaluating the credit quality of individual loan relationships and rating credit risk. The Head of Loans, through credit administration, is the Chief Credit Officer who also report periodically to the Executive Loan Committee on the quality of loan portfolio, concentrations of credit and credit trends.

Head of Netbank Virtual teams is responsible for performing periodic reviews of partner relationships, including evaluating the quality of the loan and Management's risk rating. The objective is to evaluate partners responsible for 100% of the total value of the loan portfolio on an annual basis.

Legal Counsel of the Bank is responsible for assessing, managing, and mitigating legal risks faced by the Bank and reporting such risks on a timely basis to the Board of Directors. The Bank currently employees full-time, in-house legal counsel. The resources of in-house legal counsel are augmented, as required, through the use of resources obtained from outside attorneys.

Certified Public Accountants are responsible for ensuring the accuracy of published financial statements, including the accuracy of valuation accounts (i.e., allowance for loan and lease losses) and the preparation/accuracy of tax returns. They are also responsible for assessing the adequacy of internal accounting controls and compliance with generally accepted accounting principles and regulatory accounting guidelines.

Efforts of these individual members of the Bank's risk management program may be supplemented through the periodic employment of outside consultants and specialists.

Netbank plans to rapidly develop from a small operation to a larger business with specialized staff managing a wide range of different risk areas. Initially, the team will be smaller, with some staff completing functions in several areas of risk. The Risk Committee should assess staffing required on an annual basis.

Risk Tolerances

The Board and Management desire to manage risks at a level that permits the Bank to grow and achieve its strategic business objectives, while conducting business in a safe and sound manner, complying with all applicable regulations, and provide a return to shareholders that meets or exceeds their expectations.

The Board of Directors sets risk tolerance levels annually through several means. The overall risk environment of the Bank is considered annually in conjunction with the strategic planning process of the Board of Directors and Management. In this regard, the Strategic Plan includes a Risk Appetite Statement. Specific levels of risk tolerance within key business units, such as credit/lending (i.e., concentration risk), interest rate and liquidity, is being set annually through the review, and if necessary, amendment of the Bank's business programs related to those areas. Specific risk tolerance limits and guidelines are being included, as appropriate, in the Bank's Policies.

Monitoring the Risk Management and Internal Control Program

The Internal Auditor is primarily responsible for ensuring adherence to the Risk Management Program and Policy. The Internal Auditor monitors the conduct of the various committees to ensure each committee functions in a manner that appropriately addresses risk issues facing the Bank.

Financial Summary/Financial Highlights

Consolidated Financial Status		
	Current Year	**Previous Year**
Profitability		
Total Net Interest Income	8,260,671	1712878
Total Non-Interest Income	4,705,741	2338517
Total Interest Expense	443,685	35255
Total Administrative Expense	10,359,046	3769301
Provision for Credit and Impairment Losses	1,703,934	197,943
Provision on Income Tax	-	28,428
Net Income	**459,747**	**77,324**
Balance Sheet		
Current Asset	31,259,653	23,036,931
Non Current Asset	25,666,931	6,007,432
Total Assets	**56,926,584**	**29,044,363**
Current Liabilities	36,012,602	17,954,704
Non Current Liabilities	10,403,677	288,925
Total Equity	10,510,305	10,800,734
Total Liabilities and Equity	**56,926,584**	**29,044,363**
Ratios		
Return on Equity	4.37%	0.72%
Return on Asset	0.81%	0.266%
Tier 1 Capital Ratio	0.60%	
Total Capital Adequacy Ratio	28.27	35.57
Per common share data	P100.00 per share	P100.00 per share
Net Income per share:		
Basic	0.925/share	0.015/share

Consolidated Financial Status		
	Current Year	**Previous Year**
Diluted	0.925/share	0.015/share
Book Value	P 213.00 per share	215 per share
Others		
Cash dividends declared	-	-
Head Count	22	9
Officers	10	5
Staff	22	9

INDEPENDENT AUDITOR'S REPORT

KATHY QUILATON-MALIK, CPA
TAX AND ACCOUNTING OFFICE
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
COMMUNITY RURAL BANK OF ROMBLON (ROMBLON), INC.
Poblacion, Romblon, Romblon

Opinion

I have audited the financial statements of **COMMUNITY RURAL BANK OF ROMBLON (ROMBLON), INC.**, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements of **COMMUNITY RURAL BANK OF ROMBLON (ROMBLON), INC.** as of and for the years ended December 31, 2021 and 2020 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements."

Basis for Opinion

I conducted my audits in accordance with Philippine Standards on Auditing (PSA). My responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professionals Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to my audits of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 2 of the financial statements which indicates the effects of the Covid-19 pandemic and the company's results of operations and cash flow. These conditions, along with other matters set forth in Note 2 to the financial statements indicate existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Information regarding this matter is disclosed in Note 2. I have performed audit procedures to assess the likelihood that the stockholders will continue to provide financial support to the Company. My opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements, and for such

internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 Company's internal control.

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

INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRS, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements.

I 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 I identify during my audits.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determined those matters that were of most significant in the audit of the financial statements of the current period. I have determined that, except for the significant matters communicated with those charged with governance, there are no other key audit matters to communicate in our report.

INDEPENDENT AUDITOR'S REPORT

Report on Other Legal and Regulatory Requirements

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in **Note 33** to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in my audits of the basic financial statements. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KATHY QUILATON-MALIK CPA

KATHY QUILATON-MALIK
Certified Public Accountant
CPA Certificate No. 109073;
TIN 220 079 254 000;
PTR No. 2909488;
Issued on January 6, 2022, Parañaque City;
CTC No.; 17355163
Issued on January 6, 2022, Parañaque City;
Board of Accountancy **(BOA)** Accreditation No. 4213
Valid until December 14, 2023;
Bureau of Internal Revenue **(BIR)** Accreditation No. 08 006682 001 2020
Valid until May 26, 2023;
Securities and Exchange Commission **(SEC)** Accreditation No. 109073-SEC
Issued on February 2, 2021; Period covered 2020 to 2024
Bangko Sentral ng Pilipinas **(BSP)** Accreditation No. 109073-BSP
Issued on February 14, 2020; Period covered 2019 to 2023
Insurance Commission **(IC)** Accreditation No. 109073-IC
Issued on December 29, 2020; Period covered 2020 to 2024

Parañaque City, Philippines
March 15, 2022

KATHY QUILATON-MALIK
CERTIFIED PUBLIC ACCOUNTANT
PRC ID No. 0109073
PHILIPPINES

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
COMMUNITY RURAL BANK OF ROMBLON (ROMBLON), INC.
Poblacion, Romblon, Romblon

We have audited the financial statements of **COMMUNITY RURAL BANK OF ROMBLON (ROMBLON), INC.** as of and for the year ended December 31, 2021 and 2020, on which we have rendered the attached report dated March 15, 2022.

The supplementary shown as Reconciliation of Cumulative Earnings Available for Dividend Declaration and Schedule of Standards and Interpretation are presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, the computation and information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KATHY QUILATON-MALIK CPA

KATHY QUILATON-MALIK
Certified Public Accountant
CPA Certificate No. 109073;
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Insurance Commission **(IC)** Accreditation No. 109073-IC
Issued on December 29, 2020; Period covered 2020 to 2024

BUREAU OF INTERNAL REVENUE
RDO No. 35-ROMBLON
26 APR 2022
RECEIVED BY:
DATE RECEIVED:

Parañaque City, Philippines
March 15, 2022

KATHY R. QUILATON-MALIK
CERTIFIED PUBLIC ACCOUNTANT
PRC ID No. 0109073
PHILIPPINES

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STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2021

With comparative figures in 2020

ASSETS	*Notes*		**2021**		2020
CURRENT ASSETS					
Cash and Cash Equivalents	*7*	₱	**880,666**	₱	1,231,181
Due from Bangko Sentral ng Pilipinas	*8*		**19,255,664**		596,046
Due from Other Banks	*9*		**4,436,789**		13,488,261
Loans and Receivables	*10*		**4,222,573**		7,084,396
Held to Maturity Investments	*11*		**711,445**		568,290
Other Current Assets	*12*		**1,752,516**		68,757
TOTAL CURRENT ASSETS			**31,259,653**		23,036,931
NON-CURRENT ASSETS					
Loans and Receivables	*10*		**23,088,426**		4,554,461
Bank Premises, Furnitures and Equipment	*13*		**1,799,171**		93,817
Investment Properties	*14*		**18**		-
Held to Maturity Investments	*11*		**779,316**		1,275,940
Deferred Tax Asset	*15*		**-**		83,214
TOTAL NON-CURRENT ASSETS			**25,666,931**		6,007,432
TOTAL ASSETS		₱	**56,926,584**	₱	29,044,363

LIABILITIES AND EQUITY

LIABILITIES	*Notes*		**2021**		2020
CURRENT LIABILITIES					
Deposit Liabilitites	*16*		**35,175,478**		17,050,837
Accrued Liabilitites	*17*		**236,491**		57,731
Other Current Liabilities	*18*		**415,249**		829,014
Income Tax Payable	*19,28*		**185,384**		17,122
TOTAL CURRENT LIABILITIES			**36,012,302**		17,954,704
NON-CURRENT LIABILITIES					
Retirement Liability	*20*		**337,010**		288,925
Deposit for Stock Subscription	*21*		**10,066,667**		-
TOTAL NON-CURRENT LIABILITIES			**10,403,677**		288,925
TOTAL LIABILITIES			**46,416,279**		18,243,629
EQUITY					
Share Capital	*22*		**4,966,000**		4,965,400
Unappropriated Cumulative Earnings	*23*		**3,544,305**		3,835,334
Appropriated Cumulative Earnings	*23*		**2,000,000**		2,000,000
TOTAL EQUITY			**10,510,305**		10,800,734
TOTAL LIABILITIES AND EQUITY		₱	**56,926,584**	₱	29,044,363
BOOK VALUE PER SHARE		₱	**211.65**	₱	217.52

STATEMENTS OF COMPREHENSIVE INCOME

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

With comparative figures for 2020

(Amounts in Philippine Peso)

	Notes		**2021**		2020
Interest Income on					
Loans and Receivables	*24a*	₱	**8,184,592**	₱	1,626,203
Held-to-Maturity Investments	*24b*		**16,787**		50,196
Bank Deposits	*24b*		**59,292**		36,479
TOTAL INTEREST INCOME			**8,260,671**		1,712,878
Interest Expense					
Savings	*25*		**5,562**		4,319
Time Deposits	*25*		**438,123**		30,936
TOTAL INTEREST EXPENSE			**443,685**		35,255
NET INTEREST INCOME			**7,816,986**		1,677,623
Other Income					
Non-Interest Income	*26*		**4,705,741**		2,338,517
TOTAL INCOME			**12,522,727**		4,016,140
Non-Intersest Expense					
Employees' Compensation and Benefits	*27a*		**4,997,843**		1,928,344
Taxes, licenses, permits and fees	*27b*		**812,145**		212,062
Other administrative expenses	*27c*		**4,469,026**		1,561,695
Depreciation / amortization	*27d*		**80,032**		67,200
Provisions (GLLP / Other assets)	*12,27e*		**1,703,934**		197,943
TOTAL NON-INTEREST EXPENSE			**12,062,980**		3,967,244
INCOME BEFORE INCOME TAX			**459,747**		48,896
Provision for Income Tax					
Current	*29*		**448,345**		(28,428)
Deferred			**-**		-
Adjustment to Provision for Income Tax 2020	*29*		**4,738**		-
Applied NOLCO - 2020	*29*		**4,738**		-
			457,821		(28,428)
NET INCOME (LOSS)			**1,926**		77,324
Other Comprehensive Loss					
Unrealized Loss on Foreign Exchange			**1,570**		-
TOTAL COMPREHENSIVE INCOME		₱	**356**	₱	77,324
EARNINGS PER SHARE	*30*	₱	**0.01**	₱	1.56

STATEMENTS OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2021

With comparative figures for 2020

(Amounts in Philippine Pesos)

(Note 22 and Note 23)	***Share Capital***			***CUMULATIVE EARNINGS***					**Total**
	Preferred	Ordinary	**Total**	Undivided profit	Appropriated: Contingency	Appropriated: Retirement	Appropriated: Others	Free	**Equity**
Balance, Jan. 1, 2021	₱ -	**4,966,000**	**4,966,000**	-	-	-	-		₱ **4,966,000**
Appropriation	-	-	-	-	-	-	**2,000,000**		**2,000,000**
Unappropriation								**3,835,334**	**3,835,334**
Prior period adjustments	-	-	-	-	-	-	-	**(291,385)**	**(291,385)**
Profit closed to cumulative earnings	-	-	-	**(356)**	-	-	-	**356**	**356**
Balance, Dec. 31, 2021	₱ -	**4,966,000**	**4,966,000**	**(356)**	-	-	**2,000,000**	**3,544,305**	₱ **10,510,305**

	Share Capital			*CUMULATIVE EARNINGS*					Total
	Preferred	Ordinary	Total	Undivided profit	Appropriated: Contingency	Appropriated: Retirement	Appropriated: Others	Free	Equity
Balance, Jan. 1, 2020	₱ -	4,965,400	4,965,400	-	-	-	-		4,965,400
Appropriation			-	-	-	-	2,000,000		2,000,000
Unappropriation			-					3,979,557	3,979,557
Prior period adjustments	-	-	-	-	-	-	-	(221,547)	(221,547)
Profit closed to cumulative earnings	-	-	-	(77,324)	-	-	-	77,324	77,324
Balance, Dec. 31, 2020	₱ -	4,965,400	4,965,400	(77,324)	-	-	2,000,000	3,835,334	₱ 10,800,734

STATEMENTS OF CASH FLOWS

STATEMENTS OF CASH FLOWS

As of the year ended December 31, 2021

With comparative figures in 2020

(Amounts in Philippine Peso)

CASH FLOWS FROM OPERATING ACTIVITIES			**2021**		2020
Net Income before Tax	*Notes*	₱	**459,747**	₱	48,896
Adjustments for:					
Depreciation and Amortization	*13,26e*		**80,032**		67,200
Prior Period Adjustments			**(238,167)**		(234,035)
Changes in operating assets and liabilitites					
Decrease (increase) in current assets					
Due from Bangko Sentral ng Pilipinas	*8*		**(18,659,618)**		17,552
Due from Other Banks	*9*		**9,051,473**		(2,222,642)
Loans and receivables	*10*		**2,861,823**		(3,498,031)
Other current assets	*11*		**(1,683,759)**		66,837
Increase (decrease) in current liabilities					
Deposit liabilities	*16*		**18,124,641**		9,742,739
Accrued expenses	*17*		**178,759**		2,253
Other current liabilities	*18*		**(413,765)**		813,032
Retirement Laibility	*20*		**48,084**		(280,915)
Cash provided by operating activities			**9,809,250**		4,522,886
Income Tax Paid			**(261,131)**		(25,176)
Net cash provided by operating activities			**9,548,119**		4,497,710
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans and receivables			**(18,533,965)**		(4,554,461)
(Additions) Disposals of bank premises, FFE -Net	*13*		**(1,785,386)**		(19,671)
(Additions) Disposals of Investment property	*14*		**(18)**		144,064
(Purchase) Maturities of Held to Maturity Investeme	*11*		**353,468**		776,383
Net cash provided by (used in) investing activities			**(19,965,901)**		(3,653,685)
CASH FLOWS FROM FINANCING ACTIVITIES					
Issuance of Paid-Up Capital	*22*		**600**		-
Deposit for Stock Subscription	*21*		**10,066,667**		-
Net cash provided by (ised in) financing activities			**10,067,267**		-
NET INCREASE/ (DECREASE) IN CASH	*7*		**(350,515)**		844,025
CASH AT BEGINNING OF THE YEAR	*7*		**1,231,181**		387,156
CASH AT END OF THE YEAR	*7*	₱	**880,666**	₱	1,231,181

RECONCILIATION OF CUMULATIVE EARNINGS AVAILABLE FOR DIVIDEND

As of the year ended December 31, 2021

With comparative figures for 2020

(Amounts in Philippine Peso)

		2021		2020
Unappropriated cumulative earnings- beginning	₱	**3,835,334**	₱	5,979,557
Adjustment				
Prior Period Adjustments		**-**		-
Deferred Tax Asset - MCIT 2018		**-**		12,488
Percentage Tax Expense 2018/2019		**(228,645)**		(231,588)
Disallowed Expense		**(62,740)**		(2,447)
Unappropriated cumulative earnings as adjusted - beginning		**3,543,949**		5,758,010
Add:				
Net Income (Loss) based on the Face of Financial Statements		**356**		77,324
Appropriated cumulative earnings reverted		**-**		-
Less: Appropriated Cumulative Earnings		**-**		(2,000,000)
Unappropriated cumulative earnings as adjusted - ending	₱	**3,544,305**	₱	3,835,334

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

COMMUNITY RURAL BANK OF ROMBLON (ROMBLON), INC. was incorporated and registered in the Philippine Securities and Exchange Commission on **1973** under SEC Registration No. 50884 under the laws and regulations governing the establishments and operations of ruralbanks in the Philippines under Republic Act (R.A.) No. 720, as amended by R.A. No. 7353 (Rural Act of 1992).

The bank's main purpose is to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries, fishermen and other meager- income earners and to have and exercise all authority and powers and perform all acts and transacts all business which may legally be had and done by rural bank organized under and in accordance with the Rural Bank's Act and transacts all business which may legally exist or be amended and to have all other things thereto and necessary and proper in connection with said purposes within such authority as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas.

The registered office address of the Bank which is also its principal address is at Romblon, Romblon, Philippines.

As of December 31, 2021 the bank's total manpower complement is 18 (7 officers and 11 rank and file employees). All of them are directly hired employees (Regular and on Probationary) of the institution.

The accompanying financial statements were authorized for issue by the Board of Directors on March 31, 2022. The Bank‘s Board of Directors, however still is empowered to make revisions on the financial statements even after the date of issue.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are prepared in Philippine Peso which is the bank's functional and presentation currency and all values are presented up to the last centavo except otherwise indicated.

The financial statements of the Bank have been prepared on under cost. All values represent absolute amounts except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The financial statements have been prepared in compliance with the appropriate Financial Reporting Framework in conformity with the Philippine Financial Reporting Standard (PFRS) issued by the Philippine Financial Reporting Standards Council. PFRS are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Moreover, Republic Act No. 11232 or the Act Providing for the Revised Corporation Code (—the Revised Code) which took effect on February 23, 2020 have been applied in preparing these financial statements. The Bank adopted ‑the Revised Code‖ and the extent of the impact has been determined. None of these is expected to have a significant effect on the financial statements of the Bank which was adopted for the Bank‘s taxable year 2020 financial statements.

