

2021 ANNUAL REPORT

About Us –Pampanga Development Bank

During the early part of 1959, Mr. Ignacio Jao-Tayag broached the idea of establishing a private development bank in Pampanga to help in the development of the countryside. He invited several businessmen and prominent individuals in its pre-organization.

Following below are the founders of the Bank – the six (6) incorporators listed in the Articles of Incorporation:

1. **Ignacio Jao-Tayag**
2. **Andrea V. Jao**
3. **Angel A. Reyes**
4. **Abelardo Tinio**
5. **Felix C. Makabali**
6. **Honesto L. Baltazar**

On January 12, 1961, the Articles of Incorporation was approved by the Central Bank and on June 20, 1961, the Second Pampanga Development Bank was officially opened to the public.

Since its creation, three (3) other branches were established in Central Luzon. The first and largest branch was established in 1966 at the heart of downtown Angeles City, Pampanga. This branch caters to all types of clients from market vendors to top Angeles City businessmen.

The second branch was established in Tarlac City in 1996 and, a year later, the third was established at the heart of downtown Cabanatuan City.

With the able leadership of its organizers and the subsequent directors and officers, Pampanga Development Bank has grown stronger. From a Bank with just ₱1 million in paid-up capitals in 1961, it has slowly but

steadily become a competitive Thrift Bank with a net worth of ₱309.457 million and with total assets worth ₱617.034 million as of the year ended December 31, 2021.

Over the years, Pampanga Development Bank has been known for its conservative and stable operations. It has established a distinct and outstanding reputation as a financial institution that caters to countryside development through sustained financial assistance to Micro, Small and Medium-Scale Enterprises.



1. Corporate Policy

a. Bank's Vision and Mission Statements

CORPORATE VISION

Pampanga Development Bank seeks to become the most dynamic privately owned development bank in Central Luzon, fostering sustained economic development in the countryside, providing greater opportunities to all Filipinos.

CORPORATE MISSION

Pampanga Development Bank, by providing an array of financial and developmental resources to our fellow Filipinos, shall improve the quality of life and shall stimulate and accelerate sustainable economic growth in Central Luzon.

The Bank's specific strategies to achieve this mission are:

1. Support micro, small and medium business development.
2. Help Filipinos in acquiring their own homes.
3. Improve the quality and value of real estate in client areas.
4. Increase the number and quality of goods and services available to Filipinos

CORPORATE VALUES

1. Integrity

We are a Bank of professionals that strictly adhere to the Bank's Code of Ethics for the furtherance of our corporate goals and for our moral individual development.

2. Teamwork

We recognize that in working together, we achieve more, that as we direct our individual abilities in harmony, we achieve the banks goals better and faster.

3. Dignity of Work

We believe that work allows us to achieve our innate drives to be productive and useful. This opportunity is a gift, thus, in return we will serve the Bank diligently and faithfully, to the best of our abilities.

4. Pride in Excellence

We take pride in knowing that in everything we strive to do; we strive to do it well. We believe that excellence is the best tribute to the Bank and its clients.

5. Concern for Others

We believe in the Filipino people. We support the Bank's goals in trying to improve the Filipinos' quality of life by linking needs with resources for the betterment of all.

b. Bank's brand that differentiates it from other banks

We keep our products simple and we do the same for our rates and charges, so client always know exactly what they are getting. No surprises in the small print.

The Bank's brand reinforces our key differentiating factor which is **PERSONALIZED SERVICE**.

Our brand is driven by a desire to develop an intimate relationship with our customers, putting us in a position to identify their needs and priorities. Our approach is hinged on mutual respect, service, innovation and efficiency.

c. Business Model of the Bank

The Bank, as a private development bank – a thrift bank is a financial intermediary that raise funds primarily through time and savings deposits and invest principally in residential mortgages and consumer loans.

Also, dedicated to fund new and upcoming businesses and economic development projects by providing equity capital and/or loan capital

2. Financial Summary/Financial Highlights

A two (2)-year comparative performance of the Bank's financial condition:

FINANCIAL DATA	SOLO	
	CURRENT YEAR	PREVIOUS YEAR
Profitability		
Total Net Interest Income	38,372,075	29,225,859
Total Non-Interest Income	6,079,808	4,378,281
Total Non-Interest Expenses	31,775,117	31,626,824
Pre-provision profit	12,920,248	2,359,563
Allowance for credit losses	18,593,631	2,421,500
Net Income	(7,476,994)	504,612
Selected Balance Sheet Data		
Liquid Assets	59,896,702	97,368,709
Gross Loans	425,126,352	303,260,702
Total Assets	617,034,080	607,375,942
Deposits	281,796,904	278,944,791
Total Equity	309,457,178	304,472,412
Selected Ratios		
Return on equity	-2.44%	0.17%
Return on assets	-1.22%	0.08%
CET 1 capital ratio (for UBs/KBs)		
Tier 1 capital ratio (for UBs/KBs)	267.707	261.051
Capital Adequacy Ratio	55.32%	71.04%

Per common share data (For UBs/KBs and publicly listed Banks)		
Net income per share:		
Basic	-0.04	0.25
Diluted	0	0
Book Value	145.75	153.77
Others		
Cash dividends declared	0	0
Headcount		
Officers	16	16
Staff	29	24

3. Financial Condition and Results of Operation

Message from the **President and Chief Executive Officer (CEO)**

Dear **Shareholders, Clients and Friends:**

The year 2021 has been another **challenging year** for Pampanga Development Bank.

The Bank, like all other businesses, had been affected by the continuing unprecedented economic impact of the global pandemic. But, as always, resiliency will prevail.



The following is a brief rundown of the Bank's year 2021 performance compared to year 2020. Total resources have increased by 1.59% while total loans and receivables by 40.19%. Also, total capitalization is now at ₱309.456 million compared to Y2020's ₱304.472 million. This, despite the setback of providing an additional ₱18.593 million worth of Allowance for Credit Losses, resulted in a negative performance of ₱7.475 million.

Still, financial data showed improved performance. In terms of total resources, from ₱484 million in 2017 it has increased to ₱617 million in 2021. The Bank's total loan portfolio increased from ₱378 million to ₱425 million for the same period. Deposit generation has also improved. From ₱263 million in Y2017, it has now increased to ₱282 million as of the year end 2021.

In August this year, our Tarlac Branch transferred to a better location along Mac Arthur Highway, Tarlac City to serve our clients better. Late this year, we have partnered with Paynamics Technologies, Inc. to offer online payment services to our borrowers experiencing

struggles with onsite bank payments. These are in line with our aim to make the Bank more accessible, competitive and profitable.

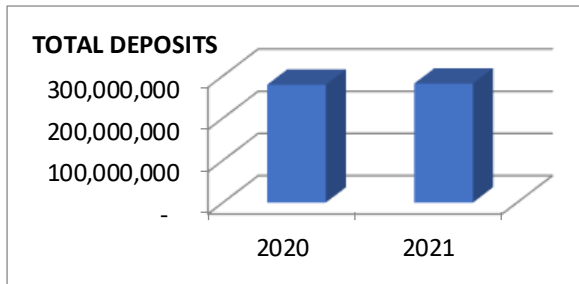
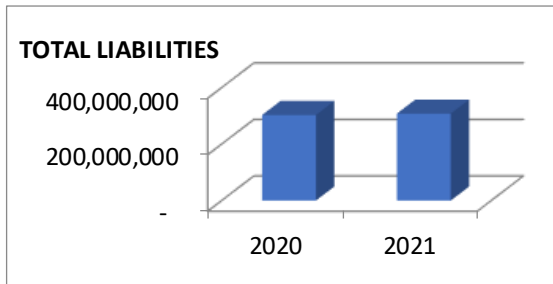
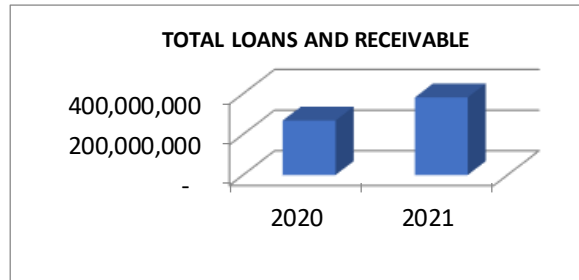
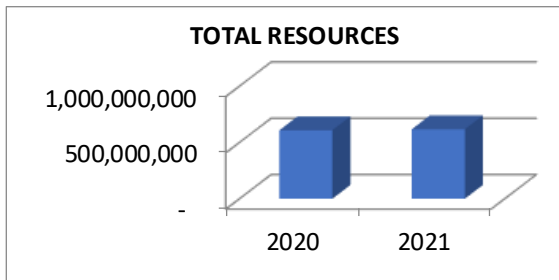
In closing, we wish to extend our sincerest appreciation to our **Shareholders**, for sharing in our Vision and Mission, to our **Board of Directors**, for their continued support, trust and confidence, to our **Officers and Staff** for their hard work and dedication to the Bank, and finally, to our **clients** for their continued patronage of the Bank.

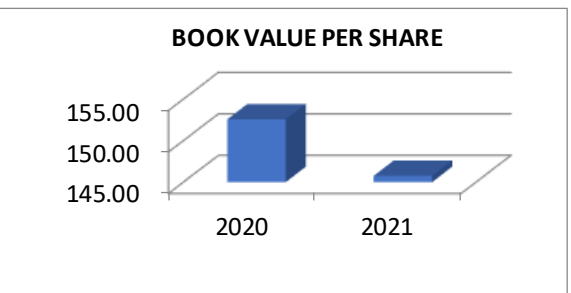
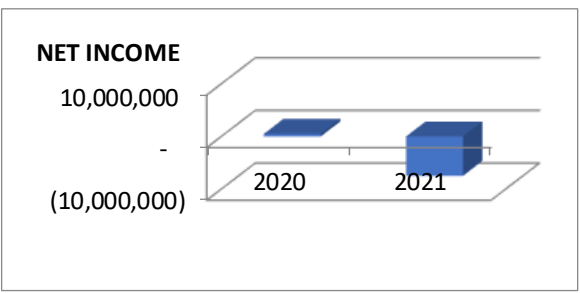
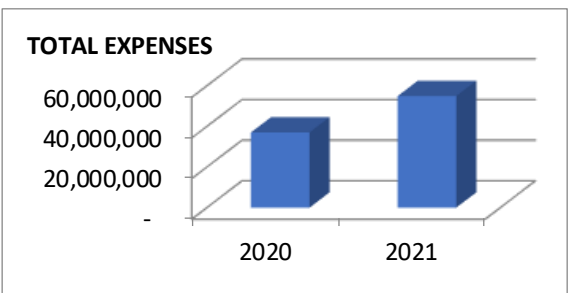
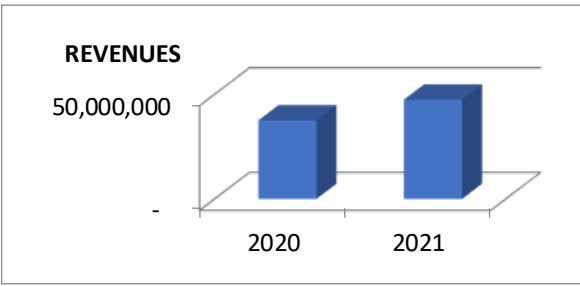
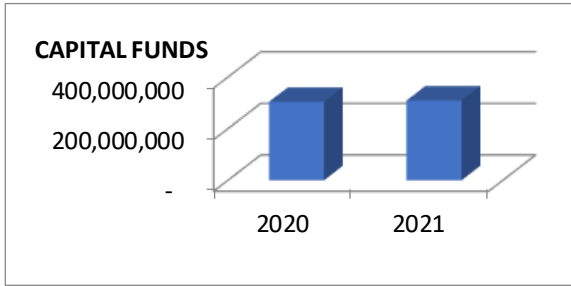


FRANCIS R. BUSTAMANTE
President & CEO

**PAMPANGA DEVELOPMENT BANK
TWO YEAR FINANCIAL HIGHLIGHTS**

	2020	2021
TOTAL RESOURCES	607,375,942	617,034,080
TOTAL LOANS AND RECEIVABLE, Net	267,783,952	381,713,189
TOTAL LIABILITIES	302,903,530	307,576,902
TOTAL DEPOSITS	278,944,791	281,796,904
CAPITAL FUNDS	304,472,412	309,457,178
REVENUES	37,521,646	47,451,533
TOTAL EXPENSES	37,017,035	54,928,528
NET INCOME	504,612	(7,476,994)
BOOK VALUE PER SHARE	152.57	145.75





4. Risk Management Framework Adopted

a. Overall risk management culture and philosophy

The Bank's risk management system helps management to achieve its performance and profitability targets and prevent loss of resources. It helps to ensure effective reporting and compliance with laws and regulations, and helps avoid damage to the Bank's reputation and associated consequences. In total, risk management system helps the Bank to get to where it wants to go and avoid pitfalls and surprises along the way.

The Bank has established various risk management policies, manual, and guidelines that lays down sound risk management practices and to guide the Bank's management and Board of Directors (BOD) to understand, measure, monitor and control the risk assumed, adopt risk management practices whose sophistication and effectiveness are commensurate to the risk being monitored and controlled, and maintains capital commensurate with the risk exposure assumed.

Risk Management Structure

The Board is responsible for setting and monitoring the risk appetite for the Bank when pursuing its strategic objectives.