EXTRAORDINARY EVENTS RELATED TO COVID-19

On March 8, 2020, President Rodrigo Duterte signed Proclamation No. 922, Series of 2020 (Public Health Emergency), placing the entire Philippines under the State of Public Health Emergency following the pandemic Corona Virus Disease 2019 or COVID-19 threat that is looming in the country. The President further announced on March 12, 2020 the "Community Quarantine" on Metro Manila starting at 12 midnight on March 15 up to April 14, 2020.

On March 16, 2020, the President declared a Luzon-wide "Enhanced Community Quarantine" (ECQ) that aims to further combat the effect of the continuing and increasing spread of COVID-19. Under the Luzon ECQ setup, mass gatherings are completely prohibited and all means of public transport is no longer allowed, which is effectively restricting the movement of the population. Additional lockdown restrictions mandated the temporary closure of non-essential shops and businesses. The Luzon ECQ is described under Republic Act No. 11332 (Reporting of Communicable Diseases Law), and Proclamation No. 929, Series of 2020 (State of Calamity).

On March 21, 2020, the President issued Proclamation No. 933, Series of 2020, calling the Philippine Congress to convene a special session which passed into law Republic Act No. 11469 or otherwise known as" Bayanihan to Heal as One Act".

On April 7, 2020, the Luzon-wide ECQ was extended until April 30, 2020, without prejudice to the discretion of the President to relax the implementation of ECQ or further expand or extend. Consequently, the ECQ was extended until May 31, 2020.

On May 29, 2020, the President approved the AITF Resolution No. 41 changing the MECQ status of Metro Manila to General Community Quarantine (GCQ) effective June 1, 2020 to June 15, 2020. The GCQ was further extended until February 28, 2021.

COVID-19 and related measures to slow the spread of the virus have had a significant impact on the Philippines and global economy, supply chains and financial markets, and resulted in increased levels of volatility and uncertainties. The effects of this health crisis are continuing to unfold and the ultimate extent of the economic impacts worldwide is unknown.

For the year ended December 31, 2021, COVID-19 has impacted the Company, specifically as follows:

- Purchase goods/services (i.e. face masks, face shields and disinfectants) when continuing/resuming operation during implementation of community quarantine. These costs are not normally incurred by the Company but it was incurred in compliance with minimum public health standards.
- Continues fixed costs (e.i. Utilities, communication and loan amortization) even no operation where communication quarantine is being implemented. These costs are continuously incurred by the Company but with some modification/extension of payment in compliance with RA No. 11469 otherwise known as the "Bayanihan to Heal as One Act".
- Work stoppage and or with limited work force where of community quarantine is being implemented which resulted to no operations or limited operations for certain months.
- Operations in general has been normal except for interferences due to the invocation of strict measures such as travel restrictions and social distancing by the government authorities that the management believes inconsiderably caused disruptions however, was mitigated by setting up work from home arrangements.

In addition, although we are monitoring the effects of the (COVID-19), we cannot predict whether, for how long, or the extent to which the outbreak may disrupt our supply chain, operations, sales, and/or

product shipments. A prolonged outbreak could negatively impact our vendors and customers, cause interruptions to our operations, including the reduction of store operating hours, temporary store closures and reduced store traffic, and adversely affect our results of operations. More generally, a widespread health crisis could result to an economic downturn that could decrease consumer confidence and affect demand for our products and therefore impact our results, including our business and financial outlook for the year ended December 31, 2022.

The Board of Directors remains focused on the Company's liquidity, and expect to manage business operations in the forecast period whilst maintaining adequate liquidity through the execution of:

- Anticipated refinancing of debt arrangements or sourcing new financing options, which requireauthorization and approval by the Board
- Expectations associated with capital raisings, which require authorization and approval by theBoard
- Plans to divest significant assets or businesses, which require authorization and approval by theBoard
- Deferral or suspension of non-critical or discretionary operating and capital expenditure.
- Deferral or suspension of dividends.
- Possible diversification or repurposing of operations for alternate income sources, which require authorization and approval by the Board

Based on these forecasts, the Board of Directors believe that it remains appropriate to prepare the financial statements on a going concern basis and have a reasonable expectation that the Company's details of key covenants will comply with the requirements of the debt facilities during the next twelve months.

3. SUMMARY OF NEW AND REVISED ACCOUNTING STANDARDS (PFRS)

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS and Philippine Interpretation from IFRIC which the Bank adopted effective for annual periods beginning on or after January 1, 2017:

Changes in Accounting Policies and Disclosures (Adoption of New or Revised Standards and Amendments to Standards and Interpretations) *(Effective for annual periods beginning on or after January 1, 2019)*

IFRS 16: Leases .	IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17
IFRIC 23: Uncertainty over Income Tax Treatments	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances
Amendments to IFRS 9	<u>Prepayment Features with Negative Compensation</u> Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments

Amendments to IAS 28	Long-term Interest in Associates and Joint Ventures Clarifies that the Company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part ofthe net investment in the associate or joint venture but to which the equity method is not applied
Annual Improvements to IFRS Standards 2015–2017 Cycle	Makes amendments to the following standards: • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when the Company obtains control of a business that is a joint operation, it remeasures previously held interests in that business. • The amendments to IFRS 11 clarify that when the Company obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Company borrows generally when calculating the capitalisation rate on general borrowings.
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling

Changes in Accounting Policies and Disclosures (New or Revised Standards and Amendments toStandards and Interpretations Not Yet Adopted)

IAS 1	Classification of liabilities An Exposure Draft (DP)proposing amendments related to how to classify debt when there is a right to renew the debt was published in February 2015. The IASB is currently reviewing the comments received
	Primary financial statements The IASB is exploring potential changes to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance. A DP or ED is expected in the second half of 2019.
IAS 8	Accounting policies and accounting estimates In September 2017 the IASB proposed amendments to IAS 8 to the definitions of an accounting policy and an accounting estimate. The IASB is considering the comments received and expects to decidethe project direction in the second quarter of 2019

Accounting policy changes

The IASB has proposed changes that would result in more voluntary changes in accounting policies that respond to agenda decisions made by the IFRS Interpretations Committee being accounted for prospectively. An ED was issued in 2018 and the IASB is considering the comments received.

IAS 12

Deferred tax related to assets and liabilities arising from a single transaction

In 2018, the IASB decided to propose a narrow-scope amendment that would narrow the initial recognition exemption in IAS 12 so that it would not apply to transactions that give rise to both taxable and deductible temporary differences, to the extent the amounts recognized for the temporary differences are the same. An ED is expected in the first half of 2019.

IAS 16

Proceeds before intended use

An ED proposing that proceeds from testing an asset be recognized as revenue was published in June 2017. The IASB has reviewed the comments received on the ED and is now planning to finalize the amendments.

IAS 19

Pension benefits that depend on asset returns

The IASB is gathering evidence to help decide whether to develop proposals to make a narrow-scope amendment to IAS 19 for pension benefits that depend on asset returns.

To gather evidence for this research project, the IASB is planning to conduct outreach activities during the first half of 2019.

IAS 28

Equity method

This project is in the research pipeline. The IASB plans no further work until the PIR of IFRS 11 is undertaken.

IAS 29

Scope

This project is in the research pipeline. If the research establishes that it would not be feasible to extend the scope of IAS 29 in this way, the IASB expects to recommend no work on IAS 29

IAS 32	Financial instruments with characteristics of equity The IASB is exploring whether it can improve the existing requirements in IAS 32 for classifying financial instruments that have characteristics of both a liability and equity. A DP was published in 2018, with a six-month comment period
IAS 36	Goodwill and impairment The IASB is exploring whether the existing impairment test forgoodwill can be improved or simplified. The IASB plans to publisha DP or an ED in the second half of 2019
IAS 37	Provisions The IASB has recommenced work on a project to review the implications of the new Conceptual Framework on the accounting for provisions. The IASB is currently reviewing the research Onerous contracts The IASB proposed to clarify the onerous contract requirements inan ED issued in 2018 Pollutant pricing mechanisms This project is in the research pipeline.
IAS 39	Dynamic risk management The IASB is assessing how to replace the remaining sections of IAS 39, that deal with macro-hedging. A DP was issued in 2014. The IASB expects to have developed a core model sometime in the first half of 2019.
IAS 41	Cash flows from taxation A proposal to remove the requirement to exclude cash flows from taxation when measuring fair value of agricultural assets will be included in the next Annual Improvements ED
IFRS 1	Adoption by a subsidiary A proposal to amend IFRS 1 to require a subsidiary that applies IFRS 1 to measure its cumulative translation differences using the amounts reported by its parent. This amendment will be included in the next Annual Improvements ED.
IFRS 3	Intangible assets, goodwill and impairment

The IASB is exploring whether the initial measurement of intangible assets, and therefore goodwill, can be improved or simplified. A DP or ED is expected in the second half of 2019

Business combinations under common control

The IASB is examining how companies should account forcombinations of businesses under common control, which are currently outside the scope of IFRS 3. A DP is expected in 2020

Updating a Reference to the Conceptual Framework

The IASB is developing proposals to update a reference to the Conceptual Framework in IFRS 3 in a way that avoid conflicts with other IFRS Standards.

IFRS 5

Post-implementation review

In 2018 the IASB decided to undertake a post-implementation review of IFRS 5 in 2019 or 2020.

IFRS 6

Extractive activities

In 2018 the IASB started a project to replace IFRS 6.

IFRS 8

Post-implementation Review

Having completed the review, a Feedback Statement is expected to be published in February 2019.

IFRS 9

Dynamic risk management

The IASB is assessing how to replace the remaining sections of IAS 39 that deal with macro-hedging. A DP was issued in 2014. The IASB expects to have developed a core model in the second half of

2019

10 per cent test

A proposal to clarify which fees and costs are included in the quantitative _10 per cent' test for assessing whether to derecognize a financial liability is expected to be included in the next Annual Improvements ED

IFRS 10, 11, and 12 Post-implementation review

The IASB will undertake a post-implementation review of IFRS 10, 11 and 12

IFRS 14 Rate-regulated Activities

IFRS 14 is a temporary Standard. The IASB has been considering whether entities that operate in rate-regulated environments should recognize assets and liabilities arising from the effects of rate regulation. A DP was published in 2014. A second DP or an ED is expected in the second half of 2019.

IFRS 16 IFRS 16

A proposal to amend Example 13 of the illustrative examples accompanying IFRS 16 is expected to be included in the next Annual Improvements ED

IFRS 17 Stakeholder concerns and implementation challenges

The IASB is discussing stakeholder concerns and implementation challenges raised since IFRS 17 was issued and is considering whether there is a need to amend the Standard. This includes the effective date of the Standard. An ED is expected in 2019.

IFRIC 14 Availability of a refund

An ED was published in June 2015 to clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan. The IASB is undertaking additional analysis before deciding what steps to take next.

Summary of New and Revised Accounting Standards (PFRS)

The Company does not expect that the adoption of the Standards listed below will have a material impact on the Company's Financial Statements.

New and amended PFRS Standards that are effective for the current year:

- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021 - Amendment to PFRS 16.

In the prior year, Amendment to PFRS 16 provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

New and revised PFRS Standards in issue but not yet effective:

- PFRS 17 (including the June 2020 amendments to PFRS 17) – Insurance Contracts

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 *Insurance Contracts*.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premiumallocation approach.

- Amendments to PFRS 10 *Consolidated Financial Statements* and PAS 28 *Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contributionof assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a businessin a transaction with an associate or a joint venture that is accounted for using the equity method,are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that isaccounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set; however, earlier application of the amendments is permitted.

- Amendments to PAS 1 *Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent*

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of _settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

- Amendments to PFRS 3 *Business Combinations—Reference to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

- Amendments to PAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- Amendments to PAS 37 *Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost 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 a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- Annual Improvements to PFRS Standards 2018-2020—Amendments to PFRS 1 *First-time Adoption of International Financial Reporting Standards*, PFRS 9 *Financial Instruments*, PFRS 16 *Leases*, and PAS 41 *Agriculture*

The Annual Improvements include amendments to four Standards:

PFRS 1 *First-time Adoption of International Financial Reporting Standards*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

PFRS 9 *Financial Instruments*

The amendment clarifies that in applying the ‗10 per cent' test to assess whether to derecognise 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.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

PFRS 16 *Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

PAS 41 *Agriculture*

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirementsof PFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

- Amendments to PAS 1 *Presentation of Financial Statements* and PFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies*

The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The

amendments replace all instances of the term ‗significant accounting policies' with ‗material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments to PAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to PFRS Practice Statement 2 do not contain an effective date or transition requirements.

- Amendments to PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are ―monetary amounts in financial statements that are subject to measurement uncertainty‖.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

- Amendments to PAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying PFRS 16 at the commencementdate of a lease.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bangko Sentral ng Pilipinas issued BSP Circular No. 761 series of 2012 providing guidelines on the adoption of PFRS 9 (2010) on 01 January 2015. The bank has adopted PFRS 9: Financial Instruments (2010) with a date of initial application of 0l January 2015 but did not have any significant effect on the Bank's financial statements.

Furthermore, the International Accounting Standards Board (IASB) completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014. The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the company opted to apply the earlier version of PFRS 9.

Philippine Financial Reporting Standards (PFRS) are patterned after the revised International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB).

The principal accounting policies applied in the preparation of these financial statements are set out below.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank, short term investments, cash on hand and petty cash fund measured at face value. In addition, the Bank's policy for cash equivalents includes short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of placement and that are subject to an insignificant risk of change in value.

Due from Bangko Sentral ng Pilipinas

This account represents deposit of the bank to the Bangko Sentral ng Pilipinas as part of its legal reserve requirements, to secure its deposit liabilities.

Due from Other Banks

This account represents deposits with other banking institutions earning variable interest rates prevailing at market.

Loans and Receivables

oans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading.

Loans and receivables shall be measured at amortized cost using the effective interest method. Loans and receivables are stated at the outstanding balance reduced by allowance for credit losses and impairment losses.

Interest on loans collected in advance (treated as loan discount) is amortized to income over the term of the loan. Interest income on past due loans arising from discount amortization (and not from the contractual interest of the accounts) shall be accrued as provided in PAS 39. Interest on non-discounted loans is recognized as income upon collection. Such assets are carried at cost or amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Specific and general loan loss provision were determined and set - up after conducting a loans and other assets review and classification, through aging analysis and other criteria, and after considering the guidelines in the classification of loans and the provisioning requirements for classified and unclassified loan accounts. After classifying loans as either current, past due or items in litigation, the same are qualitatively appraised and categorized. Loans and other credit accommodations shall be grouped into the following classifications:

a) ***Pass.*** These are loans and other credit accommodations that do not have a greater - than normal credit risk. The borrower has the apparent ability and willingness to satisfy obligations in full and therefore no loss in ultimate collection is anticipated.
b) ***Loans Especially Mentioned (LEM .*** These are loans and other credit accommodations that have potential weaknesses that deserve management's close supervision. If left uncorrected, these weaknesses may affect the repayment of the loan.
c) **Substandard**. These are loans and other credit accommodations that have well-defined weaknesses that may jeopardize repayment liquidation in full, either in respect of the business cash flow or financial position, which may include adverse trends or developments that willingness or repayment ability of the borrower.
d) **Doubtful**. These are loans and other credit accommodations that exhibit more severe weaknesses than those classified as " Substandard ", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet classification as " Loss " is deferred because of specific pending factors which strengthen the assets.
e) **Loss.** These are loans and other credit accommodations which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

This shall be viewed as a transitional category for loans and other credit accommodations which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

The allowance for credit losses is the estimated amount of losses in the Bank's loan portfolio based on management's evaluation of the collectability of the loans, after consideration of prevailing and anticipated economic conditions, prior loan loss experience and the evaluation made by the BSP.

The BSP requires banks to observe certain criteria and guidelines based largely on the classification of loans in establishing allowance for credit losses.

Loan discounts

Interest on loans collected in advance is amortized to income over the term of the loans.

Held-to-Maturity Investments

Quoted non-derivative financial assets with fixed or determinable payments and fixed maturity such as treasury bills are classified as held -to-maturity when the bank has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held -to-maturity, such as bonds are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus repayments, plus or minus the cumulative amortization using the effective interest method of any differences between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the statements of income when investments are derecognized or impaired, as well as through the amortization process.

Other current assets.

Other assets are recognized at cost. The account includes prepaid expenses, accrued interest receivables and other resources. Unused supplies, if any, are measured initially at cost. Subsequent measurement of unused supplies is at cost less impairment loss, if any.

Bank premises, furniture and equipment

Bank premises, furniture and equipment are initially measured at its cost and subsequently measured at cost less any accumulated depreciation/amortization and any accumulated impairment losses.

The cost of an item of bank premises, furniture and equipment *may* comprise:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The cost of an item of bank premises, furniture and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is capitalized.

Recognition of costs in the carrying amount of an item of bank premises, furniture and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of bank premises, furniture and equipment is

the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is capitalized.

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

The residual value and the useful life of an asset shall be reviewed at least at each financial year- end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

Depreciation/amortization of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation/amortization of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized. Therefore, depreciation/amortization does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. However, underusage methods of depreciation/amortization, the depreciation/amortization charge can be zero while there is no production.

The carrying amount of an item of property, plant and equipment shall be derecognized:

a) on disposal; or
b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized. Gains shall not be classified as revenue

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

Investment Properties

Real and Other Properties Acquired (ROPA) in settlement of loans through foreclosure or dacion in payment shall be booked initially at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less allowance for probable losses computed based on PAS 39 provisioning requirements) plus booked accrued interest less allowance for probable losses plus transaction costs incurred upon acquisition (such as non- refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure / purchase of the acquired real estate property) : Provided, further, That if the carrying amount of ROPA exceeds P 5 million, the appraisal of the foreclosed / purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

Deferred tax asset

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

a) deductible temporary differences;
b) the carryforward of unused tax losses; and
c) the carryforward of unused tax credits.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The Company shall offset deferred tax assets and deferred tax liabilities if, and only if:

a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
   - the same taxable entity; or
   - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deposit Liabilities

Deposits are measured at cost, which is a reflection of their fair value.

Accrued Liabilities

Other liabilities are recognized upon incurrence of transactions wherein the Bank has an obligation to settle the same in the future. The account includes accrued interest, taxes and other expenses.

Other current liabilities

Other current liabilities include payable for government statutory obligations such as withholding tax expanded withholding tax, final tax payable, fringe benefit tax, VAT payable with the Bureau ofInternal revenue (BIR) and SSS, HDMF and Philhealth, and Due to Others. These are measured at their transaction cost.

Income tax payable

The tax currently payable for the year is based on regular corporate income tax (RCIT). Taxable profit differs from the net profit as reported in the statement of income because it excludes items ofincome or expense that are taxable or deductible in other years and it further excludes items thatare never taxable or deductible. The reconciliation of the company's liabilities for the current tax iscalculated at 20% tax rate

The Company shall recognize a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the entity shall recognize the excess as a current tax asset

The Company shall recognize a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.

The Company shall measure a current tax liability (asset) at the amount it expects to pay (recover) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. The Company shall regard tax rates and tax laws as substantively enacted when the remaining steps in the enactment process have not affected the outcome in the past and are unlikely to do so

Current tax for current and prior periods shall, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset.

The benefit relating to a tax loss that can be carried back to recover current tax of a previous period shall be recognized as an asset.

When a tax loss is used to recover current tax of a previous period, the Company recognizes the benefit as an asset in the period in which the tax loss occurs because it is probable that the benefit will flow to the entity and the benefit can be reliably measured.

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Company shall offset current tax assets and current tax liabilities if, and only if, the entity:

a) has a legally enforceable right to set off the recognized amounts; and
b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Retirement Liability

The Bank accounts for the post-employment benefit plan using the accrual approach in accordance with the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as The Philippine Retirement Pay Law, or bank policy if superior than that provided by RA 7641.

Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods. The entity shall recognize the liability for such post-employment benefit plan at the net total of the following amounts: a) the accrued amount of the retirement benefits at the reporting date; less b) the fair value of plan assets (if any) at the reporting date out of which the obligations are to be settled directly

Share capital

The entity shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

When an issuer applies the definitions to determine whether a financial instrument is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met.

a) The instrument includes no contractual obligation:
   - to deliver cash or another financial asset to another entity; or
   - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.

b) If the instrument will or may be settled in the issuer's own equity instruments, it is:
   - a non-derivative that includes no contractual obligation for the issuer to deliver a variablenumber of its own equity instruments; or
   - a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

If the Company reacquires its own equity instruments, those instruments (_treasury shares') shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognized directly in equity.

The Company typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Cumulative earnings (Loss)

Cumulative earnings include all current and prior period results as disclosed in the statement of income.

Distributions to holders of an equity instrument shall be recognized by the entity directly in equity. Transaction costs of an equity transaction shall be accounted for as a deduction from equity.

When the Company pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. In many jurisdictions, this amount is referred to as a withholding tax. Such an amount paid or payable to taxation authorities is chargedto equity as a part of the dividends.

As approved and authorized by the Board of Directors, any appropriation of cumulative earnings (Retained Earnings) be in accordance with the policy set forth in Section 42 of the Corporation Code, to wit:

The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, property, or in stock to all stockholders on the basis of outstanding stock held by them: Provided, That any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholders until their unpaid subscription is fully paid: Provided, further, That no stock dividend shall be issued without the approval of stockholders

representing at least two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital stock, except:

a) when justified by definite corporate expansion projects or programs approved by the board of directors; or
b) when the corporation is prohibited under any loan agreement with financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or
c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

Revenue recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the bank and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business. The following specific criteria must also be met before revenue is recognized:

a) ***Interest income*** is recognized as the interest accrues (taking into accounts the effective yield on the asset)
b) ***Rent income*** is on a straight-line basis over the term of the lease
c) ***Service charges and commissions*** are recognized on an accrual basis, when the service is provided, unless collectability is in doubt
d) ***Gain on sale of acquired* assets** is recognized if transactions indicate that the full ownership is transferred to the acquiree.
e) ***Miscellaneous income*** comprises of processing fees, banking fees, and insurance. These are recognized on accrual basis when the service has been provided, unless collectability is in doubt.
f) ***Income from assets acquired*** are recognized on an accrual basis when the service has been provided, unless collectability in in doubt.

Income/(loss) from assets acquired is the results of the foreclosure (dacioned assets) of assets wherein the fair value of the assets at the time of receipt is higher/(lower) than the outstanding value, including interest and penalties, of the loan.

Cost and expense recognition

Expenses are decreases in assets, or increases in liabilities, that result in decreases in equity, otherthan those relating to distributions to holders of equity claims.

The Company shall present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.

Expenses are sub-classified to highlight components of financial performance that may differ in terms of frequency, potential for gain or loss and predictability. This analysis is provided in one of two forms which is the -function of expense||. At a minimum, the Company discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users

than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement.

The recognition of expenses occurs at the same time as:

a) the initial recognition of a liability, or an increase in the carrying amount of a liability; or
b) the derecognition of an asset, or a decrease in the carrying amount of an asset.

- *Cost of Services/Sales*
  Cost of Services/Sales are recognized in profit or loss in the period the services are provided. Costs of services include interest, employee's compensation and others that are directly attributed to the services provided.

- *General and administrative expenses*
  General and administrative expenses include professional fee, taxes and other costs that cannot be associated directly to the services rendered.

Employee compensation and other benefits

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by employees or for the termination of employment.

- *All short-term employee benefits*
  When an employee has rendered service to the Company during an accounting period, the entity shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

  a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Company shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
  b) as an expense, (requires or permits the inclusion of the benefits in the cost of an asset)

- *Post-employment benefits*
  Post-employment benefits include items such as the following:

  a) retirement benefits (eg pensions and lump sum payments on retirement); and
  b) other post-employment benefits, such as post-employment life insurance andpost-employment medical care.

Arrangements whereby the Company provides post-employment benefits are post-employment benefit plans. The Company applies this Standard to all such arrangements whether or not they involve the establishment of a separate entity to receive contributions and to pay benefits

The Bank should account for the post-employment benefit plan using the accrual approach in accordance with the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as The Philippine Retirement Pay Law, or bank policy if superior than that provided by RA 7641.

Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

The Bank shall recognize the liability for such post-employment benefit plan at the net total of the following amounts: a) the accrued amount of the retirement benefits at the reporting date; less b) the fair value of plan assets (if any) at the reporting date out of which the obligations are to be settled directly.

- *Other long-term employee benefits*
  Other long-term employee benefits *may* include items such as the following, *(if there are any)* if not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service:

  a) long-term paid absences such as long-service or sabbatical leave;
  b) jubilee or other long-service benefits;
  c) long-term disability benefits;
  d) profit-sharing and bonuses; and
  e) deferred remuneration.

  The measurement of other long-term employee benefits is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. For this reason, this Standard requires a simplified method of accounting for other long-term employee benefits. Unlike the accounting required for post-employment benefits, this method does not recognize remeasurements in other comprehensive income.

- Termination benefits
  Deals termination benefits separately from other employee benefits because the event that gives rise to an obligation is the termination of employment rather than employee service. Termination benefits result from either the Company's decision to terminate the employment or an employee's decision to accept the Company's offer of benefits in exchange for terminationof employment.

  The Company shall measure termination benefits on initial recognition, and shall measure and recognize subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity shall apply the requirements for post-employment benefits. Otherwise:

  a) if the termination benefits are expected to be settled wholly before twelve months after the

end of the annual reporting period in which the termination benefit is recognized, the entity shall apply the requirements for short-term employee benefits.

b) if the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the entity shall apply the requirements for other long-term employee benefits.

Lease

At the commencement date, the Company assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The entity considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

The entity shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Recognition and measurement of leases are as follows:

a) A lessor shall recognize costs, including depreciation/amortization, incurred in earning the leaseincome as an expense.
b) A lessor shall add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income.
c) The depreciation/amortization policy for depreciable underlying assets subject to operating leases shall be consistent with the lessor‘s normal depreciation policy for similar assets.
d) A lessor shall determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.
e) A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Income tax

The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to the Company when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.

The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue which is received in advance, the tax base of the resulting liability is its carrying amount, less any amount of the revenue that will not be taxable in future periods

Some items have a tax base but are not recognized as assets and liabilities in the statement of financial position. Where the tax base of an asset or liability is not immediately apparent, it is helpful to consider the fundamental principle upon which is based: that the Company shall, with certain limited exceptions, recognize a deferred tax liability (asset) whenever recovery or settlement of the carrying amount of an asset or liability would make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequence

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Temporary differences may be either:

a) taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount ofthe asset or liability is recovered or settled; or
b) deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

Some temporary differences arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Such temporary differences are often described as timing differences.

A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

a) is not a business combination; and
b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

When there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the deferred tax asset is recognized to the extent that:

a) it is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward). In evaluating whether it will have sufficient taxable profit in future periods, the Company:
   - compares the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences; and
   - ignores taxable amounts arising from deductible temporary differences that are expected to originate in future periods, because the deferred tax asset arising from these deductible temporary differences will itself require future taxable profit in order to be utilized; or
b) tax planning opportunities are available to the entity that will create taxable profit in appropriate periods.

The Company considers the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilized:

a) whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilized before they expire;
b) whether it is probable that the entity will have taxable profits before the unused tax losses or unused tax credits expire;
c) whether the unused tax losses result from identifiable causes which are unlikely to recur; and
d) whether tax planning opportunities (see paragraph 30) are available to the entity that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilized.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilized, the deferred tax asset is not recognized.

Basic Earnings Per share

The Company shall calculate basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders.

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:

a) profit or loss from continuing operations attributable to the parent entity; and
b) profit or loss attributable to the parent entity

shall be the amounts in (a) and (b) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

For the purpose of calculating basic earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares outstanding during the period.

Diluted Earnings Per Share

The Company shall calculate diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders.

For the purpose of calculating diluted earnings per share, the Company shall adjust profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

For the purpose of calculating diluted earnings per share, the Company shall adjust profit or loss attributable to ordinary equity holders of the parent entity, by the after-tax effect of:

a) any dividends or other items related to dilutive potential ordinary shares deducted in arrivingat profit or loss attributable to ordinary equity holders of the parent entity;
b) any interest recognized in the period related to dilutive potential ordinary shares; and
c) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

For the purpose of calculating diluted earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

Financial Instruments

Presentation:

The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately

Initial recognition of financial assets and liabilities

The Company shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of theinstrument

Initial measurement

Except for trade receivables, at initial recognition, the Company shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

However, if the fair value of the financial asset or financial liability at initial recognition differsfrom the transaction price, the best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received

The fair value of a financial instrument at initial recognition is normally the transaction price (ie the fair value of the consideration given or received. However, if part of the consideration given or received is for something other than the financial instrument, the Company shall measure the fair value of the financial instrument, i.e. the fair value of a long-term loan or receivable that carries no interest can be measured as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating. Any additional amount lent is an expense or a reduction of income unless it qualifies for recognition as some other type of asset.

For financial asset

a) **For Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

b) **For Held-to-Maturity Investments** are quoted nonderivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the bank has positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any differences between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the statements of income when investments are derecognized or impaired, as well as through the amortization process.

c) **For equity share** is measured at their transaction price (i.e. the fair value of the consideration paid) which is normally the cost of the shares acquired, plus or minus, transaction costs that are directly attributable to the acquisition of financial asset

For financial liability

a) **For trade and other payables** for goods purchased from a supplier and others on short-term credit, are measured at their transaction price (i.e. the fair value of the consideration given or received, and subsequently measured at amortized cost.

b) **For loans payable** it is measured at fair value which is the present value of cash payable to the bank (including interest payments and repayment of principal) plus or minus, transaction costs that are directly attributable to the issue of the financial liability

Subsequent measurement

For Financial Asset

a) **For trade and other receivables** to a customer on short-term credit, a receivable is measuredat the amortized cost.

b) **For Held-to-Maturity Investments** are measured at amortized cost, minus any principalcollections without regard to the entity's intention to hold them to maturity.

c) **For equity share** is measured at amortized cost, without regard to the entity's intention to hold them to maturity

For Financial Liability

a) **For trade and other payables** for goods **purchased from a supplier and others** on short-term credit, are measured at amortized cost.

b) **For loans payable** it is measured at amortized cost, using effective interest method without regard to the entity's intention to hold them to maturity.

Impairment of financial assets:

The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized

At each reporting date, the Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company shall compare 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 significant increases in credit risk since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date

If reasonable and supportable forward-looking information is available without undue cost or effort,the Company cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, the Company may use past due information to determine whether there have been significant increases in credit risk since initial recognition. Regardless of the way in which the Company assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual

payments are more than 30 days past due. The Company can rebut this presumption if the entity has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even thoughthe contractual payments are more than 30 days past due. When the Company determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

The Company shall measure expected credit losses of a financial instrument in a way that reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range ofpossible outcomes;
b) the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Derecognition of a financial asset:

The Company shall derecognize a financial asset when, and only when:

a) the contractual rights to the cash flows from the financial asset expire, or
b) it *transfers the financial asset* and the transfer qualifies for derecognition.

The Company *transfers a financial asset* if, and only if, it either:

a) transfers the contractual rights to receive the cash flows of the financial asset, or
b) *retains the contractual rights* to receive the cash flows of the financial asset, but assumes acontractual obligation to pay the cash flows to one or more recipients

When the Company *retains the contractual rights* to receive the cash flows of a financial asset (the original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the _eventual recipients'), the entity treats the transaction as a transfer of a financial asset if,and only if, all of the following three conditions are met.

a) The entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right offull recovery of the amount lent plus accrued interest at market rates do not violate this condition.
b) The entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
c) The entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

When the Company transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

a) if the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.
b) if the entity retains substantially all the risks and rewards of ownership of the financial asset,

the entity shall continue to recognize the financial asset.

c) if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset. In this case:
   - if the entity has not retained control, it shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.
   - if the entity has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset

Derecognition of a financial liability

The Company shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantiallydifferent terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Company:

a) currently has a legally enforceable right to set off the recognized amounts; and
b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entityshall not offset the transferred asset and the associated liability

Offsetting a recognized financial asset and a recognized financial liability and presenting the net amount differs from the derecognition of a financial asset or a financial liability. Although offsetting does not give rise to recognition of a gain or loss, the derecognition of a financial instrument not only results in the removal of the previously recognized item from the statement of financial position but also may result in recognition of a gain or loss.

A right of set-off is a debtor's legal right, by contract or otherwise, to settle or otherwise eliminate all or a portion of an amount due to a creditor by applying against that amount an amount due from the creditor. In unusual circumstances, a debtor may have a legal right to apply an amount due from a third party against the amount due to a creditor provided that there is an agreement between the three parties that clearly establishes the debtor's right of set-off. Because the right of set-off is a legal right,

the conditions supporting the right may vary from one legal jurisdiction to another and the laws applicable to the relationships between the parties need to be considered.

The existence of an enforceable right to set off a financial asset and a financial liability affects the rights and obligations associated with a financial asset and a financial liability and may affect the Company's exposure to credit and liquidity risk. However, the existence of the right, by itself, is not a sufficient basis for offsetting. In the absence of an intention to exercise the right or to settle simultaneously, the amount and timing of the Company's future cash flows are not affected. When the Company intends to exercise the right or to settle simultaneously, presentation of the asset and liability on a net basis reflects more appropriately the amounts and timing of the expected future cash flows, as well as the risks to which those cash flows are exposed. An intention by one or both parties to settle on a net basis without the legal right to do so is not sufficient to justify offsetting because the rights and obligations associated with the individual financial asset and financial liability remain unaltered.

Impairment of Assets

An asset is impaired when its carrying amount exceeds its recoverable amount.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less costs of disposal and its value in use. For the purpose of determining the recoverable amount of a cash-generating unit. The carrying amount of a cash-generating unit shall be determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

The carrying amount of a cash-generating unit:

a) includes the carrying amount of only those assets that can be attributed directly, or allocatedon a reasonable and consistent basis, to the cash-generating unit and will generate the future cash inflows used in determining the cash-generating unit's value in use; and
b) does not include the carrying amount of any recognized liability, unless the recoverable amount of the cash-generating unit cannot be determined without consideration of this liability.

The Company shall assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall, be increased to its recoverable amount. That increase is a reversal of an impairment loss.

A reversal of an impairment loss reflects an increase in the estimated service potential of an asset, either from use or from sale, since the date when the Company last recognized an impairment loss for that asset.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset shall not be increased above the lower of:

a) its recoverable amount (if determinable); and
b) the carrying amount that would have been determined (net of amortization or depreciation) hadno impairment loss been recognized for the asset in prior periods.

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

Provisions and contingencies

Recognition:

1) *Provision*

A provision shall be recognized when:

a) the Company has a present obligation (legal or constructive) as a result of a past event;
b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognized.

2) *Contingent Liabilities*

The Company shall not recognize a contingent liability.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

3) *Contingent Assets*

The Company shall not recognize a contingent asset.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. An example is a claim that the Company is pursuing through legal processes, where the outcome is uncertain.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

A contingent asset is disclosed, where an inflow of economic benefits is probable.

Measurement:

The amount recognized as a provision shall be the best estimate of the expenditure required to settlethe present obligation at the end of the reporting period.

The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or totransfer it to a third party at that time. It will often be impossible or prohibitively expensive to settle or transfer an obligation at the end of the reporting period. However, the estimate of the amount that the Company would rationally pay to settle or transfer the obligation gives the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Uncertainties surrounding the amount to be recognized as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. The name for this statistical method of estimation is _expected value'. The provision will therefore be different depending on whether the probability of a loss of a given amount is. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient objective evidence that they will occur

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed

No provisions and contingencies recognized during the period.

Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. Two types of events can be identified:

a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and

b) those that are indicative of conditions that arose after the reporting period (non-adjusting eventsafter the reporting period).

The Bank shall adjust the amounts recognized in its financial statements to reflect adjusting events after the reporting period.

The Bank shall not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting period.

If non-adjusting events after the reporting period are material, non-disclosure could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting Bank. Accordingly, a Bank shall disclose the following for each material category of non-adjusting event after the reporting period:

a) the nature of the event; and
b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

Related Party Disclosures

A related party is a person or Bank that is related to the Bank that is preparing its financial statements

A related party transaction is a transfer of resources, services or obligations between a reporting Bank and a related party, regardless of whether a price is charged.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of that Bank.