The Board and Senior Management of the Bank are ultimately responsible for the oversight of the Bank's risk management process. Effective Board and Senior Management oversight of the Bank's risk activities is critical to a sound risk management process. The Board is responsible for understanding the nature and the level of risks taken by the Bank and directly in-charge in the implementation of the risk management process which includes, among others, the development of various risk strategies and principles, control guidelines policies and procedures, implementation of risk measurement tools, monitoring of key risk indicators, and the imposition and monitoring of risk limits. Likewise, the Senior Management is responsible for ensuring that risks are adequately managed both long-term and day-to-day basis.

The Compliance Department manage and monitors the implementation of the Bank's compliance risk management system designed to specifically identify and mitigate risks that may erode the franchise value of the Bank such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation. Compliance risk management is also the responsibility and shared accountability of all personnel, officers, and the Board of Directors.

The Audit Committee is responsible for overseeing the risk-taking activities across the bank, as well as in evaluating whether these remain consistent with the Bank's risk-appetite and strategic direction. It ensures that the risk governance framework remain appropriate relative to the complexity of risk-taking activities of the Bank. It is also responsible for identifying, measuring, monitoring, and reporting risk on a bank wide basis as part of the second line of defense.

The Internal Audit Department provides independent objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes of the Bank, which helps management and the Board of Directors in protecting the Bank and its reputation. It both assesses and complements the Bank's operational management, risk management, compliance and other control function.

The Loan Committee assists the Board of Directors in ensuring that the Bank has an adequate and effective credit risk management systems commensurate to its credit-risk-taking activities. It is responsible in establishing an appropriate credit risk environment, operating under a sound credit granting process, and maintaining appropriate credit administration, measurement, monitoring process and control over credit risk.

The Risk Oversight Committee is an oversight management committee that ensures the proper implementation of the Bank's liquidity and market risk management practices. These includes ensuring that the Bank is able to maintain a level of liquidity sufficient to meet its financial obligations in a timely manner and fulfill its legitimate funding needs, and understands, measures, monitors and controls the Bank's liquidity and market risk exposure.

The Compliance Committee ensures that the Bank is protected against money launderers. It ensures effective implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) approved by the Board and that the oversight on the Bank's AML compliance is adequate.

The Information Technology Governance Committee, together with the Board of Directors set the overall tone and strategic direction for the Bank's information technology and information security by providing leadership, effective information security governance and oversight. It leads in establishing an information security culture that regards security as an intrinsic part of the Bank's core business and operations. It oversees the Bank's information technology projects and development of an information security strategic plan to clearly articulate security strategies and objectives aligned with business plans.

The Management Committee is an avenue in which the Department Heads interact with the Board of Directors whereby their plans, issues, matters, status or activities are discussed on a regular basis, in order that the day-to-day functions of the different departments are monitored and reported to the Board as part of the latter's governance over the operations of the Bank.

VARIOUS TYPES OF RISK

Credit Risk

This is the risk where a counter party fails to meet its contractual obligation. The Bank's lending business follows credit policy guidelines set by the Board, ROC. These guidelines serve as the Bank's minimum standards for extending credit. Everyone engaged in the credit process are required to understand and adhere to these policies.

The Bank's product manuals contain business plans and define the business parameters by which credit activity is to be performed. Before extending a loan, the Bank observes a system of checks and balances, including the approval of at least two senior officers through the Executive Committee (ExCom), or the Board. The ROC reviews the Bank's business strategies and ensures that revenue-generating activities meet risk standards.

The Bank holds regular audit across the organization. Its Board – through the Executive Committee (EXCOM), Management Committee (MANCOM), and ROC – ensures that all business segments follow sound credit policies and practices.

The Bank manages risk concentration by type of individual or group of borrowers, by geographical region, and by industry sector. It assesses the credit quality of financial assets using the Bangko Sentral ng Pilipinas' (BSP) credit classifications. The Bank uses credit scoring models and decision systems for consumer loans, and borrower risk rating and facility risk rating models for SME loans, as approved by the Board.

The Bank carries out stress testing analyses using Board approved statistical models relating the default trends to macroeconomic indicators. Since 2017, enhanced stress testing models and stress limits were implemented for consumer loans.

Liquidity Risk

In managing its liquidity position, the Bank ensures that it has more than adequate funds to meet its maturing obligations.

The Bank administers stress testing to assess its funding needs and strategies under different conditions. Stress testing enables the Bank to gauge its capacity to withstand both temporary and long-term liquidity disruptions. The Liquidity Contingency Funding Plan (LCFP) helps the Bank anticipate how to manage a liquidity crisis under various stress scenarios. Liquidity limits for normal and stress conditions cap the projected outflows on a cumulative and per tenor basis.

The Bank discourages dependence on Large Funds Providers (LFPs) and monitors the deposit funding concentrations so that it will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits. Fund Management is responsible for managing the liquidity of the Bank while ROC review and oversee the Bank's overall liquidity risk management.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. To mitigate these, Pampanga Development Bank "the Bank" constantly strives to maintain our strong "control culture," prudent use of technology and effective internal control system, which are key factors towards continuous self-improvement under a "no-surprise" operating environment.

The Bank's Board-approved bank wide organizational chart clearly establishes areas of management responsibility, accountability and reporting lines for all its senior officers. Operational risk management policies and frameworks are continuously reviewed and updated, subject to ROC and Board approvals to ensure that they remain relevant and effective.

The Bank's products and operating manuals, policies and procedures spell out internal controls implemented by its business and operating support units. Its Internal Audit (IA) provides independent reasonable assurance on control adequacy and compliance with these manuals. The Bank continually identifies and assesses operational risks across the organization and develops controls to mitigate and manage them as part of continuing efforts to enhance its Operational Risk Management Framework.

To ensure that the Bank manages all operational risks adequately, specialized functions are engaged in risk management. These include Information Technology, Legal, Compliance, Human Resources and regularly reports to the Board's Audit Committee on the effectiveness of internal controls.

The Bank likewise has a Business Continuity Plan and a Disaster Recovery Program that are reviewed and tested annually on a per segment and bank-wide basis to ensure their effectiveness in case of business disruptions, system failures and disasters.

Technology Risk

Technology risk is the risk to earnings or capital arising from deficiencies in systems design, implementation, maintenance of systems or equipment and the failure to establish adequate security measures, contingency plans, testing and auditing standards.

To provide simpler, faster, more convenient and secured banking services to its growing clientele and to avail of an advanced management information system that enables the Bank to make fast and well-informed business decisions, it continually invests in Information Technology by venturing into core business process automations, key system enhancements, and information security solutions.

Given this heavily automated operating environment, The Bank makes sure that it continuously identifies and quantifies risks to the greatest extent possible and establishes controls to manage technology-associated risks through effective planning, proper implementation, periodic measurement and monitoring of performance.

Legal Risk

Legal risk is the potential loss due to nonexistent, incomplete, incorrect, and unenforceable documentation that the Bank uses to protect and enforce its rights under contracts and obligations. A legal review process, which its Legal Retainers (thru legal sufficiency) performs, is the primary control mechanism for this type of risk to ensure that the Bank's contracts and documentation adequately protects its interests and complies with applicable legal and regulatory requirements.

Regulatory Risk

Regulatory Risk, also known as Compliance Risk, covers the potential loss from non-compliance with laws, rules and regulations, policies and procedures, and ethical standards.

The Bank recognizes that compliance risk can diminish its reputation, reduce its franchise value, limit its business opportunities, and reduce its potential for expansion. Thus, The Bank, guided by its Compliance Office, continuously promotes a culture of compliance.

Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper resolution of conflicts, and slow response to industry changes.

Strategic risk can influence the Bank's long-term goals, business strategies, and resources. Thus, the Bank utilizes both tangible and intangible resources to carry out its business strategies. These include communication channels, operating systems, delivery networks, and managerial capacities and capabilities.

Reputational Risk

Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or manage existing relationships. The risk may expose the Bank to litigation, financial loss, or a decline in customer base.

All employees are responsible for building the Bank's reputation and exercising an abundance of caution when dealing with customers and communities.

Sustainable Finance Framework

Anti-Money Laundering Governance and Culture

The prevention of financial crimes is a top priority of Pampanga Development Bank, not only because they pose a significant threat to our reputation, but because they weaken the integrity of the global financial system. Hence, our Compliance Office extends its ambit beyond the Bank, its policies, and its employees to ensure that our clients also act within the law and do not use the Bank for illegal activities.

The Compliance Office is responsible for monitoring customer and counterparty transactions in compliance with the Anti-Money Laundering Law, its implementing rules and regulations, and BSP Circular No. 706 and 950. Developed under the guidance of the BSP's Money Laundering and Terrorist Financing Prevention Program, the Bank's anti-money laundering program covers all its various units, branches, and employees.

This program aims to implement sound anti-money laundering practices and combat terrorist financing and other financial crimes. It consists of conscientious due diligence and know-your-

customer, or KYC, processes; technology to identify financial transactions of a suspicious nature; and monitoring, periodic review and timely reporting of anti-money laundering-combating the financing of terrorism (AML-CFT) events to senior management. This program also includes regular and effective AML-CFT training and awareness programs for all personnel; maintenance of customer data and transaction documents within prescribed timelines; and timely updates of policies and procedures in accordance with changes in regulations and AML and CFT typologies.

5. Corporate Governance

a. Overall corporate governance structure and practices

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to heighten awareness within the organization and amongst its stakeholder at every opportunity.

The Board of Directors, through policies and its own practices, establish and actively promote, communicate and recognize sound governance principles and practices to reflect a culture of strong governance in the Bank as seen by both internal and external stakeholders.

1. The Board of Directors ensures that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of lines of responsibility and accountability, especially between the roles of the Chairman of the Board of Directors and Chief Executive Officer/President.
2. The Board of Directors maintains, and periodically updates, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.
3. The Board of Directors structures itself in a way, including in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, critical discussion of issues and thorough review of matters. It meet-regularly to properly discharge its functions. It also ensures that independent views in board meetings are given full consideration and all such meetings be duly minuted.
4. The Board conducts and maintains the affairs of the institution within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It ensures effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practice. The Board appoints a compliance officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The compliance officer shall be vested with appropriate authority and provided with appropriate support and resources.

5. The Board of Directors establishes a system of checks and balances which applies in the first instance to the board itself. Among the members of the board, an effective system of checks and balances must exist. The system shall also provide a mechanism for effective check and control by the Board over the chief executive officer and key managers and by the latter over the line officers of the Bank. Checks and balances in the board shall be enhanced by appointing a chairperson who is a non-executive, whenever possible.
6. The Board of Directors assesses at least annually its performance and effectiveness as a body, as well as its various committees, the chief executive officer, the individual directors, and the bank itself, which may be facilitated by the corporate governance committee or external facilitators. The composition of the Board shall also be reviewed regularly with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation shall be adopted which shall include, but not limited to, the setting of benchmark and peer group analysis.
7. The Board ensures that individual members of the board and the shareholders are accurately and timely informed. It shall provide all its members and to the shareholders a comprehensive and understandable assessment of the Bank's performance, financial condition and risk exposures. All members of the board shall have reasonable access to any information about the institution at all times. It shall also provide appropriate information that flows internally and to the public.

b. Selection process for the Board and Senior Management

Process and criteria for Nominations to the Board

The Nomination Committee establishes the principles for the selection of candidates to the Board of Directors, selects candidates for the election or re-election to the Board of Directors and prepares a proposal for the Board of Directors' decision. The Committee shall be guided by the Bank's mission and vision in the fulfillments of its functions.

The Committee shall observe the following process and criteria in receiving and evaluating nominations to the Board in line with the Bank's strategic directions and in accordance with its Board Diversity Policy:

1. Receive all written nominations to the Board submitted by stockholders not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix before the date of the next annual meeting of the stockholders.
2. Review and evaluate the qualifications of all those nominated in accordance with the following criteria:
 - a. Ownership of at least one (1) share of the capital stock of PDB;
 - b. At least twenty-five (25) years of age at the time of his election or appointment;

- c. A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or membership in good standing in relevant industry, and membership in business or professional organizations or sufficient experience and competence in managing a business to substitute for such formal education;
- d. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;
- e. Adequate physical health and mental stamina to withstand the rigors of his responsibilities;
- f. No potential conflict of time and attention due to competing officerships, directorships, memberships position in other corporations;
- g. Attendance of an accredited corporate governance seminar, as required by the BSP & SEC; and
- h. No disqualifications as provided for in the Corporation Code, BSP Circulars and SEC Rules and Regulations.

The Committee may consider and recommend to the Board other qualifications for directors including independence criteria/standards for independent directors, which are aligned with the Bank's vision, mission and corporate strategy that are now or may hereafter be provided in relevant laws or any amendments thereto.

The Committee may likewise identify and recommend qualified individuals for nomination and election to the Board. For this purpose, the Committee may make use of professional search firms or other external sources of candidates to search for qualified candidates to the Board.

3. Screen and shortlist qualified individuals for election as directors to ensure that only those that possess all the qualifications and none of the disqualifications from directorship as provided in the Corporation's By-Laws, Corporate Governance Manual and relevant laws, rules and regulations may be elected to the Board.
4. Identify and prepare a final list of qualified nominees, recommend for final approval of the Board such final list, and recommend to the stockholders the qualified nominees included in the final list for election in the annual meeting of stockholders.
5. In case of vacancy in the Board other than removal of a director or expiration of term, determine and identify the qualified nominee and recommend to the Board, if the remaining directors still constitute a quorum, to elect such qualified nominee to fill the vacancy.
6. Identify and recommend directors to fill vacancies in any of the Board committees, taking into account the requirements set forth in their respective charters.

Nominations to Key Management Positions

The Committee shall review and evaluate the qualifications of all persons nominated to positions in the Bank which require appointment by the Board. In conducting its review, the Committee shall consider the following factors:

- a) Duties and responsibilities of the position/s under consideration;
- b) For the nominees:
 - (i) level of knowledge on the Corporation's business;
 - (ii) potential to assume greater responsibility in the organization;
 - (iii) ability, integrity and expertise; and
 - (iv) Results of previous performance assessments.

c) Board's overall responsibility

Compliance with the principles of good corporate governance shall start with the Board of Directors.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

Specific Duties and Functions

To insure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- Install a process of selection to ensure a mix of competent directors and officers.
- Determine the Bank's purpose, its vision and mission and strategies to carry out its objectives.
- Ensure that PDB complies with all relevant laws, regulations and codes of best business practices;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

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

1. The Chairman of the Board shall be elected by the Board of Directors from their own number.
2. Preside at all meetings of the Directors, or assign this duty to the President, if he so chooses.
3. Ensure that the organization abides by its By-Laws and established policies.
4. Support the President
5. Represent the Corporation to other organizations, the media and the public at large, or assign this duty to the President if he so chooses.
6. Appoint or approve committee chairpersons according to approved committee policy.
7. In Collaboration with the President, develop agendas for all meetings of the Board of Directors.
8. Report to the Membership.
9. Communicate regularly with the President.
10. Report Periodically to the Board of Directors.
11. Train the incoming Chairman for his/her responsibilities.
12. Charge committees, based on the Corporation’s existing Committee Charters.
13. Receive reports from all officers and committees.

e. Board composition

The Bank’s Board of Directors (BOD) is composed of nine (9) members and three (3) of them are independent directors, as follows:

Name of Director	Type of Directorship	Principal Stockholder Represented	# Of Years Served	# Of Direct and Indirect Shares Held	% Of Shares Held to Total O/S Shares
Mrs. Lourdes R. Bustamante	Non-Executive	n/a	14	777	0.036649%
Mr. Rodolfo V. Jao	Non-Executive	n/a	36	777,077	36.653019%
Mr. Francis R. Bustamante	Executive	n/a	10	35,364	1.668042%
Mrs. Luz N. Feliciano	Executive	n/a	03	5,001	0.235886%
Mr. Roberto N. Suarez	Non-Executive	n/a.	10	1	0.000047%
Mrs. Josefina T. David	Non-Executive	n/a	24	20,608	.972034%
Atty. Jerome D. Canlas	Independent	n/a	4	1	0.000047%
Mr. Dionisio T. Dychioco III	Independent	n/a	3 mos.	1	0.000047%

Mr. Felicisimo Jose A. Feria	Independent	n/a	6 mos.	1	0.000047%
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f. Board qualification

NAME/POSITION AT PDB	CURRENT DIRCTORSHIP / OFFICERSHIP	POSITION
MRS. LOURDES R. BUSTAMANTE Director, Board Chair 73, Filipino	Systems Plus College Foundation, Inc. Systems Plus Computer College Foundation, San Fernando, Inc. Systems Plus Computer College of Kalookan, Inc. PAIR Management & Development Corp. JAOVIL Realty & Development Corp.	Trustee/President Trustee/President Trustee/President Vice President Vice President
MR. RODOLFO V. JAO Director, Chairman, CEO 80, Filipino	Systems Plus College, Inc. PAIR Management & Development Corp. JAOVIL Realty & Development Corp. RVJ Realty & Development Corp.	Trustee Chairman & CEO Chairman & CEO Chairman & CEO
MR. FRANCIS R. BUSTAMANTE Director, President, COO 45, Filipino	Systems Plus College Foundation, Inc. Systems Plus Computer College Foundation, San Fernando, Inc. Systems Plus Computer College of Kalookan, Inc. JAOVIL Realty & Development Corp. PAIR Management & Development Corp. RVJ Realty	Vice President – Administration Vice President – Administration Vice President – Administration President/Director President/Director President/Director
MRS. LUZ N. FELICIANO Director, Vice President, COO 55, Filipino	None	Not Applicable
MR. ROBERTO N. SUAREZ Director 66, Filipino	Narez Development Corporation QFI MANCOM, INC.	Director Director
MRS. JOSEFINA T. DAVID Director 74, Filipino	None	No Applicable
ATTY. JEROME D. CANLAS Independent Director 37, Filipino	Cruz Marcelo & Tenefrancia Law Office	Senior Associate
MR. DIONISIO T. DYCHIOCO III Independent Director 63, Filipino	Clark Development Corporation (CDC)	Assistant Vice President
MR. FELICISIMO JOSE A. FERIA Independent Director 76, Filipino	Macawiwili Gold Mining and Development Co., Inc.	Stockholder

g. List of board-level committees including membership and function.

1. EXECUTIVE COMMITTEE

The Executive Committee of the Bank shall have the power to direct the business of the Bank vested by law in the Board of Directors insofar as such powers and authority may be lawfully delegated to the Executive Committee, including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

MEMBERSHIP

The Executive Committee shall be composed of at least three (3) members of the Board of Directors (BOD) including the President. The Executive Committee members shall be appointed annually by the BOD and assign them responsibilities for the oversight and management of the Bank.

The Chief Executive Officer (CEO) shall serve as chair of the Committee. The members of the Executive Committee will serve until their resignation, retirement or removal by the Board or until successors or replacements shall have been appointed. The composition and functions of the Executive Committee will be reviewed by the Board on an annual basis.

If any vacancy shall occur in the Committee by reason of resignation, retirement, or removal, the remaining members of the Committee shall continue to act if still constituting a quorum, and any such vacancy may be filled up by the Board.

No member of this Committee should be designated as a member of the Audit Committee.

DUTIES AND RESPONSIBILITIES

The Executive Committee shall regularly review and approve credit proposals within its authority and limits as well as recommend additional conditions and requirements on loan applications for approval of the Board of Directors.

Other duties and responsibilities:

1. To consider the Bank's business plan and annual budget for presentation to the Board of Directors;
2. To formulate the overall investment strategy of the Bank and to approve investment guidelines and investment requests in accordance with the Bank's regulations;
3. To consider other crucial issues such as new business, interest rate policy, accounting policy, and legal proceedings against the Bank;
4. To screen issues prior to their submission to the Board;
5. To approve or take note of issues related to the management of the Bank which the Committee deems necessary or appropriate;
6. To consider issues assigned by the Board;

The Executive Committee may also act, by majority vote of all its member directors, on such other specific matters within the competence of the Board as may be delegated to it in the Bank's By-Laws or by a majority vote of the Board except with respect to:

- Approval of any action for which stockholders' approval is required;
- Filing of vacancies in the Board;
- Amendment or repeal of By-Laws or the adoption of new By-Laws;

- Amendment or repeal of any resolution of the Board which by its express terms is not amenable; and
- Distribution of dividends to stockholders.

2. MANAGEMENT COMMITTEE

Objective

The Management Committee is established to manage and conduct the Bank's business as designated by the Board of Directors to attain sustained performance excellence, by conscientiously taking into account prevalent and future risk environment, consistent with the Bank's statement of Vision, Mission, and Professional Ethics and in accordance with good corporate governance principles.

Management Committee Structure

1. The Board of Directors appoints the Management Committee under the Bank's Articles of Incorporation. The Management Committee shall consist of the Chief Executive Officer, President, and other Bank officers.
2. The Management Committee members shall be persons with requisite qualifications, experiences, and sound judgment that will contribute positively to the management of the Bank's operation.
3. The Chief Executive Officer shall serve as ex-officio Chairman of the Management Committee.
4. The Management Committee Chairman shall appoint the secretary to the Management Committee.
5. The Management Committee shall hold at least one meeting a month, except when there is compelling reason or when there is no required meeting agenda or other justifiable reasons.
6. The Meeting quorum shall constitute not less than half of all Management Committee Members attending and presides by the Chief Executive Officer or his designated substitute.
7. It is the duty of all Management Committee Members to attend the Meetings, in person or by teleconference (participation in a Meeting by phone shall not be counted in the quorum).
8. The Management Committee may invite responsible or related person(s) to participate in Meetings as deemed appropriate.
9. The Management Committee may consult the Advisory Directors to the Management Committee.
10. The Secretary to the Management Committee shall be responsible for preparing the Meeting agenda, under the approval of the Management Committee Chairman, including other necessary arrangements for the Meeting, compilation and preparation of Meeting documents, and delivering Meeting agenda and documents to every Committee Members 2 day prior to the Meeting, so that everyone can thoroughly review, or seek additional data before the Meeting takes place.
11. The Secretary shall prepare Minutes of all meetings for adoption at the next Meeting of the Management Committee.

Authorities, Duties and Responsibilities

1. The Management Committee shall have the responsibility of managing and conducting the Bank's business as designated by the Board of Directors, or under specific resolution of the Board of Directors.
2. The Management Committee shall have the authority to manage the Bank's business according to set policies and plans.
3. The Management Committee shall have authority as delegated by the Board of Directors, under management authority of the Bank.
4. Management Committee Chairman shall submit Minutes of Management Committee Meetings to the Board of Directors to inform of the business activities undertaken by the Committee. However, the following activities require prior approval of the Board of Directors:
 - 4.1 Policy-related issues of the Bank
 - 4.2 Issues likely to cause significant changes in the Bank's business
 - 4.3 Certain issues requiring action by the Board of Directors of the Bank in compliance with law
 - 4.4 Issues that action must be taken by the Board of Directors according to the Bank's rules and regulations
 - 4.5 Issues the Management Committee considers appropriate for approval by the Board of Directors on a case-by-case basis, or under the criteria designated by the Board of Directors, such as credit underwriting, etc.
5. The Management Committee shall have the responsibility and authority to conduct activities as set, for the Bank to attain targets, which include:
 - 5.1 Preparation and review of strategic objectives, financial plans and key policies of the Bank, to be submitted for approval by the Board of Directors
 - 5.2 Considering the annual business plans, capital expenditures, performance targets, and other initiatives to attain the Bank's targets, and submitting for approval by the Board of Directors
 - 5.3 Considering project with capital expenditures, in excess of budgets designated by the Board of Directors, and submitting them for approval by the Board
 - 5.4 Considering and approving issues within its legitimate authority, or as delegated by the Board of Directors
 - 5.5 Reviewing the respective authority for the various operation as specified in the list of approval authority, and submit for approval by the Board of Directors
 - 5.6 Managing and setting balance between short and long-term objectives
 - 5.7 Developing and supervising human resources, to conform with human resources development strategies, endorsed by the Human Resources and Remuneration Committee
 - 5.8 Monitoring and reporting to the Board of Directors the Bank's operating results and other works in progress toward achieving the Bank's objectives
 - 5.9 Monitoring performances of employees at all levels with regard to risk management under the Bank's policies, including the effectiveness of the internal

- control system, and operations in compliance with related laws, rules and regulations
- 5.10 Reviewing newly initiated major activities or products, to submit for consideration and approval by the Board of Directors
 - 5.11 Communicating with outside stakeholders as deemed appropriate according to delegated authority

3. LOANS COMMITTEE

I. Purpose and Scope

In line with the Bank's thrusts of maintaining high quality, sound and profitable loan portfolio, the Loans Committee shall ensure:

1. To review all loans before presentation to the Board of Directors for approval;
2. To review credit evaluation and approval procedures and recommend changes, if necessary to ensure continues relevancy and effectiveness.
3. Collaborate with the Vice President and Bank Managers in formulating, implementing and reviewing the Bank's Loan Review System.

II. Duties and Responsibilities

The Committee will carry out the following responsibilities:

1. Establishing the Bank's overall credit risk capacity;
2. Setting strategic targets, portfolio composition and limits at the corporate level;
3. Reviewing and approving credit decision that may pose material risks to the Bank's business strategy or reputation;
4. Reviewing the financial results of the Bank and determining action plans; and
5. Reviewing all loans and credit transactions.

III. Resources and Authority

The Loans Committee in carrying out its objectives is authorizing to:

1. Call on concerned group/department and accounts officers, credit appraisers/ investigators, loan processors and other responsible employees in the conduct of its duties and responsibilities; and
2. Access data or records of loan accounts requiring actions from the Committee.

In case of non-cooperation of management in the conduct of the Committee's functions, the penalties imposed under the Manual of Regulations for Banks (MORB) shall be applied and related provisions of the Code of Conduct shall also be enforced.

IV. Evaluation and reports

The Loans Committee shall review this charter at least annually and submit recommendations for any additions or changes for approval of the Board

V. Committee Composition and Resource Persons.

The Committee shall consist of at least three (3) members of the Board of Directors (BOD).

Committee Members shall have expertise, experience and understanding of their qualifications, functions and responsibilities.

The BOD will appoint Committee members and the Committee Chair.