Compensation includes all employee benefits (as defined in IAS 19 Employee Benefits) including employee benefits to which IFRS 2 Share-based Payment applies. Employee benefits are all forms of consideration paid, payable or provided by the Bank, or on behalf of the Bank, in exchange for services rendered to the Bank. It also includes such consideration paid on behalf of a parent of the Bank in respect of the Bank

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

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5. MANAGEMENT SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgment

The Company shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements

In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

a) relevant to the economic decision-making needs of users; and
b) reliable, in that the financial statements:

- represent faithfully the financial position, financial performance and cash flows of the entity;
- reflect the economic substance of transactions, other events and conditions, and not merely thelegal form;
- are neutral, i.e. free from bias;
- are prudent; and
- are complete in all material respects.

Estimates

It is frequently necessary to make estimates in applying an accounting policy to elements of financial statements recognized or disclosed in respect of transactions, other events or conditions. Estimation is inherently subjective, and estimates may be developed after the reporting period. Developing estimates is potentially more difficult when retrospectively applying an accounting policy or making a retrospective restatement to correct a prior period error, because of the longer period of time that might have passed since the affected transaction, other event or condition occurred. However, the objective of estimates related to prior periods remains the same as for estimates made in the current period, namely, for the estimate to reflect the circumstances that existed when the transaction, other event or condition occurred.

The Company shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

a) their nature, and
b) their carrying amount as at the end of the reporting period.

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.

Critical management judgments in applying accounting policies

In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognizes in the financial statements. management makes judgements in determining:

a) when substantially all the significant risks and rewards of ownership of financial assets and, forlessors, assets subject to leases are transferred to other entities;
b) whether, in substance, particular sales of goods are financing arrangements and therefore do notgive rise to revenue; and
c) whether the contractual terms of a financial asset give rise on specified dates to cash flows thatare solely payments of principal and interest on the principal amount outstanding.

In the process of applying the Bank's accounting policies, the management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Going concern uncertainty issue*

When preparing financial statements, management shall make an assessment of the Company's ability to continue as a going concern. The Company shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When the Company does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When the Company has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

The management shall evaluate whether relevant conditions and events, considered in the aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The evaluation initially shall not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date that the financial statements are issued.

When evaluating the Company's ability to meet its obligations, the management shall consider quantitative and qualitative information about the following conditions and events, among other relevant conditions and events known and reasonably knowable at the date that the financial statements are issued:

- The entity's current financial condition, including its liquidity sources at the date that the financial statements are issued such as available liquid funds and available access to credit.
- The entity's conditional and unconditional obligations due or anticipated within one year after the date that the financial statements are issued.
- The funds necessary to maintain the entity's operations considering its current financial condition, obligations and other expected cash flows within one year after the date that the financial statements are issued.
- The other conditions and events, when considered in conjunction with the immediately preceding paragraphs that may adversely affect the entity's ability to meet its obligations within one year after the date that the financial statements are issued.

When relevant conditions or events, considered in the aggregate, initially indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (and therefore they raise substantial doubt about the entity's ability to continue as a going concern), management shall evaluate

whether its plans that are intended to mitigate those conditions and events, when implemented, will alleviate substantial doubt about the entity's ability to continue as a going concern.

The mitigating effect of management's plans shall be considered in evaluating whether the substantial doubt is alleviated only to the extent that information available, as of the date that the financial statements are issued, indicates both of the following:

a. It is probable that management's plans will be effectively implemented within one yearafter the date that the financial statements are issued.
b. It is probable that management's plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

The evaluation of whether it is probable that management's plans will be effectively implemented within one year after the date that the financial statements are issued shall bebased on the feasibility of implementation of management's plans in light of the Company's specific facts and circumstances.

Generally, to be considered probable of being effectively implemented, management (or others with the appropriate authority) must have approved the plan before the date that the financial statements are issued.

The mitigating effect of management's plans that are not probable of being effectively implemented within one year after the date that the financial statements are issued shall not be considered in evaluating whether substantial doubt about a Bank's ability to continue as a going concern is alleviated.

(b) *Non-application of projected unit credit method*

The Company shall use the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

The projected unit credit method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The projected unit credit method requires the Company to attribute benefit to the current period (in order to determine current service cost) and the current and prior periods (in order to determine the present value of defined benefit obligations). The Company attributes benefit to periods in which the obligation to provide post-employment benefits arises. That obligation arises as employees render services in return for post-employment benefits that the Company expects to pay in future reporting periods. Actuarial techniques allow the Company to measure that obligation with sufficient reliability to justify recognition of a liability.

In applying the above guidelines, the Bank considered to fully adopt the requirements. However, the Bank decided to depart from this because they believe that the assumptions used in its retirement benefit plan under Republic Act 7641 provides more reasonable and appropriate estimation of retirement benefits obligations.

The Bank has a retirement plan under framework of the Philippines under R.A 7641. The Bank is legally obliged to provide a minimum retirement pay for qualified employees upon retirement. The framework however does not have minimum funding requirement. The Bank's benefit plan is aligned with this framework.

(c) *Provisions and contingencies*

Judgment is exercised by the management to distinguish between provisions and contingencies. Risk describes variability of outcome. A risk adjustment may increase the amount at which a liability is measured. Caution is needed in making judgements under conditions of uncertainty, so that income or assets are not overstated and expenses or liabilities are not understated. However, uncertainty does not justify the creation of excessive provisions or a deliberate overstatement of liabilities. For example, if the projected costs of a particularly adverse outcome are estimated on a prudent basis, that outcome is not then deliberately treated as more probable than is realistically the case. Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of a provision.

In a general sense, all provisions are contingent because they are uncertain in timing or amount. However, the term 'contingent' is used for liabilities and assets that are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The use of estimates is an essential part of the preparation of financial statements and does not undermine their reliability. This is especially true in the case of provisions, which by theirnature are more uncertain than most other items in the statement of financial position. Except in extremely rare cases, the Company will be able to determine a range of possible outcomes and can therefore make an estimate of the obligation that is sufficiently reliable to use in recognizing a provision.

Key Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) *Estimating the recoverability of receivables*

Information about expected dates of realization of assets and liabilities is useful in assessing the liquidity and solvency of the Company

The operating cycle of the Company is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realized as part of the normal operating cycle even when they are not expected to be realized within twelve months after the reporting period.

The Bank evaluates the status of the receivables based on available facts and circumstances, including, but not limited to, the length of the Bank's relationship with the customers, the customers, current credit status based on third party credit reports and known market forces, average of the accounts and historical loss experience.

The Bank estimates the allowance for doubtful accounts related to the receivables if there's any, based on assessment of specific accounts where the Bank has information that certain customers are unable to meet their financial obligation. In these cases, judgment used was based in the best available facts and circumstances including, but not limited to, the length of relationship with the customers and the customers' current credit status based on third party credit reports and known market factors, The Bank used judgments to record specifics reserves for customers against amount due to reduce the expected collectible amounts. These reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amount of timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

b) *Reviewing residual values, useful lives and depreciation/amortization method of bank premises, furniture and equipment*

Selection of the depreciation/amortization method and estimation of the useful life of assets are matters of judgement. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation/amortization rates provides users of financial statements with information that allows them to review the policies selected by management and enables comparisons to be made with other entities.

If there is an indication that an asset may be impaired, this may indicate that the remaining useful life, the depreciation (amortization) method or the residual value for the asset needs to be reviewed and adjusted, even if no impairment loss is recognized for the asset.

After the recognition of an impairment loss, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

During the period, management assessed that there is no indication of significant change from those of previous estimates since the most recent annual reporting period.

c) *Asset impairment*

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

Recoverable amount 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. If thisis the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either:

a) the asset's fair value less costs of disposal is higher than its carrying amount; or
b) the asset's value in use can be estimated to be close to its fair value less costs of disposal and fair value less costs of disposal can be measured.

In assessing whether there is any indication that an asset may be impaired, the Company shall consider, as a minimum, the following indications:

a) External sources of information (i.e. there are observable indications that the asset's

value has declined during the period significantly more than would be expected as a result of the passage of time or normal use)

b) Internal sources of information (i.e. evidence is available of obsolescence or physical damage of an asset)

If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The recoverable amount of an individual asset cannot be determined if:

a) the asset's value in use cannot be estimated to be close to its fair value less costs of disposal (for example, when the future cash flows from continuing use of the asset cannot be estimated to be negligible); and
b) the asset does not generate cash inflows that are largely independent of those from other assets.
In such cases, value in use and, therefore, recoverable amount, can be determined only for the asset's cash-generating unit.

<u>During the period, management believes there is no impairment losses recognized or reversedin the profit or loss</u>

e) *<u>Revenue recognition</u>*

To identify performance obligations in such contracts, the Company shall assess whether the fee relates to the transfer of a promised good or service. In many cases, even though a non- refundable upfront fee relates to an activity that the entity is required to undertake at or near contract inception to fulfil the contract, that activity does not result in the transfer of a promised good or service to the customer. Instead, the upfront fee is an advance payment for future goods or services and, therefore, would be recognized as revenue when those future goods or services are provided. The revenue recognition period would extend beyond the initial contractual period

if the entity grants the customer the option to renew the contract and that option provides the customer with a material right.

At the end of each reporting period, the Company shall update the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The objective when adjusting the promised amount of consideration for a significant financing component is for the Company to recognize revenue at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer (i.e. the cash selling price). The Company shall consider all relevant facts and circumstances in assessing whether a contract contains a financing component and whether that financing component is significant to the contract, including both of the following:

a) the difference, if any, between the amount of promised consideration and the cash selling price of the promised goods or services; and
b) the combined effect of both of the following:
   - the expected length of time between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services; and

- the prevailing interest rates in the relevant market.

f) *Estimating retirement benefits*
The determination of the Bank's obligation and cost of retirement benefits is dependent on the selection of certain assumptions by management.

COVID-19 AND ITS IMPACT ON JUDGMENTS AND ESTIMATES

The impact of the COVID-19 pandemic has changed the business environment and affected all aspects of business operations. Judgments and estimates now need to take into account these new changes. Management must refocus their judgments and estimates relative to almost every reportingperiod and certain Statement of Income accounts while considering the latest accounting and audit guidance from numerous public and private boards and government agencies. While not inclusive of every account that may be impacted, summarized below are some key areas management must examine as they evaluate their current judgments and estimates:

Loans and Receivables

When accounting for the realizability of accounts receivable, management must rely on —Receivables,‖ and, —Loss Contingencies.‖ The value of a company's accounts receivable is assessed in conjunction with the allowance for expected credit losses. The periodic assessment of the allowance relies heavily on management's judgments and estimates. This can include historical data, market trends, seasonality, and more. As a result of the COVID-19 pandemic, the business environment has begun to change and can very well impact the collectability of receivables. During such times of rapid change, it is important that while considering historical data, management reassesses the collectability of receivables in relation to the current market and future expectations at the end of each reporting period, often on a customer-by-customer basis. It will be important to

assess the financial condition of customers to help determine if accounts receivable will just take longer to collect compared to historical trends or if specific reserves and/or general reserves are needed above and beyond typical reserve levels.

Estimated Credit Loss

Where the Company has any financial instruments that are in the scope of IFRS 9's expected credit loss model (ECL) management should consider the impact of COVID-19 on the ECL. Instruments to be considered include trade and other receivables.

Management should consider the impact of COVID-19 on both:

1) whether the ECL is measured at a 12-month or lifetime ECL. If the credit risk (risk of default) has increased significantly, since initial recognition the ECL is measured at the lifetime ECL rather

than the 12-month ECL (except for assets subject to the simplified approach, such as short-term receivables and contract assets, which are always measured using lifetime ECL); and

2) the estimate of ECL itself. This will include all of:

a) the credit risk (risk of default). For example, this may increase if the debtor's business isadversely impacted by COVID-19;

b) the amount at risk if the debtor defaults (exposure at default). For example, debtors affected by COVID-19 may draw down on existing unused borrowing facilities, or cease making discretionaryover payments, or take longer than normal to pay resulting in a greater amount at risk; and

c) the estimated loss as a result of default (loss given default). For example, this may increase ifCOVID-19 results in a decrease in the fair value of a non-financial asset pledged as collateral.

Financial Risk

The Company will need to disclose any changes in their financial risks such as credit risk, liquidity risk, or in their objectives, policies and processes for managing those risks. In particular additional disclosures about liquidity risk might be needed where the virus has affected the Company's normal levels of cash inflows from operations or its ability to access cash in other ways such as from factoring receivables or supplier finance

Property and Equipment

The virus might mean that property, plant and equipment is under-utilized or not utilized for a period or that capital projects are suspended. Section 12 Property, and equipment requires that depreciation continues to be charged in the statement of income while an asset is temporarily idle. IAS 16 Borrowing costs require that the capitalization of interest is suspended when development of an asset is suspended.

The effects of COVID-19 are numerous and far-reaching. As such, it is crucial that businesses affected by the pandemic assess their long-lived assets to determine if the carrying value is recoverable. ―Property and Equipment,‖ notes that triggering events such as changes in business climate, significant adverse changes in the way an asset is being used or its physical condition, or a significant decrease in market price can be indicators that an impairment test is necessary. It is important to consider factors outside those historically relied upon when making this judgement as changes in how these assets will be used in the future, relative to the pandemic, may result in necessary adjustments to the depreciable lives of those assets.

Contingent assets

One of the steps taken to control the spread of the virus is to require that some businesses close down temporarily. The Company might have business continuity insurance and be able to recover some or all of the costs of closing down. Management should consider whether the losses arising from COVID-19 are covered by its insurance policies. The benefit of such insurance is recognized when the recovery is virtually certain. This is typically when the insurer has accepted that there is a valid claim and management is satisfied that the insurer can meet its obligations. The benefit of insurance is often recognized later than the costs for which it compensates.

Revenue

Revenue estimates can be affected by many factors, but the changes in business environment resulting from COVID-19 can lead to changes in variable consideration included in ongoing customer contracts. Accounting for revenue is covered in, *"Revenue (from Contracts with Customers."* At the inception of

the contract, it is management's responsibility to estimate the value of variable consideration to which it will be entitled.

For ongoing contracts, the changes in economic climate can result in changes to estimates to complete on long-term contracts, discounts, refunds, price concessions, and more. To that end, management is responsible for estimating the amount of consideration, including those amounts constrained, throughout the life of the contract, updating estimates as necessary at the end of each reporting period. By considering the circumstances surrounding the pandemic, management can make appropriate estimates and disclosures to ensure that the financial statements faithfully represent the company's financial position.

Employee benefits

Management should consider whether any of the assumptions used to measure employee benefits should be revised.

Management should also consider whether it has a legal or constructive obligation to its employees in connection with the virus, for example sick pay or payments to employees that self-isolate, for which a liability should be recognized.

Management might be considering reducing its work-force as a result of the virus. IAS 19 Employee benefits requires that a liability for employee termination is recognized only when the entity can no longer withdraw the offer of those benefits or the costs of a related restructuring are recognized in accordance with IAS 37.

IAS 19 requires extensive disclosure of the assumptions used to estimate employee benefit liabilities, together with sensitivities and changes in those assumptions.

Leases

Accounting for leases and lease modifications, relative to preparing financial statements, a company must consider possible impairment and collectability of lease payments in sales-type/direct financing leases and operating leases, respectively. Management is responsible for developing judgments and estimates relative to the effects of triggering events, such as those resulting from the COVID-19 pandemic. Identifying and evaluating terms of a lease contract is key in determining if a lessor is subject to enforceable rights and obligations to compensate the lessee for the effects of COVID-19. Any provisions of consideration by the lessor to the lessee must be either classified as a lease modification or required under the enforceable terms of the lease.

Provisions and Contingencies

IAS 37, Provisions, contingent liabilities and contingent assets, requires a provision to be recognized only where the Company has a present obligation; it is probable that an outflow of resources is required to settle the obligation; and a reliable estimate can be made. Management's actions in relation to the virus should be accounted for as a provision only to the extent that there is a present obligation for which the outflow of economic benefits is probable and can be reliably estimated. For example, a provision for restructuring should be recognized only when there is a detailed formal plan for the restructuring and management has raised a valid expectation in those affected that the plan will be implemented.

Income Taxes

The virus could affect future profits as a result of direct and indirect (effect on customers, suppliers, service providers) factors. Asset impairment may also reduce the amount of deferred tax liabilities and/or create additional deductible temporary differences. Entities with deferred tax assets should reassess forecast profits and the recoverability of deferred tax assets in accordance with IAS 12 Income taxes taking into account the additional uncertainty arising from the virus and the steps taken to control it.

Management should disclose any significant judgements and estimates made in assessing the recoverability of deferred tax assets, in accordance with IAS 12.

Accounting for income taxes is covered in, ―Income Taxes.‖ Each reporting period, a company is required to make judgments related to current and prior tax positions it has elected to take. The accounting standards for ―Income Taxes‖ specifically states that management is required to make subsequent measurements of the tax positions ―given the facts, circumstances, and information available at the reporting date.‖ The subsequent remeasurement is driven by new information, not information that was known at the time of the original judgment. It further states that ―deferred tax liabilities and assets shall be adjusted for the effect of a change in tax laws or rates.‖ While the accounting standard is not changing tax law, it is allowing companies to make some elections that could affect the realization of deferred tax assets, most specifically net operating loss carryforwards and carrybacks. Every company will therefore need to reassess the judgments previously made related to the realizability of its deferred tax assets.

Going Concern

Management should consider the potential implications of COVID-19 and the measures taken to control it when assessing the entity's ability to continue as a going concern. The Company is no longer a going concern if management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. Management should consider the impact of measures taken by governments and local banks in its assessment of going concern. Management should also remember that events after the reporting date that indicate the Company is no longer a going concern are always adjusting events. *Material uncertainties that might cast significant doubt upon the Company's ability to continue as a going concern should be disclosed in accordance IAS 1.*

The evaluation of a company's ability to continue as a going concern is required every time financial statements are issued. Most often, a detailed evaluation is not required. However, in the current business environment, the evaluation takes on more meaning, and a company's judgement related to its operations over the *following 12-month period will be critical*. The need to evaluate going concern is set forth in, ―Presentation of Financial Statements – Going Concern.‖ In the current business environment, additional factors resulting from COVID-19may result in the deterioration of operating results and financial position. During times of uncertainty, industries can change, making it difficult to perform the required assessments. It is key that management considers not only historical data, but also new estimates based on the effects of the pandemic, to determine what disclosures must be made.

Events After the Reporting Period

The global situation is evolving rapidly. Management should therefore consider the requirements of IAS 10 Events after the reporting period and in particular whether the latest developments provide more

information about the circumstances that existed at the reporting date. Events that provide more information about the spread of the virus and the related costs might be adjusting events. Events, such as the announcement or enactment of new measures to contain the virus or decisions taken by management are likely to be non-adjusting. Clear disclosure of non-adjusting events is required when this is material to the financial statements.

Consequences of COVID-19 must be evaluated as subsequent events in relation to financial statements for a given period. ―Subsequent Events,‖ details two categories of events, Type 1 and Type 2. Type 2 events are those that provide evidence about conditions that arose after the reporting period and are most likely the type of events that will need to be assessed for disclosure but not adjustments to the financial statements.

By December 31, 2019, an isolated outbreak of an unknown disease had occurred in a distant region of the world. One month later, the World Health Organization (WHO) declared it to be a ―Public Health Emergency of International Concern,‖ and by March 11, 2020, the WHO declared COVID- 19 to be a pandemic. While the existence of the outbreak does not provide more information about the conditions at the time of the reporting period, judgments may be required in order to properly evaluate certain accounts in order to accurately represent them on the financial statements. It is important to consider the extent of the effects in order to determine if disclosures are necessary to prevent the financial statements from being misleading.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:

a) a description of how management determines concentrations;
b) a description of the shared characteristic that identifies each concentration (eg counterparty,geographical area, currency or market); and
c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

The main purpose of the Bank's principal financial instruments is to fund its operational and capital expenditures. The Bank's risk management is coordinated and in close operation with the Board of Directors and focuses on actively securing the Bank's short to medium term cash flows by minimizing the exposure to financial markets.

The Bank's activities expose it to a variety of financial risks: credit risk and liquidity risk The Bank's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Bank.

Management of Financial Risk

a) Governance Framework

The management of a reporting entity is also interested in financial information about the entity. However, management need not rely on general purpose financial reports because it is able to obtain the financial information it needs internally.

Changes in a reporting entity's economic resources and claims result from that entity's financial performance and from other events or transactions such as issuing debt or equity instruments. To properly assess both the prospects for future net cash inflows to the reporting entity and management's stewardship of the entity's economic resources, users need to be able to identify those two types of changes.

Information about a reporting entity's financial performance helps users to understand the return that the entity has produced on its economic resources. Information about the return the entity has produced can help users to assess management's stewardship of the entity's economic resources. Information about the variability and components of that return is also important, especially in assessing the uncertainty of future cash flows. Information about a

reporting entity's past financial performance and how its management discharged its stewardship responsibilities is usually helpful in predicting the entity's future returns on its economic resources

b) *Capital Management Framework*

Information about the nature and amounts of a reporting entity's economic resources andclaims can help users to identify the reporting entity's financial strengths and weaknesses. That information can help users to assess the reporting entity's liquidity and solvency, its needs for additional financing and how successful it is likely to be in obtaining that financing. That information can also help users to assess management's stewardship of the entity's economic resources. Information about priorities and payment requirements of existing claims helps users to predict how future cash flows will be distributed among those with a claim against the reporting entity.

A reporting entity's economic resources and claims may also change for reasons other than financial performance, such as issuing debt or equity instruments. Information about this typeof change is necessary to give users a complete understanding of why the reporting entity's economic resources and claims changed and the implications of those changes for its future financial performance.

c) *Regulatory Framework*

The operations of the Bank are also subject to the regulatory requirements of Securities and Exchange Commission (SEC). Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Information about how efficiently and effectively the reporting entity's management has discharged its responsibilities to use the entity's economic resources helps users to assess management's stewardship of those resources. Such information is also useful for predicting how efficiently and effectively management will use the entity's economic resources in future periods. Hence, it can be useful for assessing the entity's prospects for future net cash inflows.

Examples of management's responsibilities to use the entity's economic resources include protecting those resources from unfavorable effects of economic factors, such as price and technological changes, and ensuring that the entity complies with applicable laws, regulations and contractual provisions.

d) *Financial Risk*

The Company discloses information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposedat the end of the reporting period.

Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate the Company's exposure to risks.

The Bank is also exposed to financial risk through its financial assets and financial liabilities. The most important components of the financial risks are credit risk, liquidity risk and market risk.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

The Bank first assesses whether objective evidence of impairment exists individually forfinancial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individual asset with similar credit risk characteristics and thatgroup of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is on continues to be recognized are not included in a collective assessment or impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Bank's financial assets and financialliabilities as of December 31, 2021 and 2020 are presented below:

	2021		2020	
	Carrying Amount	Fair Value	Carrying	Fair Value
Financial Assets:				
Cash and Cash Equivalent	₱ 880,666	₱ 880,666	₱ 1,231,181	₱ 1,231,181
Due from BSP	19,255,664	19,255,664	596,046	596,046
Due from Other Banks	4,436,789	4,436,789	13,488,261	13,488,261
Loans and Receivables - current	4,222,573	4,222,573	7,084,396	7,084,396
Loans and Receivables - non-current	23,088,426	23,088,426	4,554,461	4,554,461
TOTAL	₱ 51,884,118	₱ 51,884,118	₱ 26,954,345	₱ 26,954,345
Financial Liabilities:				
Deposit Liabilities	₱ 35,175,478	₱ 35,175,478	₱ 17,050,837	₱ 17,050,837
TOTAL	₱ 35,175,478	₱ 35,175,478	₱ 17,050,837	₱ 17,050,837

***Cash and Cash Equivalent include Cash on hand amounting to ₱880,666 and ₱1,231,181 as of the taxable year end December 31, 2021 and 2020 respectively which are considered as financial asset.

***Due from Bangko Sentral ng Pilipinas include demand deposits amounting to ₱19,255,664 and ₱596,046 as of the taxable year end December 31, 2021 and 2020 respectively which are considered as financial asset.

***Due from Other Banks is amounting to ₱4,436,789 and ₱13,488,261 as of the taxable year end December 31, 2021 and 2020 respectively which are considered as financial asset.

***Loans and Receivables – current is amounting to ₱4,222,573 and ₱7,084,396 as of the taxable year end December 31, 2021 and 2020 respectively which are considered as financial asset.

***Loans and Receivables – non-current is amounting to ₱23,088,426 and ₱4,554,461 as of the taxable year end December 31, 2021 and 2020 respectively which are considered as financial asset.

***Deposit Liabilities is amounting to ₱35,175,478 and ₱17,050,837 as of the taxable year end December 31, 2021 and 2020 respectively which are considered as financial liability.

The fair values of financial assets and financial liabilities are determined as follows:

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and maximize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze this risk, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and financial risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk; liquidity risk; market risk, and other operational risks. Market risks includes currency risk, interest rate and price risk.

The Bank is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

Credit Risk

The Bank takes on exposure to credit risk; which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and receivables. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and guarantees.

Credit Risk measurement

Credit risk is the possibility of losses associated with changes in the credit profile of borrowers or counterparties.

These losses, associated with changes in portfolio value, could arise due to default or due to deterioration in credit quality:

a) **Default risk** - Obligor fails to service debt obligations
b) **Recovery risk** - Recovery post default is uncertain
c) **Spread risk** - Credit quality of obligor changes leading to a fall in value of the loan
d) **Concentration risk** - Over exposure to an individual obligor, group or industry
e) **Correlation risk** - Concentration based on common risk factors between different borrowers, industry or sectors which may lead to simultaneous default limits, diversification strategy and its risk based-pricing of loans and receivables based on its credit appetite and the size of its capital.

The Bank has adopted the standardized measurement of credit risk. In this regard, the tasks underthe credit risk unit are as under, among others:

a) Segmentation of the credit portfolio (in terms of risk but not size)
b) Model requirements (for risk assessments)
c) Data requirements
d) Credit risk reporting requirements for regulatory / control and decision - making purposesat various levels;
e) Policy requirements for credit risk (credit process & practices, monitoring & portfolio management etc.), and
f) Align risk strategy & business strategy.

Risk limit control and mitigation policies

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered

necessary. Limits on the level of credit risk by industry sector are set out in the credit policy. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Impairment and provisioning policies

The Bank has adopted a Credit Impairment and Income Recognition Policy, whereby the impairment and provisioning policies are defined. The Bank assesses at each balance sheet date whether there is objective evidence that loans and receivables are impaired. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

a) Delinquency in contractual payments of principal or interest
b) Cash flow difficulties experienced by the borrower
c) Breach of loan covenants or conditions
d) Initiation of bankruptcy proceedings
e) Deterioration of the borrower's competitive position, and
f) Deterioration in the value of collateral

Maximum exposure to credit risk before collateral held				
		2021		2020
Loans and Receivables	₽	27,310,999	₽	11,638,857

The above table represents a credit risk exposure to the Bank at December 31, 2021 and 2020 without taking account of any collateral held or enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. As shown above, the total maximum exposure is derived from loans and receivables.

		2021		2020
Classified as to terms				
Short term (one year or less)	₽	4,222,573	₽	7,084,396
Medium term (over one year to five years)		19,851,911		4,554,461
Long term (over five years)		3,236,515		-
TOTAL	₽	27,310,999	₽	11,638,857

Contingencies and commitments

Contingencies and commitments arising from off-balance sheet items include direct credit substitutes (e.g., export LC's confirmed, underwritten accounts unsold), transaction-related contingencies (e.g., performance bonds, bid bonds, standby LC's), short-term self-liquidating trade related contingencies arising from the movement of goods (e.g., sight usance domestic LC's, sight usance import LC's), sale

and repurchase agreements not recognize in the balance sheet; interest and foreign exchange rate related items, and other commitments.

Market risk

Market risk is the risk of loss resulting from adverse movements in the value of financial instruments. It encompasses exposure to interest rates, foreign exchange rates, equity and commodity prices. Sound market risk management practices include the measurement and monitoring of market risk as well as the communication and enforcement of risk limits throughout the Bank's trading business.

Foreign Exchange Risk Management

Foreign exchange risk is the risk that the Bank's earnings and economic value will be adversely affected with the movements in the foreign exchange rate, though it may sometimes have an insignificant effect. The Bank is exposed to this risk since interest rate risk arises when the total present value of assets in a particular currency does not equal the present value of liabilities in that currency. The Bank monitors its foreign exchange risk exposure based on BSP's rate publications.

Interest Rate Risk Management

Interest rate risk results from mismatches between asset and liability positions which are subject to unfavorable movements in interest rates with potentially adverse impact on margins, net interest income and economic value of bank's assets, liabilities and shareholders' value. Interest rate risk may be measured using methods which include sensitivity analysis and simulation modelling. The Bank has its Interest Rate Policy in which risk limits are laid down.

Liquidity risk

Liquidity risk is defined within the Bank's policy framework as "the risk that, at any time, the Bank does not have sufficient realizable financial assets to meet its financial obligations as they fall due".

The liquidity policy of the Bank as to ensure:

- It can meet its financial obligations as they fall due in the normal course of business, and
- It maintains an adequate stock of highly liquid assets to enable it to meet unexpected funding needs at short choice

The Bank's liquidity policy requires establishment and maintenance of three lines of defense:

- Cash flow management where the Bank creates a continuously maturing stream of assetsand liabilities;
- Maintenance of liquid assets portfolio, and
- Maintenance of a diversified liability base.

Maturity analysis for financial assets and liabilities

The bank prepares a cash flow tool to determine assets and liabilities structure along the maturity spectrum and the gaps to be filled or addressed as follows:

December 31, 2021

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
Financial Assets:						
Cash and other cash items	₱ 880,666	-	-	-	-	₱ **880,666**
Placements with other banks						**-**
Due from BSP	19,255,664	-	-	-	-	**19,255,664**
Due from other banks	4,436,789	-	-	-	-	**4,436,789**
Loans and receivables						**-**
Current	-	-	4,222,573	-	-	**4,222,573**
Non-Current	-	-	-	8,153,447	14,934,979	**23,088,426**
TOTAL	₱ 24,573,119	-	4,222,573	8,153,447	14,934,979	₱ **51,884,118**
Financial Liabilities:						
Deposit Liabilitites	₱ 21,099,588	10,168,581	2,906,309	1,001,000	-	₱ **35,175,478**
Accrued Liabilities	476,985	-	-	-	-	**476,985**
Other current liabilitites	415,249	-	-	-	-	**415,249**
Income Tax Payable	186,080	-	-	-	-	**186,080**
TOTAL	₱ 22,177,902	10,168,581	2,906,309	1,001,000	-	₱ **36,253,792**
Net volume gap	₱ 2,395,217	(10,168,581)	1,316,264	7,152,447	14,934,979	
Cum. Gap inflow/ outflow	₱ 2,395,217	(7,773,364)	(6,457,100)	695,347	15,630,326	**15,630,326**

Liquidity Gap Position

December 31, 2020

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
Financial Assets:						
Cash and other cash items	₱ 1,231,181	-	-	-	-	₱ **1,231,181**
Placements with other banks						**-**
Due from BSP	596,046	-	-	-	-	**596,046**
Due from	13,488,261	-	-	-	-	**13,488,261**
Loans and receivables						**-**
Current	-	-	7,084,396	-	-	**7,084,396**
Non-Current	-	-	-			

					2,219,068	2,335,394		**4,554,461**
					2,219,068	2,335,394	₱	**26,954,346**
					-	-	₱	**17,050,837**
Accrued Liabilities		57,731	-	-	-	-		**57,731**
Other current liabilitites		829,014	-	-	-	-		**829,014**
Income Tax Payable		17,122	-	-	-	-		**17,122**
TOTAL	₱	8,939,891	-	9,014,813	-	-	₱	**17,954,704**
Net volume gap	₱	6,375,597	-	(1,930,417)	2,219,068	2,335,394		
Cum. Gap inflow/ outflow	₱	6,375,597	6,375,597	4,445,180	6,664,248	8,999,642		**8,999,642**

Minimum Liquidity Ratio (Appendix to Section 174, MORB)

December 31, 2021

Stock of liquid assets		
Cash on hand	₱	**880,666**
Bank reserves in the BSP		**19,255,664**
Deposit in other banks		**4,436,789**
TOTAL	₱	**24,573,119**

December 31, 2021			
Qualifying Liabilities			
A	i. Retail regular savings deposit with outstanding balance per account of P 500.00 and below	₱	**10,935**
	ii. Obligations arising from operational expenses		
	Accrued Liabilitites		**476,985**
	Other Current Liabilitites		**415,249**
	Income Tax Payable		**185,384**
	iii. Total on balance sheet liabilities		**46,656,773**
	Deduct : Sum of items i. & ii.		**1,088,553**
B	Other on balance sheet liabilities		**45,568,220**
C	Irrevocable obligations under off-balance sheet items (Specify)		
	Conversion factor (Ai. 50% of P10,935)		**5,468**
D	Total Sum of Adjusted Amount (Ai,Aii, B & C)	₱	**45,573,688**

Computation of the Minimum Liquidity Ratio		
A. Stock of liquid assets	₱	**24,573,119**
B. Qualifying liabilities		**46,662,241**
C. Minimum Liquidity Ratio (MLR - A. divided by B)		**52.66%**

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Bank's objective when managing capital are to safeguard the ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or holders, issue new shares or sell assets to reduce debt.

Capital adequacy and the use of regulatory capital are monitored quarterly by the Bank's management, employing techniques based on the guidelines developed by BSP as implemented by the Bank. The required information is submitted to BSP and filed by the Bank on a quarterly basis.

The following summarizes the capital considered by the Bank:

		2021		2020
Share Capital	₱	**4,966,000**	₱	4,965,400
TOTAL	₱	**4,966,000**	₱	4,965,400

REGULATORY FRAMEWORK

The operations of the bank are also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

The bank is subject to the inherent risk that the application of prescribed standards may conflict or differ from the application of regulations as prescribed from other regulatory bodies resulting to disparity of financial reports. Hence, there is a need to reconcile the disparity in a systematic and clear manner. The Board of Directors ensures that management are updated in relation to pronouncements made by concerned regulatory bodies.

However, in cases where the there are differences between the BSP regulations and PFRS / PAS as when more than one (1) option are allowed or certain maximum or minimum limits are prescribedby the PFRS / PAS, the option or limit prescribed by BSP regulations shall be adopted by the bank.

Maturity Profiles of Assets and Liabilities

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

		2021				2020	
		Less than one year	Over one year	**Total**		Less than one	over one	Total
Financial Assets:								
Cash and other cash items	₱	880,666	-	**880,666**	₱	1,231,181	-	1,231,181
Due from BSP		19,255,664	-	**19,255,664**		596,046	-	596,046
Due from other banks		4,436,789	-	**4,436,789**		13,488,261	-	13,488,261
Loans and receivables - current		4,222,573	-	**4,222,573**		7,084,396	-	7,084,396
Loans and receivables - non-current		-	23,088,426	**23,088,426**		-	4,554,461	4,554,461
TOTAL	₱	28,795,692	23,088,426	**51,884,118**	₱	22,399,885	4,554,461	26,954,346
Non Financial Assets:								
Bank premises,FF&E	₱	1,785,385	13,786	**1,799,171**	₱	19,671	74,146	93,817
Investment property		18	-	**18**		-	-	-
Held to Maturity		711,445	779,316	**1,490,761**		568,290	1,275,940	1,844,230

Other current assets		1,752,516	-	**1,752,516**		68,757	-	68,757
Deferred Tax Asset		-	-	-		83,214	-	83,214
TOTAL	₱	4,249,364	793,102	**5,042,466**	₱	739,932	1,350,086	2,090,018
GRAND TOTAL	₱	33,045,056	23,881,528	**56,926,584**	₱	23,139,817	5,904,547	29,044,364

				2021				**2020**
		Due within one year	Due beyond one year	**Total**		Due within	Due beyond	Total
Financial Liabilities:								
Deposit liabilities	₱	34,174,478	1,001,000	**35,175,478**	₱	17,050,837	-	17,050,837
Accrued liabilitites		476,985	-	**476,985**		57,732	-	57,732
Other Current Liabilities		396,117	19,132	**415,249**		829,014	-	829,014
Income Tax Payable		185,384	-	**185,384**		17,122	-	17,122
TOTAL	₱	35,232,964	1,020,132	**36,253,096**	₱	17,954,704	-	17,954,704
Non Financial Liabilities:								
Retirement Liability	₱	-	337,010	**337,010**	₱	-	288,925	288,925
Deposit for Stock Subscription		10,066,667	-	**10,066,667**		-	-	-
TOTAL	₱	10,066,667	337,010	**10,403,677**	₱	-	288,925	288,925
GRAND TOTAL	₱	45,299,631	1,357,142	**46,656,773**	₱	17,954,704	288,925	18,243,629

Disclosure on Capital Adequacy

For disclosure on capital adequacy, below is a computation of the Risk-based Capital AdequacyRatio (CAR) covering credit risks as of December 31, 2021.