The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

The Head Office Manager shall act as the secretariat for this Committee

- a. Directors' attendance at board and committee meetings (include the total number of board and committee meetings for the election year and the number of board and committee meetings attended by each director²). A sample template below.

4. AUDIT COMMITTEE

I. PURPOSE

This Charter is established by the Board of Directors (the "Board") of Pampanga Development Bank and the purpose of this Charter is to clearly define the Audit Committee's (the "Committee") qualifications, authority and its duties and responsibilities based on the requirements of SEC's Code of Corporate Governance. The Committee's activities and effectiveness will be assessed annually by the Board. For this purpose, the Board may create an independent Governance Committee to assess the performance of the Committee.

The Committee shall be appointed by the Board of PDB. Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing:

1. The financial information, which will be provided to the shareholders and others;
2. The systems of internal controls and risk management which Management and the Board have established;
3. The audit process;

4. The process for monitoring compliance with significant applicable legal, ethical and regulatory requirements, including PDB's Code of Ethics; and
5. Such other duties as directed by the Board. In doing so, it is the responsibility of the Committee to provide a free and open avenue of communication among Management, Compliance Officer, Internal Audit, the external auditors, BSP examiners and the Committee. To perform his or her role effectively, each committee member will obtain an understanding of the responsibilities of committee membership as well as the Bank's business, operations and risks.

II. AUTHORITY

The Committee should have sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports and appropriate action on audit recommendations. It has authority to conduct or authorize investigations into matters within its scope of responsibility. It is empowered to:

- (a) Appoint, compensate and oversee audit engagements performed by BSP accredited external auditing firm employed by PDB.
- (b) Review and comment on all reports issued by internal and external auditors for PDB as well as those from regulatory bodies like Bangko Sentral ng Pilipinas (BSP), Philippine Deposit Insurance Corporation (PDIC), Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR).
- (c) Resolve any disagreements between management and the auditor regarding financial reporting.
- (d) Conduct or investigate any matter appropriate to fulfilling its responsibilities with full access to all books, records, facilities and personnel of the Bank and retain independent or outside counsel auditors, accountants or other experts to advise the Committee or assist for this purpose.
- (e) Meet with Management, external auditors, and regulatory examiners or outside counsel, as necessary.

III. ORGANIZATION AND QUALIFICATIONS

- (a) The Committee shall be appointed annually by the Board.
- (b) The Committee shall be composed of at least three (3) but not more than five (5) members of the Board, who do not hold executive positions in the Bank and who are not members of the Executive Committee of the Bank. The Committee shall also include at least two (2) independent directors, including the Chairman, who are defined as follows:
 - is not an officer or employee of PDB;
 - is not a relative of an officer or other employees of PDB;

- does not hold or control, or has not held or controlled, directly or indirectly, within the preceding year, assets representing 10 percent or more of any outstanding class of voting securities of PDB; and
 - Does not have any outstanding extensions of credit from PDB.
- (c) Each member shall have adequate understanding at least or competence at most, of PDB's operations, financial management systems and environment and preferably with accounting, auditing or related financial management expertise or experience.
- (d) Each member shall be required to attend seminar and training to develop their skills and competencies needed in the discharge of their duties and responsibilities.

5. RISK MANAGEMENT

PURPOSE

The purpose of the Risk Oversight Committee is to assist the Board of Directors (Board) in fulfilling its responsibilities in managing the Bank's risk-taking activities.

The Risk Oversight Committee shall be responsible for the development and oversight of the risk management program for the Bank. The responsibility for executing the Bank's risk oversight policy and framework lies with Senior Management.

AUTHORITY

1. To aid in fulfilling its duties and responsibilities, the Board of Directors has bestowed upon the Risk Oversight Committee the authority to:
 - a. Review and approve principles, policies, strategies, processes and control frameworks, pertaining to risk oversight recommended by the Senior Management.
 - b. Form and delegate authority to sub-committees.
 - c. Have direct and unrestricted access to management and auditors (internal and external), and receive regular reports.
 - d. Obtain advice and assistance from independent professional advisors.
 - e. Conduct or direct any investigation when the need arises.

MEMBERSHIP

- a. The Risk Oversight Committee shall be composed of at least three (3) members of the Board of Directors including at least one (1) independent director, and a chairperson who is a non-executive member.
- b. Each member shall be appointed by the Board of Directors.
- c. The members of the risk of the risk oversight committee shall possess a range of expertise as well as adequate knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

MEETINGS

- b. The Risk Oversight Committee may conduct meetings only when a majority of the Committee members are present.
- c. Although not member of the Committee, the Corporate Secretary act as Committee Secretary and shall regularly attend the meetings.
- d. Meetings shall be held on a quarterly basis, as a minimum.
- e. The Risk Oversight Committee may request non-members to join the meetings when deemed necessary to address the Committee's objectives.
- f. Non-members may be asked by the Committee to withdraw for all or any part of any meeting.
- g. The agenda shall be prepared by the Corporate Secretary prior to the meetings. At a minimum, the agenda should include reports on limits compliance, as well as the profile of the Bank's risk exposures. Minutes of the meeting shall be prepared by the Committee Secretary.

DUTIES AND RESPONSIBILITIES

- a. Identifies and evaluates the Bank's risk exposures. The Committee assesses the likelihood of each risk identified and estimates its impact to the Bank. Further attention shall be given to those risks that are more likely to happen and bear more costly impact to the Bank.
- b. Ensures that all risk oversight strategies and policies for all types of risks are developed, properly documented, and effectively communicated to the organization. The Committee also ensures that the concerned units follow the loss mitigating strategies and procedures laid out in the risk oversight policies.
- c. Evaluates and approves all types of recommended risk tolerances including portfolio credit tolerances, market and liquidity risk limits, and operational risk parameters that include information security; taking into consideration the overall risk appetite of the Board.
- d. Ensures that relevant risks are measured and monitored for all portfolios and business activities.
- e. Evaluates the magnitude, direction and distribution of risk across the Bank. Provides direction to the bank on how to control or mitigate these risks through its developed risk oversight strategies and policies.
- f. Evaluates and reports to the Board the Bank's overall risk exposures and the effectiveness of its overall risk oversight practices and processes and recommends further action or policy revisions, if necessary.
- g. It shall oversee the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the

limits are observed and that immediate corrective actions are taken whenever limits are breached.

- h. Recommends the allocation of capital in order to manage risk and corresponding earnings.
- i. On internal audit –
 - a. Ensures that the Bank’s risk oversight framework is evaluated regularly by Internal Audit.
 - b. Reviews issues raised by Internal and External Auditors regarding the Bank’s risk oversight framework.
 - c. Relays to the Audit Committee any issues that the Committee sees as relevant.
- j. Examines other matters referred by the Board.
- k. Reviews, at least annually, the Committee’s charter and recommend any proposed changes to the Board for approval.

h. Directors’ attendance at board and committee meetings

Name of Directors	Board Number of Meetings		Executive Committee Number of Meetings		Mgmt. & Loans Committee Number of Meetings		Audit, Risk Mgmt. & Corporate Governance Committee Number of Meetings		IT Governance & Compliance Committee Number of Meetings	
	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%
Mrs. Lourdes R. Bustamante	12/12	100								
Mr. Rodolfo V. Jao	12/12	100								
Mr. Francis R. Bustamante	12/12	100	11/11	100	11/11	100			11/11	100
Mrs. Luz N. Feliciano	11/12	91.67	11/11	100	11/11	100			11/11	100
Mr. Roberto N. Suarez	12/12	100					11/11	100	11/11	100
Mrs. Josephine T. David	12/12	100								
Atty. Jerome D. Canlas	12/12	100					11/11	100	11/11	100
Mr. Dionisio T. Dychioco III	4/4	100					4/5	80	4/5	80
Atty. Felicisimo Jose A. Feria	10/10	100					6/8	75	6/8	75
Total Number of Meetings Held During the Year	12		11		11		11		11	

i. Changes in the board of directors

In lieu of the passing of Independent Director, Mr. Cresencio R. Selispara, who died on March 27, 2021 due to lingering illness, Mr. Felicisimo Jose A. Feria was qualified and elected and assumed the remaining term of the late ID Selispara on June 18, 2021.

And in view of the end of the maximum cumulative term of 9 years of Independent Director Erasmo T. Cruz, as prescribed under Section 132 of the Manual of Regulations for Banks (MORB), Mr. Dionisio T. Dychioco was qualified and elected as Independent Director of the Bank and assumed the remaining term of ID Cruz on October 1, 2021.

j. List of Executive Officers/Senior Management

NAME OF OFFICER	POSITION	RELEVANT QUALIFICATION / EXPERIENCE
MR. FRANCIS R. BUSTAMANTE 45, Filipino	President, Chief Executive Officer (CEO)	AB Economics, Ateneo de Manila University MA Education Administration, Ateneo de Manila University MS Industrial Economics, University of Asia & The Pacific Vice President – Admin, Systems Plus College Foundation, Inc. Vice President – Admin, Systems Plus College Foundation, San Fernando, Inc. Vice President – Admin, Systems Plus Computer College of Kalookan, Inc. President/Director, JAOVIL Realty & Development Corporation President/Director, PAIR Management & Development Corporation President/Director, RVJ Realty Former Head Office Manager, PAMDB
MRS. LUZ N. FELICIANO 55, Filipino	Vice President, Chief Operating Officer (COO)	BS Business Administration, Accounting Major Holy Angel University CPA, PRTC Former Compliance Officer, PAMDB Former Branch Control Officer, PAMDB
ATTY. JOHNDY B. ROXAS 54, Filipino	Corporate Secretary	Bachelor of Law, Araullo University Legal Consultant, Systems Plus College Foundation Legal Consultant, JAOVIL Realty and Development Corporation Lecturer, College of Management & Business Technology, Nueva Ecija University of Science and Technology
DRA. LARA MARIE D. BUSTAMANTE 50, Filipino	Asst. Corporate Secretary	BS Psychology, UP Diliman M.D., UP Manila Residency Training in OB-Gyn, UP-PGH Active Consultant, Dr. Jesus Delgado Memorial Hospital School Physician, Systems Plus College Foundation, Inc. Clinical Associate, Professor & Attending Physician – PGH
MRS. CHERYL R. CORLETO-ROXAS 40, Filipino	Corporate Treasurer	BSA, Mirriam College MBA, Wesleyan University Philippines PhD, Wesleyan University Philippines Former New Account Clerk, Banco De Oro Former Marketing Manager, Korean Ion For You Former Credit & Collection Staff, Asiatic Group of Companies Former Branch Manager, PAMDB Cabanatuan
MR. NEPTALI C. PABUSTAN 67, Filipino	Chief Compliance Officer	BSC Banking & Finance, University of the Assumption Former Head Office Manager, PAMDB Former Chief Security Officer, PAMDB Former Branch Manager & 2 nd AVP, Banco Filipino Savings & Mortgage Bank
MR. ALVIN M. CARAGDAG 40, Filipino	IT Manager, Chief Security Officer (CSO)	BS Computer Science, Laguna College of Business and Arts

		Head – Software Development Services Former ICTDU – Head, Systems Plus College Foundation, Inc. Former Department Head, AMA Computer College, Olongapo City Former Program Head, CS Gordon College Former Instructor, Lyceum Subic Bay ICT Coordinator, Zambales Central Institute
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k. Performance Assessment Program

ANNUAL SELF-ASSESSMENT

The Board conducts an annual self-assessment of its performance, including the performance of the Chairman, the President and individual members and committees, as well as the other key officers of the Bank.

The Board has created an internal self-rating system and procedures to determine and measure compliance with the Manual on Corporate Governance vis-à-vis good corporate governance principles and practices:

- (i) Each Director self-rates and collectively rates the Board, the President and the Chairman
- (ii) Corporate Governance, Audit, Risk Oversight and other Board committees respectively rate themselves. Every three (3) years, as much as practicable, the assessment should be supported by an external facilitator.
 1. The evaluation shall cover the period April of the previous year to March of the following year (whole term).
 2. In order to properly assess the Board, its individual Directors, the President, the Board Committees, etc., self-assessment forms shall be used. The Secretary of the Corporate Governance and Nomination Committee shall initiate the performance evaluation every March of each year.
 3. Self-assessment forms must be accomplished as objectively as possible. The rating to be assigned shall reflect the personal view of the evaluator to the various corporate governance mechanisms.
 4. Self-assessment forms must be accomplished as objectively as possible. The rating to be assigned shall reflect the personal view of the evaluator to the various corporate governance mechanisms.
 5. After the assessment forms have been duly accomplished, the Secretary of the Corporate Governance and Nomination Committee shall collate the forms and prepare a summary. For the various Board Committees, the secretary shall coordinate with the respective secretaries of the committees for the results of the assessment of each Committee. The Audit Committee shall perform its self-assessment in accordance with SEC Memorandum Circular No. 4, S.2012.

6. The Committee Secretary shall review the results and report the results to the Board through the Corporate Governance and Nomination Committee. To allow for a feedback mechanism, the criteria, process and collective results of the assessments should, as a rule, be disclosed to ensure transparency and allows shareholders and other stakeholders to determine if the directors are performing their responsibilities.

I. Orientation and Education Program

Name of Director/Officer	In-house/External Training Program	Conducted by:
MRS. LOURDES R. BUSTAMANTE	Corporate Governance for Philippine Banks	Bankers Institute of the Philippines
MR. RODOLFO V. JAO	Corporate Governance for Philippine Banks	Bankers Institute of the Philippines
MR. FRANCIS R. BUSTAMANTE	Best Practices on How to Conduct Strategic Appraisal Seminar Corporate Governance for Philippine Banks Credit Process, Credit Investigation & Property Loan Portfolio Review (Updates) Credit Risk Management Corporate Governance for Philippine banks	Center for Global Practices Banting Appraiser BAIPHIL Pampanga Development Bank & Land Bank of the Philippines BAIPHIL BAIPHIL BAIPHIL
MRS. LUZ N. FELICIANO	Corporate Governance for Philippine Banks Taxpayers Account Management Program Managing Internal Control Nature and Function of Credit Workshop on Tax Remedies BSP Cir. 706 Amended by Cir. No. 950; BSP Cir. 900; BSP Cir. 981; BSP Cir. 996 and BSP Cir. 1007 Briefing on BSP Cir. No. 963 Tax Reform Acceleration and Inclusion (Train) Law Security Risk Management Course	BAIPHIL Training Program BIR District No. 21B South Pampanga Powermax Consulting Group, Inc. Pampanga Development Bank Lupo S. Ramos & Co. CPAs Chamber of Thrift Banks BSP-SDC/CFIEP Lupo S. Ramos & Co. CPAs TekForce Security Agency
MR. ROBERTO N. SUAREZ	Corporate Governance for Philippine Banks	Bankers Institute of the Philippines
MRS. JOSEFINA T. DAVID	Teller's Seminar Public Admin Training (Career Employee Dev.) Corporate Governance for Philippine Banks	Philippine National Bank University of the Philippines (Tarlac) Bankers Institute of the Philippines
ATTY. JEROME D. CANLAS	Corporate Governance for Philippine Banks	Ateneo BAP Institute of Banking
MR. FELICISIMO JOSE A. FERIA	Basic Corporate Governance	Bankers Institute of the Philippines
MR. DIONISIO T. DYCHIOCO	Corporate Governance Orientation Program	Institute of Corporate Directors

Training in Banking and Other Related Fields

Seminars and Training Program attended by Officers and Staff for year 2021, as follows:

Nature / Title	Conducted by:	Year Taken
CTB-BSP Virtual Training Program on AML/CFT Laws Rules and Regulations	Chamber of Thrift Banks (CTB) and Bangko Sentral ng Pilipinas (BSP)	28 May 2021
Training for LRA's eSerbisyo Portal ("eSP)	Chamber of Thrift Banks (CTB) and Land Registration Authority (LRA)	21 June 2021
CTB Virtual Training Program on Financial Analysis	Chamber of Thrift Banks (CTB)	7-8 July 2021
Maximizing Tax Shield	Powermax Consulting Group, Inc.	22 September 2021
Am I BIR-Audit Ready?	Zalamea & P&A Grant Thornton	28 September 2021
CTB Virtual Training Program: Analyzing Financial Statements: A toll Credit for Bankers	Chamber of Thrift Banks (CTB)	29 October 2021
Tax Rights and Remedies	Powermax Consulting Group, Inc.	19 November 2021

m. Retirement and Succession Policy

The retirement age at Pampanga Development Bank for senior management is sixty (60) years. In a case-to-case basis and at the option of the Bank, a senior management's employment may be extended up to a maximum of five (5) years.

There is no retirement age set for the Bank's Board of Directors for as long as he/she is still fit and proper for the said position.

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

The Bank maintains a succession management plan, with primary consideration on the qualification, knowledge, skills, and experience of the employee.

n. Remuneration policy

i. Remuneration Policy and Structure for Executive and Non-Executive Directors

The Bank pays salaries commensurate to the individual’s qualification and experience, nature of the job, employee performance, role, and level of responsibilities and activities with reference to an approved salary scale.

All officers and the Auditor shall receive such salaries or compensation as may be fixed by the Board of Directors.

The Bank ensures that its compensation package for non-officers or rank and file employees is linked to both performance and the Bank’s obligation under the law.

The Board of Directors may fix per diems of the members of the Board for every meeting actually attended.

Aggregate remuneration received by the Board of Directors for the year

Remuneration Item	Chairman of the Board	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
1. Per diem/ Directors Fee	₱84,000.00	₱162,000.00	₱368,000.00	₱712,000.00
(a) Bonuses	nil	nil	nil	nil
(b) Stock Options and/or other financial instrument	nil	nil	nil	nil
(c) Other benefits (Specify)	nil	nil	nil	nil
Total	₱84,000.00	₱162,000.00	₱368,000.00	₱710,000.00
Total Number of Directors	1	2	3	3

ii. Remuneration Policy for Senior Management

Compensation and Benefits

The remuneration of the executive and non-executive directors, independent directors, President and CEO, and its two (2) highly compensated management officers has been determined and approved by the Board.

Actual remuneration received by the Senior Management for the year

Process	Chief Executive Officer (CEO)	Top 2 Highest Paid Management Officers
(a) Fixed remuneration	₱56,250.00	₱1,481,172.64
(b) Variable remuneration – for President/COO	nil	nil
(c) Bonuses	nil	nil
(d) Stock Options and other financial instruments	nil	nil
(e) Others benefits (Specify)	nil	nil

o. Policies and procedures on related party transactions

RELATED-PARTY TRANSACTION - POLICIES AND PROCEDURES

The Bank's Revised Policy on Related Party Transactions (RPT) was approved by the Board of Directors on 21 December 2019. Under the said Policy, the Bank may enter into related party transactions provided, that these are done on an arm's length basis. The Bank shall exercise appropriate oversight and implement effective control systems for managing said exposures as they may potentially lead to abuses that are disadvantageous to the Bank and its depositors, creditors, and other stakeholders.

The Board also approved the creation of RPT Committee whose main function includes evaluation on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured; and evaluation of all material RPTs under the approving authority of the Board of Directors to ensure that these are not undertaken on more favorable economic terms and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. The Committee is composed of three (3) members of the Board of Directors, all of whom are Independent Directors.

The Bank's RPT Policy capture a broader spectrum of transactions, covering not only those that give rise to credit and/or counterparty risks but also those that could pose material risk or potential abuse to the Bank and its stakeholders. Transactions that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required Bank's RPT Policy, but still subject for evaluation to ensure that said transactions are still in an arm's length terms. However, any alterations to the terms and conditions, or increase in exposure level, related to these transactions after the non-related transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the Bank's RPT Policy.

The Management and Board of Directors shall ensure that RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties that similar transactions with non-related parties under similar circumstances. In this regard, an

effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the Bank and its stakeholders shall be observed. The price discovery mechanism may include, but not limited to the following:

- On-and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
- Construction arrangement/contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowing, commitments, fund transfer and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

The Management and Board of Directors shall also ensure the proper identification, prevention or management of political or social conflicts of interest which may arise. The members of the board, stockholders, and management shall dispose to the board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank, Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank.

The summary of Bank significant transactions with its DOSRI and related party as follow:

2021	DOSRI LOANS	Related Party Loans (inclusive Of DOSRI loans
Outstanding loans	32,649,821	32,649,821
Percent of DOSRI/RPT to total loan portfolio	7.74%	7.74%

p. Self-Assessment Function

i. The structure of the internal audit and compliance functions including its role, mandate/authority, and reporting process

Internal Auditor

The Bank have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which it's Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall report to the Audit Committee.

- The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance

ii. The review process adopted by the board to ensure effectiveness and adequacy of the internal control system

Compliance Functions

STATEMENT OF PURPOSE AND RESPONSIBILITIES

The general purpose of the Committee is to oversee the Bank's response to and cooperation with the Regulators and any orders or directives that are in place. Additionally, the Committee will represent and provide assistance to the Board in fulfilling its oversight responsibility relating to compliance with legal and regulatory requirements and the Bank's policies.

The specific responsibilities, policies and powers of the Committee are as follows:

- The Committee is charged with overseeing the development and execution of a plan to remediate all compliance deficiencies identified by the Bank to ensure ongoing compliance with applicable legal and regulatory requirements.
- The Committee shall prepare and present to the Board on a quarterly basis a report of its findings, detailing the form, content, and manner of any actions the Bank has taken to ensure compliance with the existing regulations, the results of those actions, and any recommendations regarding future compliance.
- The Committee shall review and approve, either in person or via electronic means, the Bank's proposed responses to the Regulators prior to submission of such responses.
- The Committee shall ensure any and all information requests by the Regulators are accurately addressed in a timely manner.
- The Committee shall be entitled to receive copies of all written or electronic communications directed to Bank management from the Regulators.
- The Committee shall be apprised of all material oral communications between Bank management and the Regulators that relate to the Committee's purpose, duties, or powers.
- The Committee shall communicate with Bank management through, and address its requests for information to, the Bank's Chief Risk Officer, who reports directly to the Committee.

- Minutes of each Committee meeting will be kept and distributed to each member of the Committee, members of the Board who are not members of the Committee and the Secretary of the Company. In addition, the Chairperson of the Committee or his designee shall be available to answer any questions the other directors may have regarding the matters considered and actions taken by the Committee.

The Compliance Office shall likewise report to the Audit Committee and will submit all needed updates on over-all regulatory compliance by the bank and other regulatory advisories. Likewise, the function of Compliance Office shall be documented both in the Bank's Compliance Program and Compliance Charter which shall likewise be reviewed and updated periodically.

q. Dividend policy

The Bank, in declaring dividends complies with the provision of Section X136 of the Manual of Regulations for Banks (MORB), to wit:

- a. Minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- b. Has not committed any unsafe or unsound banking practice and/or major acts or omissions as may be determined by the Bangko Sentral.

There was no dividend declared for the year 2021.

r. Corporate Social Responsibility Initiatives

For Pampanga Development Bank, social responsibility is a commitment that begins with the exercise of sound and fair corporate practices. The Bank ensures that its entire business is conducted according to rigorous professional, ethical, regulatory, and legal standards. The Bank strives to adhere to high standard of integrity, courtesy, and fairness as defined in its various corporate policies and frameworks. At the same time, social responsibility is a commitment that is shared by everyone in the Bank.

Environmental Commitment

Pampanga Development Bank is deeply committed to the cause of environmental protection as it is an issue that affects all mankind. The Bank sees its active involvement in protecting the environment as crucial contributions towards attaining the wider goal of sustainable development.

Commitment to Community Development

As a corporate citizen, **Pampanga Development Bank** undertake various community/social and philanthropic activities to uplift the lives of the Filipino people by giving donations to selected charities, communities, schools, etc., for various projects on social development including critical assistance in times of calamities and disasters.

Aside from the donations, relief goods, the Bank also offered practical assistance by offering loan restructuring for clients who have been hardly hit by COVID-19 pandemic. Also, aside from implementing the mandates of Republic Act No. 11469 or Bayanihan to Heal as One Act and Republic Act No. 11494 or Bayanihan to Recover as One Act, we also offer to repackage the terms and conditions of the loans of the directly affected clients to suit their present financial conditions and cash flow.

s. Consumer Protection Practices

- i. Role and responsibility of the board and senior management for the development of consumer protection strategy and establishment of an effective oversight over the bank's consumer protection programs;

Role and Responsibility of the Board and Senior Management

Board of Directors

The Board shall be primarily responsible for approving and overseeing the implementation of policies governing major areas of the Bank's consumer protection program, including the mechanism to ensure compliance with the set policies.

The Roles of the Board shall include the following:

- a. Approve the Consumer Protection policies;
- b. Approve Risk Assessment Strategies relating to Effective Recourse by the Consumer;
- c. Provide adequate resources devoted to Consumer Protection;
- d. Review the applicable policies periodically

Senior Management

The Senior Management shall be responsible for proper implementation of the Consumer protection policies and procedures duly approved by the Board. Also, its role shall focus on ensuring effective management of day-to-day consumer protection activities.

- ii. The consumer protection risk management system of the bank.

Consumer Protection Risk Management System (CPRMS)

The CPRMS is a means to identify and measure, monitor and control consumer protection risks inherent in its operations which include both risks to the financial consumer and the Bank. The Bank ensure adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations, thus ensuring that the Bank's consumer protection practices address and prevent identified risks to the Bank and associated risk of financial harm or loss to consumers.

- iii. The consumer assistance management system of the bank which shall include the consumer assistance policies and procedures as well as the corporate structure for handling complaints.

Consumer Assistance Channels

Consumer may lodge their concerns through any reasonable means, such as, walk-in or personal visit, letter, e-mail, telephone, and facsimile. For consumer assistance, the Bank designated all Branch Managers for customer concerns.