Schedule (A) - Computation of Capital	**Tier 1**	**Tier 2**	**TOTAL**
Tier 1 (Core Capital)			
Paid up Capital Stock	₱ -	₱	₱ -
Paid up perpetual and non-cumulative preferred stock	4,966,000		**4,966,000**
Deposit for stock subscription - common			-
Cumulative earnings -free	3,210,074		**3,210,074**
Cumulative earnings - reserves	2,000,000		**2,000,000**
Sub - total	₱ 10,176,074	₱ -	₱ **10,176,074**
Deductions from tier 1 Capital :			
Unsecured credit accomodations to DOSRI			
Deferred income tax, net of deferred tax liability			-
Total Tier 1 Capital	₱ 10,176,074	₱ -	₱ **10,176,074**
Tier 2 (Supplementary Capital -upper tier 2)			
Paid up limited life redeemable preferred stock with	₱	₱	₱ -
the replacement requirement upon redemption			-
General loan loss provision (limited to 1% of gross			-
risk weighted assets)		228,761	**228,761**
Deposit for stock subscription - preferred			-
Sub - total	₱ -	₱ 228,761	₱ **228,761**
Deductions from upper tier 2 capital			
Sinking fund for redemption of limited life preferred	₱	₱	₱ -
stock with the replacement requirement upon redemption			-
Tier 2 (Supplementary Capital - lower tier 2 (limited to 50%			-
of Tier 1 Capital)			-
Unsecured Subordinated Debt			-

Total Tier 2 Capital (limited to 100% of Tier 1 Capital		₱ -	₱ 228,761	**₱ 228,761**
GROSS QUALIFYING CAPITAL		₱ 10,176,074	₱ 228,761	**₱ 10,404,835**
Less	Investment in Equity of Unconsolidated Subsidiary Banks and Other Financial Allied Undertaking but excluding Insurance Companies			**-**
	Investment in Equity of Subsidiary Insurance Co., and Subsidiary non-financial allied undertaking			**-**
TOTAL QUALIFYING CAPITAL				**₱ 10,404,835**

SCHEDULE (B) - RISK WEIGHTED ON BALANCE SHEET ASSETS	RISK WEIGHT APPLIED						RISK WEIGHT AMOUNT
	0%	20%	50%	100%	130%	150%	
Cash and cash equivalents	880,666	-	-	-	-	-	₱ -
Due from BSP	19,255,664						-
Due from Other Banks	-	-	-	4,436,789	-	-	**4,436,789**
Investment Securities	-	-	-	-	-	-	-
Loans secured by hold-out on deposits	-	-	-	-	-	-	-
Loans for housing purposes secured by 1st mort.	-	-	-	-	-	-	-
Qualified MSME investments (75% Risk Weight)	-	-	-	-	-	-	-
Loan portfolio (Gross of Gen. - loan loss provision)	-	-	-	27,310,999	-	-	**27,310,999**
Past Due loans for housing purposes secured	-	-	-	-	-	-	-
Non-performing loans - Net of allowance	-	-	-	-	-	-	-
Real & Other Properties Acquired	-	-	-	-	-	-	-
Other Assets	-	-	-	5,042,466	-	-	**5,042,466**
TOTAL	20,136,330	-	-	36,790,254	-	-	₱ **36,790,254**
DEDUCTIONS							
Unsecured Credit Accomodations to DOSRI							₱ -
Goodwill / Deferred income tax							-
Sinking fund for redemption of limited life redeemable preferred stocks							-
Reciprocal investments in equity and debt capital instruments of other banks / enterprises							-
TOTAL							₱ **36,790,254**

SCHEDULE (B) - RISK WEIGHTED OFF-BALANCE SHEET ITEMS	RISK WEIGHT APPLIED						RISK WEIGHT AMOUNT
	0%	20%	50%	100%	130%	150%	
NOT APPLICABLE	-	-	-	-	-	-	₱ -
TOTAL	-	-	-	-	-	-	₱ -

SCHEDULE (D) Risk Weighted Operational Risk	2021	2020	2019	Average	Capital Charge	Adjusted Cap. Char	Total Risk-Weighted Operational Risk
	In Thousand Pesos						
Interest Income	8,261	1,713	1,797				
Interest Expense	444	35	6				
Net Interest Income	7,817	1,678	1,791	3,762			
Fees and Commissions	530	569	457				
Other Income	4,176	1,769	676				
Total Other Income	4,706	2,338	1,133	2,726			
Gross Income	12,523	4,016	2,924	6,488	779	973	**9,732**

Capital Position Under the Risk - Based Capital Framework		
As of December 31, 2021		
(In Philippine peso)		
Qualifying Capital		
Net Tier 1	₱	***10,176,074***
Net Tier 2		***228,761***
Total Qualifying Capital	₱	***10,404,835***
	₱	***10,405***
Risk Weighted Assets		
Risk weighted On-Balance Sheet Assets	₱	***36,790,254***
Deduct:		
1. General loan-loss provision (in excess of the amount permitted to be included in upper tier 2 capital	₱	-
2. Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board.		-
Total Deductions	₱	
NET CREDIT RISK WEIGHTED ASSETS	₱	**36,790**
Total Operational Risk Weighted Exposures (computed at 125% x 10)	₱	**9,732**
NET RISK WEIGHTED ASSETS	₱	**46,522**
CAPITAL ADEQUACY RATIO		**22.37%**

Net loans constitute 48% of total assets and 78% of total deposit liabilities as of December 31, 2021. Cash on hand and in vault comprise of only 1.5% of the bank's total resources and has liquid deposits with BSP and other banks at 81.6%. On the liability side, deposits mobilized from clients constitute 75.4% of total liabilities. The Minimum Liquidity Ratio (MLR) as of December 31, 2020 is 52.66%.

The risk weighted CAR of the bank decreased to 22.37% for the current year from 33.71% of previous year due to the write-off, reversal and recovery of allowances for credit losses net amounting to P0.142 Million.

7. CASH AND CASH EQUIVALENTS

This account consists of:

		2021		2020
Cash on hand and in vault	₱	**880,666**	₱	1,231,181
TOTAL	₱	**880,666**	₱	1,231,181

Cash on hand and in vault represents actual cash (bills and coins) in the possession of the Cashier and teller/s as of the close of business at year-end. Checks and Other Cash Items consist of checkson hand still in the possession of cashier subject for deposit on the first banking day in the next financial year.

8. DUE FROM BANGKO SENTRAL NG PILIPINAS

This refers to the balance of the legal reserve requirement of the bank maintained with BSP.

		2021		2020
Bangko Sentral ng Pilipinas	₱	**19,255,664**	₱	596,046
TOTAL	₱	**19,255,664**	₱	596,046

In accordance with the regulations of the Bangko Sentral ng Pilipinas, the Bank shall maintain legal reserves against its deposit liabilities computed at (3%) percent of the outstanding balance thereof.

9. DUE FROM OTHER BANKS

This account consists of:

		2021		2020
Commercial Banks	₱	**4,025,173**	₱	11,849,405
Land Bank of the Philippines		**411,616**		1,638,856
TOTAL	₱	**4,436,789**	₱	13,488,261

Due from Other banks represents savings and time deposits with local depository banks which are being used for its daily operations and earns interest based on their respective deposit rates. Deposits by a bank to any other bank whether locally or abroad shall be subject to the Single Borrower's Limit (SBL) of Twenty-Five (25%) percent of its net worth. Deposits with government banks are exempted from the SBL ceiling, however, excess of SBL on private banks are being considered if the accounts are used for clearing operations.

10. LOANS AND RECEIVABLES

This account consists of:

				December 31, 2021
Type of Loan	Current	Past Due	Item of Lit.	**Total**

Type of Loan		Current	Past Due			December 31, 2020
Agrarian Reform Loans	₱	-	-	-	₱	-
Other Agricultural Credit Loans		367,027	106,590	145,036		**618,653**
Loans to MSME (Small)		608,979	232,611			**841,590**
Loans to MSME (Medium)		9,785,828	460,181	171,868		**10,417,877**
Loans to Individuals for Personal Use		11,350,293	3,494,966	271,120		**15,116,379**
Microfinance		899,580	655,468	21,909		**1,576,957**
TOTAL	₱	23,011,707	4,949,816	609,933	₱	**28,571,456**
						(a1)
Allowance for credit losses, specific	₱	50	718,537	607,933	₱	**1,326,520**
General Loan - loss provision	*(c1)*	226,437	-	-		**226,437**
Unearned interest and discounts		-	-	-		**-**
Loans and Receivables, Net	₱	22,785,220	4,231,279	2,000	₱	**27,018,499**
Sales Contract Receivables	₱	325,000	-	-	₱	**325,000**
Provision on probable losses		(32,500)	-	-		**(32,500)**
TOTAL	₱	23,077,720	4,231,279	2,000	₱	**27,310,999**

Agrarian Reform Loans	₱	-	-	-	₱	-
Other Agricultural Credit Loans		150,578	100,004	49		250,631
Loans to MSME (Small)		1,645,851	241,291	1		1,887,143
Loans to MSME (Medium)		361,640	58,009	9		419,658
Loans to Individuals for Personal Use		7,954,275	24,082	8,514		7,986,871
Microfinance		752,856	432,402	-		1,185,258
TOTAL	₱	10,865,201	855,788	8,573	₱	11,729,562
						(a2)
Allowance for credit losses, specific	₱	78,219	389,730	(8,573)	₱	459,376
General Loan - loss provision	*(c2)*	21,581	-	-		21,581
Unearned interest and discounts		(11,748)	-	-		(11,748)
Loans and Receivables, Net	₱	10,753,653	466,058	17,146	₱	11,236,857
Sales Contract Receivables	₱	402,000	-	-	₱	402,000
TOTAL	₱	11,155,653	466,058	17,146	₱	11,638,857

Type of Loans and Receivables		**2021**		2020
Loans and Receivables - current	₱	**4,222,573**	₱	7,084,396
Loans and Receivables - non-current		**23,088,426**		4,554,461
TOTAL	₱	**27,310,999**	₱	11,638,857

Agrarian Reform loans refers to the amortized cost of production and other types of loans granted to beneficiaries of agrarian reform to finance activities relating to agriculture, and processing, marketing, storage and distribution of products resulting from these activities.

Other Agricultural Credit Loans refers to the amortized cost of loans granted to borrowers who are not beneficiaries of agrarian reform to finance activities relating to agriculture.

Small and medium enterprises Loans are loans granted to any business activity or enterprises engaged in industry, agri-business and /or services, whether single proprietorship, partnership, cooperative or corporation whose total assets (exclusive of the land on which the particular entity's business is

situated) must have a value falling under the following: a.) Micro: up to P 3.M, b.) Small: more than P 3M up to P 15 M, and c.) Medium: More than P 15 M.

Loans to Individuals Primarily for Personal Use Purposes refers to loans granted to credit cardholders arising from purchases of goods and services, acquisition of motor vehicles, and loansto finance other personal and household needs such as household appliances, furniture, fixtures and equipment.

Loans to Individuals for Other Purposes refers to loans granted to individuals that cannot be classified under any of the foregoing classifications.

The net carrying amounts of loans and receivables stated at amortized cost are reasonable approximations of their fair values.

Booked Valuation Reserves on Loans and Receivables

Based on the loan classification, the booked valuation reserve on classified accounts as at December31, 2021 and 2020 is provided as follows:

					December 31, 2021
		Amount	Rate		**Provision**
Loans especially mentioned	₱	3,297,394	5%	₱	**164,870**
Substandard, secured		222,725	10%		**22,273**
Substandard, secured					
Substandard, unsecured		766,564	15%		**114,985**
Doubtful		67,851	25%		**16,963**
TOTAL	₱	5,472,657		₱	**1,326,520**
		(b1)			*(a1)*

					December 31, 2020
		Amount	Rate		Provision
Loans especially mentioned	₱	2,846,178	2%	₱	56,924
Substandard, secured		100,000	10%		10,000
Substandard, unsecured					
Doubtful		231,959	25%		57,990
TOTAL	₱	3,556,100		₱	459,376
		(b2)			*(a2)*

		Balance		Additions		(Disposals) /	**Balance**
Loan Type							
Agrarian Reform Loans	₱	-	₱	-	₱	-	₱ -
Other Agricultural Credit LoansMSME		11,559		138,855		-	**150,414**
Loans to individuals for Personal Use		27,643		43,062		-	**70,705**
TOTAL		459,376		977,818		(110,674)	**1,326,520**
							(a1)

The movement of the allowance for credit losses (specific) follows:

	Balance 31-Dec-19	Additions	(Disposals)	Balance 31-Dec-20
Loan Type				
Agrarian Reform Loans	₱ -	₱ -	₱ -	₱ -
Other Agricultural Credit Loans	328,056	-	(316,497)	11,559
MSME	847,858	12,558	(832,773)	27,643
Loans to individuals for Personal Use	1,482,725	-	(1,468,352)	14,373
Microfinance	789,778	-	(383,978)	405,800
TOTAL	3,448,418	12,558	(3,001,600)	459,376
				(a2)

The computation of General Loan Loss Provision (GLLP) follows:

		2021	2020
Gross Loans (excluding Restructured)		₱ **28,571,456**	₱ 5,714,153
Less: Classified Accounts			
Loans especially mentioned		**3,297,394**	2,846,178
Substandard Secured		**989,289**	100,000
Substandard Unsecured		**67,851**	231,959
Doubtful		**221,385**	58,000
Loss		**896,738**	319,963
	(b1), (b2)	**5,472,657**	3,556,100
Unclassified Accounts		**23,098,799**	2,158,053
Less: Loans considered non-risk		**455,120**	-
Loans unclassified, Net of exclusions		₱ **22,643,679**	₱ 2,158,053
General Loan Loss Provision (1%)		₱ **226,437**	₱ 21,581
Existing Provision	*(c1), (c2)*	**226,437**	21,581

General Loan Loss Provision (GLLP) represents one percent (1%) of the outstanding balance of unclassified loans other than restructured loans (5%) less loans which are considered non-risk under existing laws / rules and regulations.

The concentration of credit as to industry follows:

December 31, 2021

Economic activity / Industry	**Rate**	Current	Past Due	Item of Lit.	**Total**
Agriculture, fishing and forestry	2% ₱	367,026	106,591	145,036 ₱	**618,653**
Wholesale and retail trade	45%	11,294,387	1,348,261	193,776	**12,836,424**

Education and personal use	53%		11,350,293	3,494,966	271,120	**15,116,379**
TOTAL	100%	₱	23,011,706	4,949,818	609,932 ₱	**28,571,456**

December 31, 2020

Economic activity / Industry	**Rate**		Current	Past Due	Item of Lit.		Total
Agriculture, fishing and forestry	2%	₱	150,578	100,004	49	₱	250,631
Wholesale and retail trade	94%		10,207,993	755,784	8,524		10,972,301
Education	4%		506,630	-	-		506,630
TOTAL	100%	₱	10,865,201	855,788	8,573	₱	11,729,562

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio. As of December 31, 2021 and 2020, total loan exposure in Wholesale and retail trade exceeded the benchmark of 30 percent.

Breakdown of loans and receivables as to security and status

December 31, 2021

Type of Security		Current	Past Due	Item of Lit.		**Total**
Real Estate Mortgage -residential	₱	608,654	57,978	171,867	₱	**838,499**
Real Estate Mortgage -commercial		2,915,019	174,648	-		**3,089,667**
Real Estate Mortgage -agricultural		367,026	106,590	145,036		**618,652**
Other collaterals		6,111,981	334,401	-		**6,446,382**
Unsecured		13,009,026	4,278,200	291,030		**17,578,256**
TOTAL	₱	23,011,706	4,951,817	607,933	₱	**28,571,456**

December 31, 2020

Type of Security		Current	Past Due	Item of Lit.		Total
Real Estate Mortgage -residential	₱	222,116	8,006	9	₱	230,131
Real Estate Mortgage -commercial		1,645,851	241,291	1		1,887,143
Real Estate Mortgage -agricultural		150,578	100,004	49		250,631
Other collaterals		139,524	50,003	-		189,527
Unsecured		8,707,131	456,484	8,514		9,172,129
TOTAL	₱	10,865,201	855,788	8,573	₱	11,729,562

Breakdown of DOSRI loans as of December 31, 2021 and 2020:

	2021		2020	
	Rate	**Amount**	Rate	Amount
Total Outstanding DOSRI loans	**0%**	**₱ -**	0%	₱ -
Percent of DOSRI loans to total loans	**0%**	**-**	0%	-
Percent of unsecured DOSRI to total DOSRI	**0%**	**-**	0%	-
Past due DOSRI to total DOSRI	**0%**	**-**	0%	-
Percent of non-performing DOSRI	**0%**	**-**	0%	-
TOTAL	**0%**	**₱ -**	0%	₱ -

In the ordinary course of business, the bank grant loan transactions with its directors, officers, stockholders and related interests (DOSRI). The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the deposit and book value of their shares of stocks in the bank. In the aggregate, DOSRI loans should not exceed the total unimpaired capital or 15% of the total loan portfolio of the bank, whichever is lower.

Under the bank's policy, these loans are made substantially on the same terms as with other individuals and businesses of comparable risk. No DOSRI loans granted during the years 2021 and 2020.

11. Held-to-Maturity Investments

This account consists of:

		2021		2020
Held-to-Maturity Investments - Current	**₱**	**711,445**	₱	568,290
Unamortized		**-**		-
Held-to-Maturity Investments - Non Current		**779,316**		1,275,940
TOTAL	**₱**	**1,490,761**	₱	1,844,23

12. OTHER CURRENT ASSETS

This account consists of:

		2021		2020
Accounts Receivable	**₱**	**1,529,226**	₱	-
Accrued Interest Receivable		**191,725**		46,467
Supplies on hand		**28,565**		19,289
Petty Cash Fund		**3,000**		3,000
TOTAL	**₱**	**1,752,516**	₱	68,757

Accounts Receivable pertains to receivables from providers/processors/program managers for Mastercard BIN Sponsorship partnerships. This also includes advances to employees. These are collected within a period of one (1) year.

13. BANK PREMISES, FURNITURE AND EQUIPMENT

Bank premises, furniture and equipment account consist of the following:

	Balance 31-Dec-20	Additions	(Disposals)	**Balance 31-Dec-21**
Cost				
Furniture and Fixtures	₽ 1,367,673	₽ 1,785,386	₽ -	₽ **3,153,059**
Transportation Equipment	67,200	-	-	**67,200**
TOTAL PROPERTY & EQUIPMENT	1,434,873	1,785,386	-	**3,220,259**
Accumulated Depreciation				
Furniture and Fixtures	1,273,856	80,032	-	**1,353,888**
Transportation Equipment	67,200	-	-	**67,200**
			-	
ACCUMULATED DEPRECIATION	1,341,056	80,032	-	**1,421,088**
Net Carrying Amount				
Furniture and Fixtures	93,817	1,705,354	-	**1,799,171**
Transportation Equipment	-	-	-	-
NET CARRYING AMOUNT	₽ 93,817	₽ 1,705,354	₽ -	₽ **1,799,171**

	Balance 31-Dec-19	Additions	(Disposals)	Balance 31-Dec-20
Cost				
Furniture and Fixtures	₽ 1,348,003	₽ 19,670	₽ -	₽ 1,367,673
Transportation Equipment	67,200	-	-	67,200
TOTAL PROPERTY & EQUIPMENT	1,415,203	19,670	-	1,434,873
Accumulated Depreciation				
Furniture and Fixtures	1,206,656	67,200	-	1,273,856
Transportation Equipment	67,200	-	-	67,200
			-	
ACCUMULATED DEPRECIATION	1,273,856	67,200	-	1,341,056
Net Carrying Amount				
Furniture and Fixtures	141,347	(47,530)	-	93,817
Transportation Equipment	-	-	-	-
NET CARRYING AMOUNT	₽ 141,347	₽ (47,530)	₽ -	₽ 93,817

For financial reporting purposes, depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets as follows:

Transportation Equipment	3 to 5 years
Information Technology	1 to 3 years
Furniture and Fixtures	5 to 10 years

The foregoing estimated useful lives and depreciation/amortization method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the bank premises, furniture and equipment.

Depreciation/amortization expense
This account consists of:

		2021		2020
Furniture and Fixtures	₱	**80,032**	₱	67,200
TOTAL	₱	**80,032**	₱	67,200

No increase or decrease resulting from revaluations and from impairment losses was recognized or reversed in other comprehensive income during the period.

There were no transfers to and from investment property carried at fair value through profit of loss that transpired during the period.

No impairment loss was recognized or reversed in profit/loss during the period. Likewise, no acquisition of bank premises, furniture and equipment through business combinations and other changes occurred during the period.

None of the bank premises, furniture and equipment has been restricted or pledged as security for liabilities. Furthermore, the bank has not entered into any contractual commitment for the acquisition of bank premises, furniture and equipment.

Under BSP rules, investments in fixed assets should not exceed 50% of the bank's unimpaired capital. As of December 31, 2021 and 2020, the bank has satisfactorily complied with this requirement.

14. INVESTMENT PROPERTIES

This account consists of:

		Balance		Additions		(Disposals)/		**Balance**
ROPA	₱	124,375	₱	36,823	₱	157,197	₱	
TOTAL		-		73,646		314,412		18 4,001

		Balance 31-Dec-19		Additions		(Disposals) Write-off		Balance 31-Dec-20
ROPA	₱	295,534	₱	-	₱	171,159	₱	124,375
Accumulated Depreciation		151,470		111,905		139,000		124,375
TOTAL		144,064		111,905		310,159		-

Pursuant to BSP Circular No. 494, series of 2005, the carrying amount of the Real and Other Properties acquired (ROPA) is allocated to land and building based on their fair values, which allocated carrying amounts become their initial costs. Buildings are depreciated over a period of three (3) to ten (10) years.

15. DEFERRED TAX ASSET

This account consists of:

(Note 28)		**2021**		2020
Deferred Tax Asset - NOLCO	₱	-	₱	28,428
Deferred Tax Asset - MCIT		-		54,786
TOTAL	₱		₱	83,214

16. DEPOSIT LIABILITIES

This account consists of:

		2021		2020
Saving Deposit	₱	**21,099,588**	₱	8,036,024
Time Deposit		**14,075,890**		
TOTAL	₱	**35,175,478**	₱	17,050,837

					December 31, 2021
Type of Deposit	No. of Accounts		Dormant	Active	**Total**
Saving Deposit	318	₱	57,199	21,042,389 ₱	**21,099,588**
Time Deposit	12		-	14,075,890	**14,075,890**
TOTAL	330	₱	57,199	35,118,279 ₱	**35,175,478**

				December 31, 2020
Type of Deposit	No. of Accounts	Dormant	Active	Total
Saving Deposit	212 ₱	96,415	7,939,608 ₱	8,036,024
Time Deposit	8	-	9,014,813	9,014,813
TOTAL	220 ₱	96,415	16,954,422 ₱	17,050,837

The maturity profile of the above account follows:

					December 31, 2021
Type of Deposit		1-30 days/ on demand	31-90 days	91 days to 1 year	More than 1 year
Saving Deposit	₱	21,099,588	-	-	-
Time Deposit		-	3,000,000	10,074,890	1,001,000
TOTAL	**₱**	**21,099,588**	**3,000,000**	**10,074,890**	**1,001,000**

					December 31, 2020
Type of Deposit		1-30 days/ on demand	31-90 days	91 days to 1 year	More than 1 year
Saving Deposit	₱	8,036,024	-	-	-
Time Deposit		-	7,500,000	1,514,813	-
TOTAL	₱	8,036,024	7,500,000	1,514,813	-
					17,050,837

Savings deposits usually have fixed interest rate of 0.05% in 2021 and 2020, while time deposits have graduated rates of interest based on the amount of placement. Interest on time deposit ranges from 3% to 5% in 2021 and 2020.

Available reserves as of December 31, 2021 and 2020

					December 31, 2021
Available Reserves		Amount	Rate		Legal Reserve
Saving Deposit	₱	21,099,588	3%	₱	632,988
Time Deposit		14,075,890	3%		422,277
TOTAL	**₱**	**35,175,478**		**₱**	**1,055,264**

					December 31, 2020
Available Reserves		Amount	Rate		Legal Reserve
Saving Deposit	₱	8,036,024	3%	₱	241,081
Time Deposit		9,014,813	3%		270,444
TOTAL	₱	17,050,837		₱	511,525

17. ACCRUED LIABILITIES

This account consists of:

		2021		2020
Other accrued expenses	₱	**322,997**	₱	12,972
Accrued interest -time & savings deposit		**121,291**		31,529
Accrued insurance		**32,697**		13,230
TOTAL	₱	**476,985**	₱	57,731

18. OTHER CURRENT LIABILITIES

This account consists of:

		2021		2020
Percentage Tax Payable	₱	**240,494**	₱	74,852
Accounts payable		**68,442**		709,033
SSS, EC, Philhealth & Pag-ibig premiums		**65,404**		29,958
Withholding tax payable		**40,909**		15,171
TOTAL	₱	**415,249**	₱	829,014

Percentage Tax Payable represents business tax on income and expected to be remitted to BIR on the following month of the reporting period.

Accounts Payable includes the current portion of the bank's statutory obligations which has been accrued as of the end of the period and is expected to be paid the following month.

SSS premium payable, SSS Salary Loan, Philhealth, Pag-ibig Payable and Pag-ibig Loan represent amount withheld from the salaries of officers and employees of the bank representing employee's contribution which are expected to be remitted on the following month of the reporting period.

Withholding tax payable on compensation represents unremitted income taxes withheld from the salaries of employees and expected to be remitted to BIR on the following month of the reporting period.

Expanded withholding tax payable represents unremitted income taxes withheld from suppliers and expected to be remitted to BIR on the following month of the reporting period.

19. INCOME TAX PAYABLE *(Note 28)*

This account consists of:

		2021		2020
Income tax payable, RCIT/MCIT	₱	**430,089**	₱	30,026
Less: Prior Year Excess Credit		-		-
Over Payment - MCIT 2020		**7,506**		-
Applied Deferred Tax Asset - MCIT		**47,280**		-
Other Tax Credit		-		3,653
Quarterly Payments				
1st Quarter		**14,772**		-
2nd Quarter		-		9,150
3rd Quarter		**174,452**		101
Quarterly Payments Tax from previous quarters		**189,224**		9,251
Creditable Withholding Tax		-		-
Total Tax Credits		**244,010**		12,904
INCOME TAX PAYABLE	₱	**186,080**	₱	17,122

The bank is subject to Regular Corporate Income Tax (RCIT) as presented. Any deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused taxcredits from excess minimum corporate income tax (MCIT) and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and unused tax losses can be utilized.

20. RETIREMENT LIABILITY

This account consists of:

		2021		2020
Beginning Balance	₱	**288,925**	₱	569,840
Add: Provision during the year		**48,085**		72,040
Less: Actual payments during the year		-		(352,955)
TOTAL	₱	**337,010**	₱	288,925

The Bank has partially funded defined benefits retirement plan which provides retirement benefits equivalent to 22.5 days' pay for every year of credited service to all qualified employees inaccordance with Retirement Pay law (R.A. No. 7641).

The normal retirement date of the member is the first day of the month coincident to his 60th birthday provided he has served the Bank for at least five (5) years of service. Employment shall not continue beyond the normal retirement date unless extended by the College of Administration.

Any qualified member who is separated from service on account of total and permanent disability is eligible for a disability benefits equivalent to the normal retirement benefits. This shall be certified by licensed medical practitioner appointed by the Bank.

In the event of death, the designated beneficiaries shall receive a death benefits equivalent to the normal retirement benefits.

21. DEPOSIT FOR STOCK SUBSCRIPTION

This account consists of:

		2021		2020
Deposit for Stock Subscription	₱	**10,066,667**	₱	-
TOTAL	₱	**10,066,667**	₱	-

Deposit for stock subscription consists of paid-in subscriptions of shareholders in the Bank's common and preferred shares.

On July 29, 2019, the majority of Board of Directors with concurrent votes of shareholders owning at least two-thirds (2/3) has approved the investment of a Third-Party Investor, Bridge Digital Investment Investments PTE. LTD. The initial investment amounting to Ten Million Pesos (P10,000,000) is currently

under the escrow fund under a hold-out arrangement maintained in another Bank. This was approved by the Bangko Sentral ng Pilipinas (BSP) on May 10, 2021.

On January 13, 2020, the majority of Board of Directors with concurrent votes of shareholders owning at least two-thirds (2/3) of all the outstanding capital stock of the Bank resolved to amend the articles of incorporation of the Entity increasing the authorized capital stocks from Five Million Pesos (P5,000,000) to Sixty Million One Hundred and Seventy Thousand Pesos (P60,170,000) divided into Three Hundred and Thirty Thousand (330,000) Common Shares at a par value of One Hundred Pesos (P100) each, One Hundred and Seventy Thousand (170,000) Class A Preferred Shares at a par value of One Hundred Pesos (P100) each, One Hundred and Seventy Thousand (170,000) Class B Preferred Shares at a par value of One Peso (P1) each and One Hundred Thousand (100,000) Class C Preferred Shares at a par value of One Hundred Pesos (P100) each. This has been approved by the BSP as of August 18, 2021 and is currently in process of approval with the Securities and Exchange Commission (SEC) as of date.

22. SHARE CAPITAL

This account consists of:

Shares of Stocks		**2021**		2020
Authorized		**50,000**		50,000
Subscribed		**49,660**		49,654
Paid up		**49,660**		49,654
Par Value	₱	**100**	₱	100
TOTAL	₱	**4,966,000**	₱	4,965,400

The Bank's share capital consists of Fifty Thousand (50,000) shares at One Hunderd Pesos (₱100) per share with total Authorized Capital Stock of Five Million Pesos (₱5,000,000). The Subscribed and Paid-up Capital as of December 31, 2020 equals to the amount of ₱4,965,400.

The Bank had additional subscriptions of six (6) shares, which are fully paid-up, in its common shares of stocks at One Hundred Pesos (P100.00) par value amounting to a total of Six Hundred Pesos (P600.00) on January 13, 2021,July 9, 2021, and October 08, 2021.

Title of issue	Number of shares	Number of shares issued and outstandingat shown under related Statement of Financial Position	Number of Shares Reserved for Options, Warrants, Conversion and	Number of Shares Held by Related	Directors
Ordinary	**50,000**	**49,660**	**-**	**-**	**49,660**

a.) Capital management objectives and procedures

The Bank's policy is to maintain a strong capital base to maintain investors, creditors and market confidence and to sustain future development of the business. This impact of the level of capital on shareholder's return is also recognized and the Bank recognize the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

b.) Unimpaired Capital

Under current banking regulations, the unimpaired capital of the bank should not be less than ten percent of its risk equity excluding:

a. Unbooked valuation reserves and other capital adjustments as may be required by BSP;
b. Total outstanding unsecured credit accommodation to DOSRI
c. Deferred income tax asset or liability
d. Accumulated equity in net earnings of investee where the Bank holds 50% or less but where the equity method of accounting has been applied, and
e. Appraisal increment on property and equipment other than those allowed to be recognized inconnection with a merger or consolidation.

23. CUMULATIVE EARNINGS

This account consists of:

		2021		2020
Beginning Balance	₱	**5,835,334**	₱	5,979,557
Add: Profit		**356**		77,324
Prior Period Adjustments				
Deferred Tax Asset - MCIT 2018		**-**		12,488
Percentage Tax Expense 2018		**(228,645)**		(231,588)
Disallowed Expense		**(303,234)**		(2,447)
Balance, End		**5,303,811**		5,835,334
Less: Appropriation		**2,000,000**		2,000,000
TOTAL	₱	**3,303,811**	₱	3,835,334

The amount of P2,000,000.00 pertains to Appropriated Cumulative Earnings as of December 31, 2021 which was set aside for the expansion. The appropriation was approved by a majority vote of the Directors at a meeting held on December 19, 2020 at the principal office of the corporation.

Due to pandemic, the expansion projects were extended to 2022. Included in this project is the Mastercard with collateral requirements amounting to USD 100,000.00 which was actually settledby the Bank on March 10, 2022.

24. INTEREST INCOME

This account consists of:

	Note		**2021**		2020
Loans and Receivables	*24a*	₱	**8,184,592**	₱	1,626,203
Bank Deposits and Investments	*24b*		**76,079**		86,675
TOTAL		₱	**8,260,671**	₱	1,712,878

24a. Interest on Loans and Receivables

		2021		2020
Loans to individuals primarily for personal use	₱	**5,748,648**	₱	643,497
Small and medium enterprises		**1,408,637**		395,730
Loans to individuals for other purposes		**471,568**		-
Microfinance		**471,474**		305,094
Other Agricultural credit loans		**82,392**		121,710
Past due loans & items in litigation		**1,873**		160,172
TOTAL	₱	**8,184,592**	₱	1,626,203

24b. Interest on Bank Deposits and Investments

		2021		2020
Held-to-maturity Investments	₱	**59,292**	₱	50,196
Due from other banks		**16,787**		36,479
TOTAL	₱	**76,079**	₱	86,675

25. INTEREST EXPENSE

This account consists of:

		2021		2020
Regular savings deposit	₱	**5,562**	₱	4,319
Time deposits		**438,123**		30,936
TOTAL	₱	**443,685**	₱	35,255

This amount refers to payments and or monthly accruals of interest on deposits. The computation of savings is on a monthly basis while time deposits are on monthly accruals.

26. NON-INTEREST INCOME

This account consists of:

		2021		2020
Fees and commissions	₱	**529,944**	₱	569,151
Income from assets acquired		**10,019**		268,977
Unrealized Gain on Sale of ROPA		**29,999**		508,000
Other income		**4,135,779**		992,389
TOTAL	₱	**4,705,741**	₱	2,338,517

27. NON-INTEREST EXPENSE

This account consists of:

	Note		2021		2020
Employees' Compensation and Benefits	*27a*	₱	**4,997,843**	₱	1,928,344
Taxes, Licenses, Permits and Fees	*27b*		**812,145**		212,062
Other Administrative Expenses	*27c*		**4,469,026**		1,561,695
Depreciation / Amortization	*27d*		**80,032**		67,200
Provisions (GLLP / Other assets)	*27e*		**1,703,934**		197,943
TOTAL		₱	**12,062,980**	₱	3,967,244

27a. Employees' Compensation and Other Benefits

This account consists of:

		2021				2020		
		Employee		**Employer**		Employee		Employer
Salaries and Wages	₱	**4,164,595**	₱	-	₱	1,277,623	₱	-
13th Month Pay and other benefits		**348,288**		-		108,692		-
De Minimis		**70,761**		-		399,964		-
SSS/PHIC/HDMF		**217,332**		**196,867**		69,202		72,863
TOTAL	₱	**4,800,976**	₱	**196,867**	₱	1,855,481	₱	72,863

Salaries, Wages & Benefits are salaries, wages, compensated absences such as paid annual leaveand paid sick leave, 13th month pay Christmas and performance bonuses payable within twelve (12) months after the end of the period in which the employees render the related employee service.

SSS, PhilHealth, and Pag-ibig contributions amounting to ₱196,867 and ₱72,863 in 2021 and 2020 respectively represent the statutory contribution to the related government agency.

Post employment benefits

The Bank provides post employment benefits to permanent officers and employees. Every employee is guaranteed specific or definite amount of benefit which is usually related to his salary and years of service in compliance R. A. 7641. The amount of benefits for services rendered from date of regularization up to date of retirement follows:

For employees who have rendered at least ten (10) years employment service shall receive the following in accordance with R. A. 7641 (The New Retirement Law)

- One half month pay for every year of service, a fraction of 6 six months shall be considered asone whole year;
- Equivalent of 1/12 of thirteenth (13th) month pay based on latest salary for every year of service, and
- The equivalent of five (5) days service incentive leave for every year of service

27b. Taxes, Licenses, Permits and Fees
This account consists of:

		2021		2020
Percentage Tax	₱	**585,150**	₱	181,442
Documentary Stamp Used		**186,945**		877
Business Permit/Registration		**29,730**		23,433
Other Taxes		**9,820**		4,047
Annual Registration Fee - BIR		**500**		500
Property Tax		**-**		1,763
TOTAL	₱	**812,145**	₱	212,062

27c. Other Administrative Expense
This account consists of:

		2021		2020
Fees and commission expense	₱	**1,629,641**	₱	4,468
Information technology expense		**1,088,172**		346,294
Management and other professional fees		**393,000**		118,000
Security, messengerial and janitorial services		**197,622**		155,300
Membership fees and dues		**184,741**		105,520
Rental (Note 27)		**180,000**		200,000
Directors Fee		**138,000**		52,500
Other Expenses		**128,600**		46,298
Fines penalties and other charges		**122,740**		62,277
Insurance		**82,259**		43,157
Power, light and water		**80,130**		69,905
Representation		**54,651**		19,800
Travelling Expenses		**49,587**		20,762
Stationery and supplies		**46,301**		194,736

Processing Fee		**24,279**		-
Fuel, oil and lubricants		**23,023**		8,800
Postage, telephone, cables and telegrams		**19,285**		8,215
Advertising and publicity		**13,750**		-
Repairs and maintenance		**9,645**		2,274
Donations and charitable contributions		**2,000**		-
Litigation/Asset acquired		**900**		96,139
Freight		**700**		4,200
Impairment Loss - ROPA		-		3,050
TOTAL	₱	**4,469,026**	₱	1,561,695

27d. Percentage Tax Expense
This account consists of:

		2021		2020
Percentage Tax Expense	₱	**585,150**	₱	181,442
TOTAL	₱	**585,150**	₱	181,442

27e. Depreciation / Amortization
This account consists of:

		2021		2020
Furniture and Fixtures	₱	**80,032**	₱	67,200
TOTAL	₱	**80,032**	₱	67,200

Depreciation expense of Bank Premises, Furniture and Equipment (Note 13) amounting to ₱248,032.