Corporate Structure

Branch Managers are the designated Head Consumer Assistance Officers per branch to handle consumer concerns. They have the following responsibilities:

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

Consumer Assistance Officer

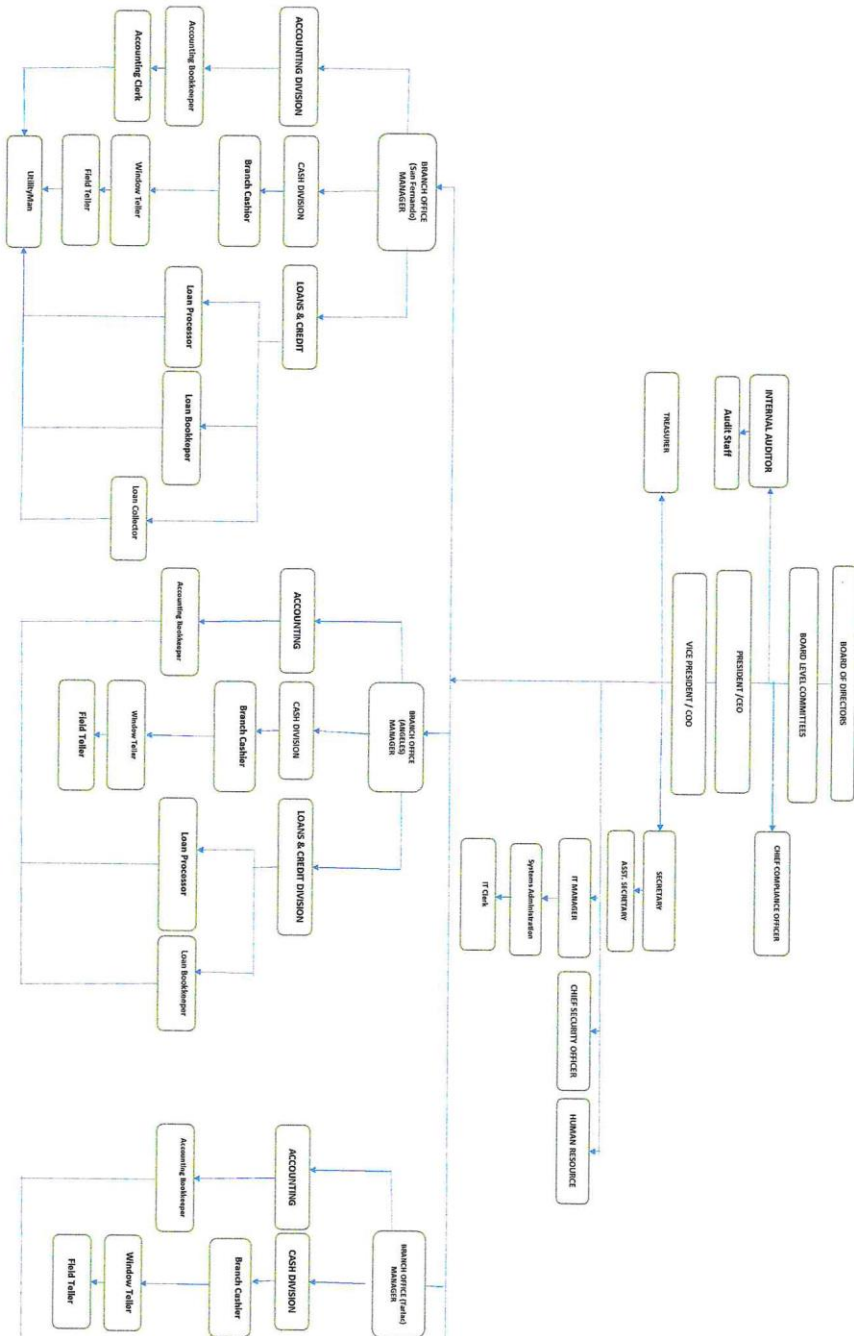
The Consumer assistance officer, as a minimum, performs the following:

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

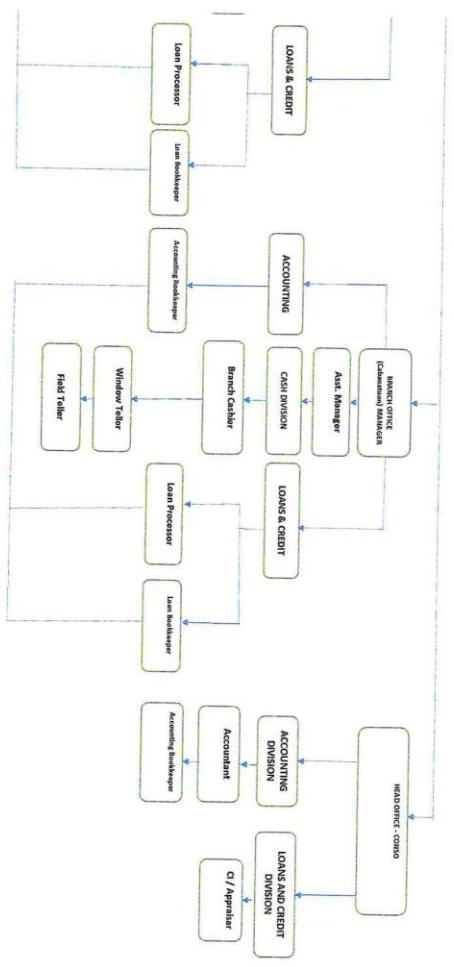
5. Corporate Information

a. Organizational structure

PAMPANGA DEVELOPMENT BANK ORGANIZATIONAL CHART



- POSITIONS:**
- /1. BOARD LEVEL COMMITTEES:
 - a. Executive Committee
 - b. Audit, Risk Management Committee
 - c. Corporate Governance Committee
 - d. Management Committee
 - e. Loans Committee
 - f. Information Technology Governance Committee
 - g. Compliance Committee
 - /2. President is also the Chief Executive Officer
 - /3. VICE PRESIDENT is also the Chief Operating Officer
 - /4. IT Manager & Chief Security Officer - these positions are currently being held by Mr. Alan Craggie
 - /5. OIC, Chatham Branch, is also managing Human Resources Division.
 - /6. Cashier, "The Branch also acts as the Window Teller"
 - /7. Cashier, Chatham Branch also acts as the Window Teller



ELECTED OFFICERS

POSITIONS	NAME OF OFFICERS
Chairman of the Board	Mdm. Lourdes R. Bustamante
President & Chief Executive Officer (CEO)	Mr. Francis R. Bustamante
Vice President & Chief Operating Officer (COO)	Mrs. Luz N. Feliciano

APPOINTED OFFICERS

POSITIONS	NAME OF OFFICERS
Corporate Treasurer	Mrs. Cheryl R. Corleto
Corporate Secretary	Atty. Johndy B. Roxas
Assistant Corporate Secretary	Dra. Lara Marie D. Bustamante
Chief Compliance Officer (COO)	Mr. Neptali C. Pabustan
Data Protection Officer (DPO)	Mr. Neptali C. Pabustan
Chief Security Officer (CSO)	Mr. Alvin M. Caragdag

b. List of Major Stockholders of the Bank

LIST OF MAJOR STOCKHOLDERS AND THEIR STOCKHOLDINGS

As of December 31, 2021

NAME OF MAJOR STOCKHOLDERS	NATIONALITY	PERCENTAGE OF STOCKHOLDINGS	VOTING STATUS
MR. RODOLFO V. JAO	Filipino	36.653019%	Voting Shares
SYSTEMS PLUS COLLEGE FOUNDATION, INC.	Filipino	17.237523%	Voting Shares
SYSTEMS PLUS COMPUTER COLLEGE OF KALOOKAN, INC.	Filipino	17.237523%	Voting Shares
SYSTEMS PLUS COMPUTER COLLEGE FOUNDATION, SAN FERNANDO	Filipino	8.961884%	Voting Shares
MR. AARON VINCENT B. JAO	Filipino/Canadian	5.842346%	Voting Shares
MRS. JOANNE BUSTAMANTE-CARERI	Filipino	2.540600%	Voting Shares
MR. FRANCIS R. BUSTAMANTE	Filipino	1.668042%	Voting Shares
DRA. LARA MARIE D. BUSTAMANTE	Filipino	1.650920%	Voting Shares
CANDY QUEEN BREADS AND PASTRIES	Filipino	1.597196%	Voting Shares
RVJ REALTY, INC.	Filipino	1.179195%	Voting Shares
PUHUNAN, INC.	Filipino	1.096463%	Voting Shares

c. List of description of products and services offered

Products and Services

Features of Deposit Products

As of December 31, 2021

Deposit Products	Savings Deposit	Time Deposit
Type of Deposits	Regular Savings Deposit	Time Deposit
Target Market	Available to all	Available to all
Initial Placement/Deposit	Php500.00	Php5,000.00
Minimum Maintaining Balance	Php100.00	Php5,000.00
Minimum Balance to Earn Interest	Php1,000.00	Php5,000.00
Interest Rate <ul style="list-style-type: none"> ➤ Regular rate ➤ In case of pre-termination (applicable to term deposits) 	.025% per annum	0.50% - 1.75% per annum 25% of TD rate if within the 1 st half of the term; 50% if within the 2 nd half of the term
Interest crediting <ul style="list-style-type: none"> ➤ Frequency ➤ Manner 	Quarterly Computerized/Manual	Upon maturity Computerized/Manual
Minimum Term/Holding Period	None	30 days
Withdrawal Restrictions	Hold out deposits	Hold out deposits
Period of Dormancy	5 years	nil
Account Code	1	3
Proof of Deposit	Passbook	Certificate of Time Deposits

LOAN PRODUCTS

1. BANKERS LOAN PROGRAM

The Banker loan program is designed to help all permanent Bank employees of all banks, within the area of Pampanga, Angeles, Tarlac, and Nueva Ecija. We offer them lower interest rate because we acknowledge the good reputation of a banker.

2. BARANGAY LOAN PROGRAM

The Barangay loan program is designed to help Barangay officials, including the Secretary and Treasurer of different Municipalities and Cities within the area of Pampanga, Angeles, Tarlac, and Nueva Ecija. We offer them lower interest rate because there is a Memorandum of Agreement between the Bank and the Barangay Captain and Treasurer, that the latter will deduct the monthly amortization due from its officials and employees, and remit it to the bank every month until the loan is fully paid.

3. BUSINESS LOAN PROGRAM

This program is designed to help those who want to expand their existing businesses.

4. PDB CAR LOAN PROGRAM

The PDB Car Loan Program is designed primarily to assist prospective and qualified clients in acquiring their own car / vehicle at affordable interest rates with flexible payment options.

The PDB Car Loan Program offers financing for both brand new car and used car with flexible payment terms.

5. EDUCATIONAL LOAN PROGRAM

The Amended Educational Loan Program (AELP) is designed to help parents, guardians and/or student by lessening the burden of paying costly school fees within short periods of time. This is done by making the duration in which to pay school fees longer.

6. LOAN-AGAINST DEPOSIT PROGRAM

The client must have unencumbered deposits with the Bank that would be held-out against the loan.

7. LOCAL GOVERNMENT UNIT (LGU) LOAN PROGRAM

The LGU loan program is designed to help permanent employees of different Municipalities and Cities within the area of Pampanga, Angeles, Tarlac, and Nueva Ecija. We offer them lower interest rate because there is a Memorandum of Agreement between the Bank and the City/Municipality that the latter will deduct the monthly amortization due from its permanent employees and remit it to the bank within 10 days from its payroll date.

8. MEMORANDUM OF AGREEMENT (MOA) LOAN PROGRAM

We offer this kind of loan to different Cooperatives, Private schools, and other Private companies. We want to reach out to their permanent employees, that instead of borrowing from individuals or other banks, we enter into an Agreement with their respective employers for salary deduction, and in return, we charge them fast service and lower interest rate.

9. REAL ESTATE LOAN PROGRAM

This program is designed to help those who wish to avail a loan by offering his or her existing Title as collateral

10. SALARY LOAN PROGRAM

We offer Salary loan to permanent employees of different Institution/Companies/Cooperatives, wherein their respective Employer/Company does not want to enter into a Memorandum of Agreement (MOA) with us for salary deduction. In this case, they have to issue a Post-Dated Checks payable to the bank as their collateral.

11. PDB SPECIAL HOUSING LOAN PROGRAM

In our desire to support the Bank's goals in trying to improve the Filipinos' quality of life by linking needs with resources for the betterment of all, the Bank approved the proposed *Special Housing Loan Program* that will help Filipinos in acquiring their own homes.

The Bank, by providing an array of financial and developmental resources to our fellow Filipinos, shall improve the quality of life and shall stimulate real estate development in the country in general and in Central Luzon in particular.