27f. Provisions / Losses
This account consists of:

		2021		2020
General loan loss provision (GLLP)	₱	**1,623,350**	₱	13,997
Retirement Benefits		**48,084**		72,040
Sales Contract Receivable		**32,500**		-
ROPA		-		111,906
TOTAL	₱	**1,703,934**	₱	197,943

28. LEASE
This account consists of:

The Bank as a Lessee

The Bank leases under non-cancellable operating lease. The lease has terms ranging from 3 to 10 years with renewal options. The future minimum rental payable under this non-cancellable operating lease as of December 31 is as follows:

	Note		**2021**		2020
Within one year	*26c*	₱	**180,000**	₱	200,000
More than five					
After one year but not more than five years			**-**		200,000

29. PROVISION FOR INCOME TAX

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulation (RR) No. 25- 2020, signed by the Secretary of Finance, in accordance with the implementation of Section 4 of Republic Act No. 11494, otherwise known as the ―Bayanihan to Recover as One Act‖ relative to NOLCO, under Section 34(D)(3) of NIRC, as amended, making the deductibility of NOLCO incurred for the years ending December 31, 2020 and 2021 can be claimed as deduction from regular income for a period of five (5) years instead of three years.

On November 26, 2020, Senate Bill No. 1357 otherwise known as CREATE Bill was approved and ratified by the Philippine Senate. On February 3, 2021, the House of Representative ratified the CREATE Bill. Under CREATE Bill, the corporate income tax will be reduced to 20% for domestic corporations with total assets not exceeding 100 million, excluding land, and total net taxable income of not more than 5 million. For other corporations, corporate income tax will be lowered to 25%. The CREATE Bill will also lower the minimum corporate income tax to one percent (1%).

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 20% or 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 08, 2021 issued by the BIR, the prorated Corporate Income Tax rate of the Company for the current year 2020 is 25%. This will result in lower provision for current income tax for the year ended December 31, 2020 amounting to (₱23,690) and lower income tax payable as of December 31, 2021 and December 31, 2021 amounting to ₱4,738 in both years. There is a reduction of ₱9,476 in the Provision for Income Tax and Income Tax Payable reported as Provision for Income Tax.

- This will also result in lower Minimum Corporate Income Tax (MCIT) and Deferred Tax Asset as of December 31, 2020 amounting to ₱22,520. There is a reduction of ₱7,506 in the MCIT which is reported as Creditable Withholding Tax under Prior year's excess tax credit.

- The reduced amount was reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes are recognized in the 2021 financial statements.

	NOLCO	**MCIT**

Deferred Tax Asset			
2020	₱	28,428 ₱	54,786
Add: Provision for Income Tax		-	-
Income Tax payment under MCIT		-	-
Prior Period Adjustment		-	-
Adjustment to Provision for Income Tax 2020		(4,738)	-
Applied NOLCO 2020		(4,738)	
Deferred Tax Asset MCIT - 2020		-	(7,506)
Less: Applied Deferred Tax Asset		(18,952)	(47,280)
Deferred Tax Asset, 2021	**₱**	**- ₱**	**-**

As of December 31, 2021, NOLCO that can be claimed as deductions from future taxable incomeand RCIT payable consist of:

Expiry Date	Year Incurred		MCIT	NOLCO
December 31, 2021	2018	₱	12,488 ₱	-
December 31, 2022	2019		12,272	-
December 31, 2025	2020		30,026	94,759
Less: Applied	2021		(47,280)	(94,759)
Prior Period Adjustment			(7,506)	-
		₱	- ₱	-
TOTAL			₱	-

The reconciliation of the income tax expense computed at statutory income tax rate to the incometax expense shown in the statement of comprehensive income is as follows:

		2021	2020
Income tax computed at statutory rate	₱	**448,345** ₱	(28,428)
Less: NOLCO Applied		**(18,952)**	-
Provision for Income Tax	₱	**429,393** ₱	(28,428)

		2021	2020
Normal Income Tax (NIT)			
Income Before Income Tax	₱	**459,747** ₱	48,896
Add: Non deductible expense			
Provision for losses		**1,655,850**	125,903
Provision for retirement benefits		**48,084**	72,040
Fines penalties and other charges		**122,740**	62,277
33% Interest Arbitrage		**31,382**	35,754
Less: Non - taxable income & income subjected to final t		**(76,079)**	(86,675)
Retirement Benefits Distributed		**-**	(352,954)
Taxable Income		**2,241,724**	(94,759)
Multiply by Current tax rate		**20%**	30%

Provision for NIT		**448,345**		(28,428)
Applied NOLCO		**(18,952)**		-
Provision for Income Tax		**429,393**		(28,428)
Prior Period Adjustment				
Taxable Income			₱	(94,759)
Multiply by tax rate as per CREATE Law				25%
Provision for income tax - current - 27.5%				(23,690)
Reduction of Income Tax 2020			₱	**(4,738)**
Applied NOLCO from 2020	₱	94,759	₱	-
Multiply by tax rate as per CREATE Law		25%		25%
Provision for income tax - current - 25%		23,690		-
Applied NOLCO 2020	₱	**(4,738)**	₱	-
MCIT		**2021**		2020
Gross Profit	₱	**6,860,145**	₱	1,501,313
Tax Rate		**1%**		2%
Income Tax at MCIT Rate	₱	**137,203**	₱	30,026
Prior Period Adjustment				
Gross Profit			₱	**1,501,313**
Tax Rate				**1.5%**
Income Tax at MCIT Rate			₱	**22,520**
Reduction of MCIT 2020			₱	**7,506**
		2021		2020
Income tax payable, RCIT/MCIT	₱	**430,089**	₱	30,026
Less: Prior Year Excess Credit		-		-
Over payment - MCIT 2020		**7,506**		-
Deferred Tax Asset - MCIT		**47,280**		-
Other Tax Credit		-		3,653
Quarterly Payments				
1st Quarter		**14,772**		-
2nd Quarter		-		9,150
3rd Quarter		**174,452**		101
Quarterly Payments Tax from previous quarters		**189,224**		9,251
Creditable Withholding Tax		-		-
Total Tax Credits		**244,010**		12,904
INCOME TAX PAYABLE	₱	**186,080**	₱	17,122

30. EARNINGS PER SHARE

The Bank's earnings per share for the period ended December 31, 2021 and 2020 are computed as follows:

		2021		2020
Net income/ (loss) (a)	₱	**459,747**	₱	48,896
Wieghted average number of shares		**49,660**		49,654
Earnings per share (a/b)	₱	**9.26**	₱	0.98

31. EVENTS AFTER THE REPORTING PERIOD

The financial statements for the calendar year ended December 31, 2021 were approved by the management and authorized for issue by the Board of Directors on March 31, 2022.

32. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Related party relationship exists when one party has the ability to control, directly or indirectly, the other party or to influence the other party in making financial and operating decision.

Transaction between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

In the normal course of business, the following are considered related party transactions, viz;

1. Granting of loans to Directors, Officers, Stockholders and Related Interest (DOSRI)
2. The Board of Directors and officers maintains deposit accounts with the bank, and
3. Sale or purchase of any kind of property to Directors, Officers, Stockholders and Related interest.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely of the legal form. For officers of the Bank, such inclusion is indicated under Subsection 141.2, of the MORB.

This account consists of:

		2021		2020
Account Receivable – Employees	₱	**325,000**	₱	**-**
Deposit Liabilities – Shareholders		**-**		**4,740,776**
Deposit Liabilities – Officers		**-**		**858,780**
Deposit Liabilities – Investor		**-**		**9,451,984**
TOTAL	₱	**325,000**	₱	**15,051,540**

Remuneration of the Key Management Personnel

The compensation of key management personnel, in the form of short-term employee benefits, is broken down as follows:

		2021		2020
Director's Fee	₱	**138,000**	₱	52,500
Salaries and Wages		**2,238,262**		1,234,656
13th Month and Other Benefits		**33,532**		254,223
TOTAL	₱	**2,409,794**	₱	1,541,379

The key management personnel of the Bank and post-employment benefit plans for the benefit of Bank's employees are also considered related parties.

33. SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATION NO. 15-2010 and 19-2011

On November 25, 2010, The Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) 15-2010, which required certain information on taxes, duties and license fees paid or accrued duringtaxable year to be disclosed as part of the notes to financial statements. This supplemental information, which is an addition to the disclosures mandated under full PFRS, is presented as follows:

I. Based on Revenue Regulation (RR) No. 19-2011

(a) Income

		2021		2020
Interest Income on Loans and Receivables	₱	**8,184,592**	₱	1,626,203

TOTAL	₱	**8,184,592**	₱	1,626,203

(b) Taxable non-operating and other income
This account consists of following:

		2021		2020
Fees and commissions	₱	**529,944**	₱	569,151
Income from assets acquired		**10,019**		268,977
Unrealized Gain on Sale of ROPA		**29,999**		508,000
Other income		**4,135,779**		992,389
TOTAL	₱	**4,705,741**	₱	2,338,517

(c) Cost of Sales/Service
This account consists of:

		2021		2020
Direct Charges - Salaries, Wages and Benefits	₱	**4,800,976**	₱	1,855,481
Direct Charges - Outside Services		**197,621**		155,300
Interest Expense		**412,303**		(499)
SSS, Philhealth and Pag-ibig Contributions		**196,867**		72,863
Direct Charges – Rental		**180,000**		200,000
Direct Charges – Others		**82,259**		43,157
Direct Charges - Materials, Supplies and Facilities		**80,130**		69,905
Direct Charges - Depreciation		**80,032**		67,200
TOTAL	₱	**6,030,188**	₱	2,463,407

(d) Itemized Deductions
This account consists of:

		2021		2020
Fees and commission expense	₱	**1,629,641**	₱	4,468
Information technology expense		**1,088,172**		346,294
Taxes, licenses, permits and fees		**812,145**		212,062
Management and other professional fees		**393,000**		118,000
Membership fees and dues		**184,741**		105,520
Directors Fee		**138,000**		52,500
Other Expenses		**128,600**		46,298
Representation		**54,651**		19,800
Travelling Expenses		**49,587**		20,762
Stationery and supplies		**46,301**		194,736
Processing Fee		**24,279**		-
Fuel, oil and lubricants		**23,023**		8,800
Postage, telephone, cables and telegrams		**19,285**		8,215
Advertising and publicity		**13,750**		-
Repairs and maintenance		**9,645**		2,274

Donations and charitable contributions		**2,000**		-
Litigation/Asset acquired		**900**		96,139
Freight		**700**		4,200
Impairment Loss - ROPA		-		3,050
TOTAL	₱	**4,618,420**	₱	1,561,695

II. Based on Revenue Regulation (RR) No. 15-2010

On November 25, 2010, The Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) 15-2010, which required certain information on taxes, duties and license fees paid or accrued duringtaxable year to be disclosed as part of the notes to financial statements. This supplemental

information, which is an additional to the disclosures mandated under full PFRS is presented as follows:

(a) Taxes, Licenses and Fees

This account consists of:

		2021		2020
Percentage Tax	₱	**585,150**	₱	181,442
Documentary Stamp Used		**186,945**		877
Business Permit/Registration		**29,730**		23,433
Other Taxes		**9,820**		4,047
Annual Registration Fee - BIR		**500**		500
Property Tax		-		1,763
TOTAL	₱	**812,145**	₱	212,062

Taxes and licenses include local taxes and other fees.

(b) Withholding Taxes

The details of total withholding taxes for the fiscal year of 2021 are shown below:

		2021		2020
Expanded Withholding Tax	₱	**20,700**	₱	16,425
Withholding Tax on Compensation		**341,634**		-
TOTAL	₱	**362,334**	₱	16,425

(c) Deficiency Tax Assessments

The Bank does not have any deficiency tax assessment with the BIR or tax cases outstanding and pending in courts or bodies outside of BIR in any of the often years.

BIR Revenue Regulation No. 34-2020

On December 22, 2020, the BIR issued Revenue Regulation No. 34-2020 to inform all concernedon the streamlined guidelines and procedures in the submission of BIR Form 1709 (Information Return on Related Party Transactions) and its required attachments including transfer pricing documentation (TPD).

The Company is not covered by the requirements of preparation and submission on related party transactions under Section 2 of RR 34-2020.

FINANCIAL PERFORMANCE INDICATORS

For the year ended December 31, 2021

With comparative figures for 2020

(Amounts in Philippine Peso)

	2021	2020
Current Ratio		
Current Assets	**31,259,653**	23,036,931
Current Liabilities	**36,253,096**	17,954,704
	0.86	1.28
Debt Ratio		
Total Liabilities	**46,656,772**	18,243,629
Total Equity	**10,269,811**	10,800,734
	4.54	1.69
Debt To Equity Ratio		
Total Liabilities	**46,656,772**	18,243,629
Total Equity	**10,269,811**	10,800,734
	4.54	1.69
Operating Profit Margin		
Operating Profit	**459,747**	48,896
Revenue	**12,966,412**	4,051,396
	0.04	0.012
Net Profit Margin		
Net Income	**459,747**	48,896
Revenue	**12,966,412**	4,051,395
	0.04	0.012
Solvency Ratio		
Profit after Tax + Depreciation	**81,958**	144,524
Short-term + Long-term Liabilities	**46,656,772**	18,243,629
	0.0018	0.01

FINANCIAL PERFORMANCE INDICATORS

For the year ended December 31, 2021

With comparative figures for 2020

(Amounts in Philippine Peso)

	2021	2020
Return on Investment on Assets		
Net Income	**1,926**	77,324
Average Total Assets	**42,985,474**	23,975,495
	0.000045	0.0032
Return on Equity		
Net Income	**1,926**	77,324
Average Stockholder's Equity	**10,535,273**	10,872,846
	0.000	0.007
Total Receivables to Total Assets		
Total Receivables	**27,310,999**	11,638,857
Total Assets	**56,926,583**	29,044,363
	0.48	0.40
Total DOSRI Receivables to Net Worth		
DOSRI Receivables	**-**	-
Net Worth	**10,269,811**	10,800,734
	-	-

COMMUNITY RURAL BANK OF ROMBLON (ROMBLON), INC.

Schedule of Philippine Financial Reporting Standards Effective Standards and Interpretationsas at December 31, 2021

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
FRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share- based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9*			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the _own credit‘ gains or losses on financial liabilities designated under the fair value option without early applying the other			✓
	Amendment to PFRS 9, incorporating requirements for classification and measurement, impairment, general hedge accounting and			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, 12 and PAS 27: Consolidation for investment entities			✓
	Amendments regarding the sale orcontribution of assets between investor and its associate or joint venture			✓
	Amendments regarding the application of the consolidation exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments regarding the accounting for acquisitions of an interest in a joint operation			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments regarding the application of the consolidation exception			✓
PFRS 13	Fair Value Measurement	✓		

		Adopted	Not Adopted	Not Applicable
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments resulting from the disclosure	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recoveryof Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments regarding the clarification of acceptable methods of depreciation and	✓		
	Amendments bringing bearer plants into the scope of PAS 16			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
PAS 19 (Amended)	Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service*	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange			✓
	Amendment: Net Investment in a Foreign			✓
PAS 23 (Revised)	Borrowing Costs	✓		

		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments regarding the sale or contribution of assets between an investor and its associateor joint venture*			✓
	Amendments regarding the application of the consolidation exception*			✓
PAS 29	Financial Reporting in Hyperinflationary			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Financial Instruments Assets and Liability Offsetting	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of assets - Recoverable amount disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent	✓		
PAS 38	Intangible Assets	✓		
	Amendments regarding the clarification of acceptable methods of depreciation and	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting			✓
	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in PAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolioof financial assets or financial liabilities when PFRS 9 is applied, and to extend the fair value option to certain contracts that meet the _own use‘			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	✓		
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market			✓
IFRIC 7	Applying the Restatement Approach under PAS29 Financial Reporting in Hyperinflationary			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum			✓
IFRIC 16	Hedges of a Net Investment in a Foreign			✓
FRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives	✓		✓
SIC-25	Income Taxes - Changes in the Tax Status ofan Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements:			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		
IAS 7	Disclosure Initiative	✓		
	Amendments to IAS 7 of Cash Flows	✓		
Improvements to IFRS Standards 2014–2016	Annual Improvements to IFRS Standards 2014-2016 Cycle	✓		
	Amendments to IFRS 1	✓		

PRODUCTS AND SERVICES

1) Loans (Agricultural, Commercial/SME, Industrial, Microfinance, Auto, Housing, Salary)
2) Deposits (Savings, Time)

Aside from traditional bank products, Netbank also offers servicers such as but not limited to:

3) Hold - Open transaction accounts via API or Upload. Real and 'virtual' accounts. Implement tools for specialist flows.
4) Lend - Fund client loans with an efficient balance sheet structure, connecting via API or direct access. Reduce losses using our credit tools.
5) Pay - Disburse and Collect payments via API or file upload. PESONet and InstaPay, plus access to 12,000 physical payment points. Mastercard member.
6) Check - Automated KYC and KYB processes, allowing accelerated on-boarding for partners. Range of credit checking tools to lower credit risk.
7) Connect - Access accounts and payments via API, connecting to CBS on the cloud. White-labelled mobile app. Connect to databases and tools.