The approved *PDB Special Housing Loan Program* is designed primarily to help prospective clients in acquiring their own homes from *partner Real Estate Developers at preferred interest rates and long-term payments scheme*.

d. Bank website

The Bank has already uploaded its website – *pampangadevbank.ph* last October 2020 to expand the outreach network of the Bank and to kick start its marketing strategies under the “*new normal*” as the pandemic continues.

e. List of banking units

OUR BRANCHES

SAN FERNANDO - MAIN BRANCH

Dolores, MacArthur Highway
City of San Fernando, Pampanga 2000
Telephone Numbers:
(045) 409-7981 (Accounting)
(045) 961-2786 (Loans)
(045) 963-3931 (Head Office Manager)

ANGELES BRANCH

G/F Systems Plus College Foundation Building
Rizal Street, Angeles City 2009
Tel Numbers:
(045) 322-1882 (Cash Section)
(045) 322-1884 (Loans)
(045) 405-0611 (Accounting)

CABANATUAN BRANCH

Burgos Street, Cabanatuan City
(In-front of Public Market)
Tel Numbers:
(044) 951-2038 (Cash Section)
0917-813-5563 (Loans)

TARLAC BRANCH

MacArthur Highway, Panganiban Extension

Zapiro Street, Brgy. San Nicolas, Tarlac City

Tel Numbers:

(045) 982-2179 (Cash Section)

(045) 982-2207 (Loans)



Head Office <headoffice@pampangadevbank.ph>

Your BIR AFS eSubmission uploads were received

2 messages

eafs@bir.gov.ph <eafs@bir.gov.ph>
 To: HEADOFFICE@pampangadevbank.ph
 Cc: HEADOFFICE@pampangadevbank.ph

Tue, May 31, 2022 at 5:42 PM

Hi PAMPANGA DEVELOPMENT BANK,

Valid file

- EAFS000661288ITRTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-XVV3SMZ0PM1VNRYRQQ4RVQQ20MY2YYYYX**
 Submission Date/Time: **May 31, 2022 05:42 PM**
 Company TIN: **000-661-288**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

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eafs@bir.gov.ph <eafs@bir.gov.ph>
 To: HEADOFFICE@pampangadevbank.ph
 Cc: HEADOFFICE@pampangadevbank.ph

Tue, May 31, 2022 at 5:49 PM

Hi PAMPANGA DEVELOPMENT BANK,

Valid file

- EAFS000661288AFSTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-PXZ4MPXW0CFB898CBMZ3PZPT20NX1NS4ZX**
 Submission Date/Time: **May 31, 2022 05:49 PM**
 [Quoted text hidden]

PAMPANGA DEVELOPMENT BANK

Financial Statements
For the Year Ended December 31, 2021
(with report of Independent Auditor)

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and the Board of Directors
PAMPANGA DEVELOPMENT BANK
Mac Arthur Highway, Dolores
San Fernando City Pampanga

Report on the Financial Statements

Opinion

I have audited the accompanying financial statements of PAMPANGA DEVELOPMENT BANK (the "Thrift Bank"), which comprise the statement of financial position as at December 31, 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at December 31, 2021 and its financial performance and cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

I conducted my audits in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Thrift Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit 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 opinion.

Other Matter

The financial statements of the Thrift Bank as at and for the year ended December 31, 2021 was audited by another auditor, whose report dated April 12, 2021, expressed an unmodified opinion on those statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, 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 Thrift Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Thrift Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Thrift Bank'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 PSA, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide

ARLEEN O. ACLAN, C.P.A.

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 Thrift Bank's internal control.

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


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

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required by the Bureau of Internal Revenue under Revenue Regulations No. 15-2010 and 34-2020

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in the notes 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. The supplementary information is the responsibility of the management of the Thrift Bank. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ARLEEN O. ACLAN
CPA Certificate No. 0063161, Valid Until: 08 Feb 2024
BOA Accreditation No. 0355, Valid Until: 08 Feb 2023
SEC AN: 63161, Group C, Valid Until: 12 Dec 2022
BSP AN: 63161, Group B, Valid for CY: 2021 to 2026
CDA CEA No. 1608, Valid until 07 Sep 2024
BIR AN: 09-002052-001-2021, Valid Until: 22 Feb 2024
PTR No. 4359193, Valid until: 31 Dec 2022, Sta. Rosa City, Laguna
TIN 221-393-133

May 30, 2022
Sta. Rosa City, Laguna

ARLEEN O. ACLAN, C.P.A.

REPORT OF THE INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

To the Stockholders and the Board of Directors
PAMPANGA DEVELOPMENT BANK
Mac Arthur Highway, Dolores
San Fernando City Pampanga

I have audited the accompanying financial statements of PAMPANGA DEVELOPMENT BANK (the "Thrift Bank"), as at and for the year ended December 31, 2021, on which I have rendered my report dated May 30, 2022.

In compliance with Revenue Regulations V-20, I am stating that I am not related by consanguinity or affinity to the officers and any member of the Board of Directors or the Stockholders of the Thrift Bank.



ARLEEN O. ACLAN

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TIN 221-393-133

May 30, 2022
Sta. Rosa City, Laguna

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION

In connection with my examination of the financial statements of PAMPANGA DEVELOPMENT BANK (the "Thrift Bank"), which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That the said financial statements are presented in conformity with generally accepted accounting principles in the Philippines in all cases where I shall express an unqualified opinion; Except that in case of any departure from such principles; I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
4. That in the conduct of the audit, I shall comply with the generally accepted auditing standards promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negotiation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation of submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity.



ARLEEN O. ACLAN

CPA Certificate No. 0063161, Valid Until: 08 Feb 2024
BOA Accreditation No. 0355, Valid Until: 08 Feb 2023
SEC AN: 63161, Group C, Valid Until: 12 Dec 2022
BSP AN: 63161, Group B, Valid for CY: 2021 to 2026
CDA CEA No. 1608, Valid until 07 Sep 2024
BIR AN: 09-002052-001-2021, Valid Until: 22 Feb 2024
PTR No. 4359193, Valid until: 31 Dec 2022, Sta. Rosa City, Laguna
TIN 221-393-133

May 30, 2022
Sta. Rosa City, Laguna

ARLEEN O. ACLAN, C.P.A.

**REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

To the Stockholders and the Board of Directors
PAMPANGA DEVELOPMENT BANK
Mac Arthur Highway, Dolores
San Fernando City Pampanga

I have examined the financial statements of PAMPANGA DEVELOPMENT BANK (the "Thrift Bank") as at and for the year ended December 31, 2021, on which I have rendered the attached report dated May 30, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, I am stating that the Thrift Bank has a total number of Thirty-Seven (37) stockholders owning one hundred (100) or more shares each.



ARLEEN O. ACLAN

CPA Certificate No. 0063161, Valid Until: 08 Feb 2024
BOA Accreditation No. 0355, Valid Until: 08 Feb 2023
SEC AN: 63161, Group C, Valid Until: 12 Dec 2022
BSP AN: 63161, Group B, Valid for CY: 2021 to 2026
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PTR No. 4359193, Valid until: 31 Dec 2022, Sta. Rosa City, Laguna
TIN 221-393-133

May 30, 2022
Sta. Rosa City, Laguna

ARLEEN O. ACLAN, C.P.A.

May 30, 2022

The Director
Financial Supervision Department II
Bangko Sentral ng Pilipinas
Mabini St., Malate 1004
Manila Philippines

Gentlemen:

In connection with the audit of the financial statements of PAMPANGA DEVELOPMENT BANK (the “Thrift Bank”) as at and for the year ended December 31, 2021, I am pleased to submit to your good office a copy of my certification dated May 30, 2022 in compliance with Circular 1074 Series of 2020.



ARLEEN O. ACLAN
External Auditor

Encl. As stated

CERTIFICATION

I, ARLEEN O. ACLAN, CPA, of legal age, Filipino, with office address at 2F La Firenze, L14 BC1 VCSR Commercial Center, Balibago, Sta. Rosa City Laguna;

In compliance with Bangko Sentral ng Pilipinas Circular No. 1074 Series of 2020 (Appendix 55), after having been sworn on oath in accordance with law voluntarily depose and say:

That, in connection with the audit of the Annual Financial Statements of PAMPANGA DEVELOPMENT BANK for the year ended December 31, 2021, I hereby certify that there are:

"No matters to report nor issues noted"

in the course of the audit that would indicate material weaknesses on internal control and risk management system as well as other issues with regard to the quality of corporate governance, such as: fraud, dishonesty, breach of laws and going concern issues.


In truth whereof, I hereunto set my hand this May 30, 2022 at Sta. Rosa City Laguna.


ARLEEN O. ACLAN
External Auditor

Subscribed and Sworn to before me this JUN 20 2022 day of 0 2022, 2021, by affiant who exhibited to me her TIN 221-393-133 issued in _____ on _____.

NOTARY PUBLIC

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Page No. 03
Book No. VI
Series of code: year+1:code


ATTY. MICHAEL L. ASUTEN
Notary Public for and in the Province of Laguna
483, 2nd Floor, Carpina Bldg., Tagapo, Santa Rosa City, Laguna
Notarial Commission No. 0039-SRCL from 06/24/2021 until 12/31/2022
Professional Tax Receipt Number 4361021, Issued on 01-03-2022
Issued at Santa Rosa City, Laguna/Roll of Attorneys Number 62627
IBP No. 178676 issued on 01-03-2022 Until 12-31-2022, SL-Laguna Chapter
MCLE Compliance VI-0030176 until April 14, 2022, issued on 01/27/2020

CERTIFICATION

I, ARLEEN O. ACLAN, CPA, of legal age, Filipino, with office address at 2F La Firenze, L14 BC1 VCSR Commercial Center, Balibago, Sta. Rosa City Laguna; In compliance with Bangko Sentral ng Pilipinas Circular No. 1074 Series of 2020, after having been sworn on oath in accordance with law voluntarily depose and say: That,

1. I am included in the List of Selected External Auditors for Bangko Sentral Supervised Financial Institutions (BSFIs) under Group B, with Accreditation valid for financial periods 2021 to 2026;
2. I am in good standing as a professional duly registered with the Professional Regulation Commission (PRC), Board of Accountancy (BOA) and the Securities and Exchange Commission (SEC) and is entitled to practice as such under the laws governing the practice of public accounting in the Philippines;
3. I possess the independence as defined in the Code of Professional Ethics for Certified Public Accountants as promulgated by the BOA and approved by the PRC;
4. I have performed external audit on the financial statements of PAMPANGA DEVELOPMENT BANK with principal office address at Mac Arthur Highway, Dolores San Fernando City Pampanga, for the year ended December 31, 2021;
5. I commenced my audit of the Thrift Bank on January 28, 2022 until May 27, 2022 and submitted the Audited Financial Statements (AFS) to the Thrift Bank with my audit report dated May 30, 2022;
6. I have complied with the Confidentiality clause pertinent to read-only access to the Bangko Sentral's Report of Examination on the Thrift Bank and I have appropriately considered the contents thereof and maintain its confidentiality;
7. The Thrift Bank have complied with the disclosure requirements under Section 174 and other information that may be required as attached to the AFS;
8. In the course of my audit of the Thrift Bank, I hereby state that there are no matters that adversely affects the condition or soundness of the Thrift Bank, such as but not limited to the following cases:
 - a) Any material finding involving fraud or error;
 - b) Actual or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the Thrift Bank;
 - c) Significant doubt as to the ability of the Thrift Bank to continue as a going concern;
 - d) Material breach of laws or Bangko Sentral rules and regulations such as but not limited to prescribed capital and liquidity ratios, significant deficiency in allowance for credit losses, material weaknesses in fair value measurement methodology, significant vulnerabilities to money laundering and combating the financing of terrorism;
 - e) Material internal control weaknesses which may lead to financial reporting problems; and
 - f) Findings on matters of corporate governance that may require urgent action by the Bangko Sentral.
9. I, and my audit team, as auditor-in-charge of the engagement and members of our immediate family do not have any direct or indirect financial interest with the Thrift Bank and our independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.

It is however, understood that the accountability of the External Auditor is based on matters within the normal coverage of an audit conducted in accordance with the Philippine Standards on Auditing.

In truth whereof, I hereunto set my hand this 30th day of May, 2022 at Sta. Rosa City Laguna.


ARLEEN O. ACLAN
 External Auditor

JUN 06 2022 in Biñan City

SUBSCRIBED and SWORN to before me this _____ day of _____, 2022, by affiant who exhibited to me her PRC Lic No. 0063161 issued in Manila NCR on Jun 03, 1985.

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 Series of 2022



NOTARY PUBLIC

MA. CHRISTINE FEL P. DE VERA
 NOTARY PUBLIC FOR BIÑAN CITY, LAGUNA
 Notarial Commission No. 2021-05
 Commission Expires on December 31, 2022
 Roll No. 62659
 IBP No. 171931/01-04-202/Laguna
 PTR No. 8855113/01-04-2022/Makati City
 MGLE Compliance No. VI-0023142/04-11-2019
 Golden City Subdivision, Camp 55 of 99
 Biñan, Laguna

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **PAMPANGA DEVELOPMENT BANK** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

ARLEEN O. ACLAN and **ROMEO G. TORNÓ & Co., CPA's**, the independent auditors appointed by the stockholders for the periods 31 December 2021 and 2020, respectively, have audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.



LOURDES R. BUSTAMANTE
Chairman of the Board



FRANCIS R. BUSTAMANTE
President/Chief Executive Officer



CHERYL R. CORLETO-ROXAS
Corporate Treasurer

Signed this 30th day of MAY 2022

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR INCOME TAX**

The Management of **PAMPANGA DEVELOPMENT BANK** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended 2021. The Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and / or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other returns.

In this regard, Management affirms that the attached audited financial statements for the year ended 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **PAMPANGA DEVELOPMENT BANK** complete and correct in all material respects.

Management likewise affirms that:

- (a) The annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) Any disparity of figures in the submitted reports arising from the preparation of the financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances;
- (c) That **PAMPANGA DEVELOPMENT BANK** has filed all applicable tax returns, reports and statements required to be filed under the Philippine Tax Laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



LOURDES R. BUSTAMANTE
Chairman of the Board



FRANCIS R. BUSTAMANTE
President/Chief Executive Officer



CHERYL R. CORLETO-ROXAS
Corporate Treasurer

Signed this 30th day of MAY, 2022

PAMPANGA DEVELOPMENT BANK
 Statements of Financial Position
 December 31, 2021
 With comparative figures for 2020
 (All amounts in Philippine Peso)

	<i>Notes</i>	2021	2020
Assets			
Cash and cash equivalents	9	59,896,702	97,368,709
Loans and other receivables - net	11	381,713,189	267,783,952
IBODI / Financial assets at amortized cost - net	10	81,691,252	157,370,966
Bank premises, furniture, fixture and equipment - net	12	52,243,053	29,321,836
ROPA / Investment properties - net	13	27,725,902	40,857,144
Right of use assets - net	14	6,654,661	8,183,335
Other assets	15	7,109,319	6,490,001
Total assets		617,034,080	607,375,942
Liabilities and equity			
Liabilities			
Deposit liabilities	16	281,796,904	278,944,791
Accrued expenses	17	7,938,946	5,272,636
Retirement benefit liability	18	1,442,802	1,442,802
Other liabilities	19	16,398,250	17,243,301
Total liabilities		307,576,902	302,903,530
Equity			
Share capital	20	253,316,000	238,316,000
Retained earnings	21	63,618,171	65,651,800
Total comprehensive income / (loss)	21	(7,476,994)	504,612
Total equity		309,457,178	304,472,412
Total liabilities and equity		617,034,080	607,375,942

See notes to financial statements

PAMPANGA DEVELOPMENT BANK
 Statements of Comprehensive Income
 For the year ended December 31, 2021
 With comparative figures for 2020
 (All amounts in Philippine Peso)

	<i>Notes</i>	2021	2020
Interest income and expense accounts			
Interest income	22	41,128,243	32,761,118
Interest expense	23	2,756,168	3,535,259
Net interest income		38,372,075	29,225,859
Non-interest income	24		
Fees and commission income		1,571,124	1,259,986
Gain on sale of non-financial assets		2,198,611	1,434,732
Other income		2,310,073	1,683,563
Total		6,079,808	4,378,281
Non-interest expense			
Compensation and fringe benefits	25	16,189,731	16,935,773
Depreciation and amortization	26	2,840,248	3,526,299
Taxes and licenses	27	2,304,167	2,395,200
Other administrative expenses	28	10,440,971	8,769,552
Total		31,775,117	31,626,824
Recoveries / (losses) on financial assets			
Provision for probable losses		(18,593,631)	(2,421,500)
Recovery on charged-off assets		243,482	382,247
		(18,350,149)	(2,039,253)
Net income before tax		(5,673,382)	(61,937)
Income tax expense / (benefit)	29	1,803,612	(566,549)
Net income after tax		(7,476,994)	504,612
Other comprehensive income		0	0
Total comprehensive income		(7,476,994)	504,612

See notes to financial statements

PAMPANGA DEVELOPMENT BANK
 Statements of Cash Flows
 For the year ended December 31, 2021
 With comparative figures for 2020
 (All amounts in Philippine Peso)

	Notes	2021	2020
Cash flows from operating activities			
Net income/(loss) before tax		(5,673,382)	(61,937)
Adjustment for:			
Depreciation and amortization	26	2,840,248	3,526,299
Provision for credit losses		18,593,631	2,421,500
Gain on sale/derecognition of non financial asset	24	(2,198,611)	(1,434,732)
Interest income		0	(32,761,118)
Interest income on bank deposits and HTM	22	(247,467)	0
Interest expense		0	3,535,259
Retained earnings - prior period adjustment	21	(2,538,241)	63,828
Operating cashflow before movements in working capital		10,776,178	(24,710,901)
Changes in operating assets and liabilities			
(Increase)/decrease in:			
Loans and other receivables	11	(132,522,868)	57,414,479
Other assets	15	(619,318)	320,791
Increase/(decrease) in:			
Deposit liabilities	16	2,852,113	(2,895,224)
Accrued expenses	17	2,666,310	(252,000)
Other liabilities	19	1,599,038	3,156,015
Cash generated from or (used in) operations		(115,248,547)	33,033,160
Interest paid		0	(3,187,022)
Interest received		0	32,761,118
Interest received from bank deposits and HTM	22	247,467	0
Income tax	29	(1,803,612)	(280,932)
Net cash provided by or (used in) operating activities		(116,804,692)	62,326,324
Cash flows from investing activities			
Acquisition of BPFPE	12	(25,285,606)	(3,568,250)
Proceeds from sale of BPFPE	12	0	6,442
Acquisition of ROPA / Investment properties	13	(15,199,790)	(20,641,112)
Proceeds from sale of ROPA / Investment properties	13	2,198,611	3,952,146
Disposal/adjustments on ROPA / investment properties	13	28,331,031	0
Adjustment on ROUA	14	1,052,815	0
Increase/(decrease) in:			
IBODI / Financial assets at amortized cost	10	75,679,714	(47,561,137)
Net cash provided by or (used in) investing activities		66,776,774	(67,811,911)
Cash flows from financing activities			
Proceeds from issuance of common shares	20	14,000,000	0
Proceeds from issuance of preferred shares	20	1,000,000	5,000,000
Repayments of lease liabilities	19	(2,509,198)	(524,501)
Payment for interest portion of lease liabilities	19	65,109	0
Net cash provided by or (used in) financing activities		12,555,911	4,475,499
Net increase/(decrease) in cash		(37,472,007)	(1,010,088)
Cash balance, beginning	9	97,368,709	98,378,797
Cash balance, end	9	59,896,702	97,368,709

See notes to financial statements

1 CORPORATE INFORMATION

PAMPANGA DEVELOPMENT BANK (“the Bank”) was incorporated and registered with the Securities and Exchange Commission (SEC) on January 23, 1961, under Registration No. 18190.

The Bank was formed to carry and engage in the business of private development bank as provided for in Republic Act No. 2081.

The Bank’s products and services are traditional deposits such as regular savings deposits and certificates of time deposit. The Bank also offers various types of loans such as commercial, agricultural, various consumer loans and microfinance loans.

The Bank operates under the provisions embodied in the General Banking Law of 2000 (Republic Act No. 8791) and the regulations promulgated by BSP. The bank is likewise subject to the rules and regulations of Bureau of Internal Revenue (BIR) with regards to tax obligations and Philippine Deposit Insurance Corporation (PDIC) concerning insurance of deposit liabilities.

The Bank’s registered office address and also its principal place of business is located at Mac Arthur Highway, Dolores, City of San Fernando, Pampanga. Its branches are located at Rizal St. Angeles City, M.H Del Pilar St. Tarlac City and Burgos Ave. Brgy. Supermarket, Cabanatuan City.

The Bank has forty-five (45) and forty (40) employees as of December 31, 2021 and 2020.

2 STATUS OF OPERATION

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 are unknown.

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 remain focused on the Bank’s liquidity, and expect to manage business operations in the forecast period whilst maintaining adequate liquidity through the execution of:

- a) Anticipated refinancing of debt arrangements or sourcing new financing options, which require authorization and approval by the Board
- b) Expectations associated with capital raisings, which require authorization and approval by the Board
- c) Plans to divest significant assets or businesses, which require authorization and approval by the Board
- d) Deferral or suspension of non-critical or discretionary operating and capital expenditure.
- e) Deferral or suspension of dividends.
- f) 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 Bank’s details of key covenants (i.e. debt to equity ratio, interest cover ratio) will comply with the requirements of the debt facilities during the next twelve months.

3 BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.1 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include all applicable Philippine Accounting Standards (PASs), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC. Also, the Bank adopted the new Financial Reporting Package (FRP) prescribed by the Bangko Sentral ng Pilipinas (BSP) as per BSP Circular No. 512 dated February 3, 2006.

3.2 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where a Financial Reporting Standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

3.3 Presentation and Functional Currency

Items included in the financial statements of the Bank are measured using Philippine peso, the currency of the primary economic environment in which the Bank operates (the "functional currency"). All presented financial information has been rounded to the nearest peso, except when otherwise specified.

3.4 Use of Judgments and Estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Bank's financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Bank's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.5 Going Concern Assumption

The Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as a going concern.

4 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

4.1 New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Bank.

- Amendments to PFRS 16, COVID-19-related Rent Concessions beyond June 30, 2021

The amendments provide lessees with an exemption from assessing whether COVID-19 related rent concession is a lease modification. The changes in this amendment are the following:

- Permit a lessee to apply the practical expedient regarding COVID-19 related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- Require a lessee on applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- Require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- Specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

The amendments are effective for annual reporting periods beginning on or after June 30, 2021. Early adoption is permitted. The Bank adopted the amendments beginning January 1, 2021.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Bank shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and

- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. These amendments had no impact on the financial statements of the Bank.

4.2 Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Bank intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Bank's consolidated financial statements [unless otherwise indicated].

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, Reference to the Conceptual Framework
- Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to PAS 37, Onerous Contracts - Costs of Fulfilling a Contract
- Annual Improvements to PFRs 2018-2020 Cycle
 - Amendments to PFRS 1, Subsidiary as a first-time adopter
 - Amendments to PFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities
 - Amendments to PFRS 16, Lease Incentives
 - Amendments to PAS 41, Agriculture, Taxation in fair value measurements

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- Amendments to PAS 1 and PFRS Practice State, Disclosure Initiative – Accounting Policies
- Amendments to PAS 8, Definition of Accounting Estimates
- Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to PFRS 17, Insurance Contracts

5 SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Bank in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

Financial Instruments

The Bank recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. The Bank follows the settlement date accounting where an asset to be received and liability to be paid are recognized on the settlement date and derecognition of an asset that is sold and the recognition of a receivable from the buyer are recognized on the settlement date.

5.1 Financial Assets

5.1.1 *Initial recognition and measurement*

Financial assets are recognized and measured depending on the nature and purpose for which the financial assets were acquired and is determined at the time of initial recognition. This depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. Subsequently, financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL).

a) Cash and Cash Equivalents

In the statements of cash flows, cash and cash equivalents include cash and other cash items and amounts due from BSP and other banks with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

Cash and cash equivalents are valued at face value. If a bank holding the funds of the Bank is in bankruptcy or financial difficulty, cash and cash equivalents should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

b) Loans and Other Receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes loans receivable, sales contract receivable and accounts receivable.

Loans receivable

Loans receivable are recognized when cash is advanced to the borrowers. These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, 'Loans receivable' are subsequently measured at amortized cost using the effective interest method, less allowance for probable losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as 'Interest Income' in the statement of comprehensive income. The losses arising from impairment are recognized in profit or loss.

Unearned discount is amortized using the effective interest method of amortization and any unamortized loan discount is deducted from the outstanding balance to arrive at the amortized cost of the account. Interest income on non-discounted loans is accrued monthly as earned, except in the case of non-accruing loans.

Loans are classified as non-accruing when the principal becomes past due, or when, in the opinion of management, collection of interest and principal is already doubtful. Interest income on these loans is recognized only to the extent of actual collections. Loans are not classified as accruing until interest and principal payments are brought to current status or the loan is restructured in accordance with existing BSP regulations and future collections appear assured.

Probable losses are the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the estimated future cash flows discounted at loan's original effective interest rate or the last re-pricing rate for loans issued at variable rates. It is established through an allowance account which is charged to expense. Loans and discount are written off against the allowance for probable losses when management believes that the collectability of the principal is unlikely, subject to BSP regulations.

Sales Contract Receivables (SCR)

This refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price. This shall be recorded initially at the present value of the installment receivable discounted at the imputed rate of interest. Discount shall be accreted over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provision of PAS 18.

- (i) Performing – This refers to the amortized cost of performing sales contract receivables.
- (ii) Non-performing – This refers to the amortized cost of non-performing sales contract receivables.

Accounts Receivable (AR)

Accounts Receivable are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. For short term receivables, the fair value is equal to the face amount or original invoice amount. Cash flows relating to short-term receivables are not discounted because the effect of discounting is usually immaterial. Subsequently, accounts receivable is measured at amortized cost.

c) Financial assets at amortized cost (debt instruments)

These include non-derivative financial assets with fixed or determinable payments and a fixed dated of maturity. Investments are classified as FA at amortized cost if the Bank has the positive intention and the ability to hold them in order to collect contractual cash flows. Investments intended to be held for an undefined period are not included in this classification. These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, these financial assets are subsequently measured at amortized cost. Gains and losses are recognized in income when the financial assets are derecognized and impaired, as well as through the amortization process. Impairment loss, which is the difference between the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. The losses arising from the impairment of such investments are recognized in profit or loss.

d) Other Assets

This account pertains to other assets that are controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

As of December 31, 2021, and 2020, the Bank has not designated any financial asset as at FVOCI or FVPL.

5.1.2 Offsetting Financial Instruments

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

5.1.3 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis.

5.1.4 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairments at the end of each reporting period. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event), the estimated future cash flows of the financial asset that can be reliably estimated have been affected by such loss event.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter the bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- Assets carried at amortized cost

For loans and other receivables and investment assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, where the carrying amount is reduced through the use of an allowance account. When a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

5.1.5 Derecognition

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

5.2 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment (BPFEE) are measured at cost less any accumulated depreciation and impairment losses. Cost consists of purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of bank premises, furniture, fixtures and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. The carrying amount of replaced parts is derecognized. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building	-	25 years
Furniture and fixtures	-	2-10 years
Information technology equipment	-	1 year

Leasehold improvements	-	3-5 years
Other office equipment	-	1-5 years
Transportation equipment	-	5 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When revalued assets are sold, the amounts included in other reserves are transferred to surplus free.

Fully depreciated assets still in use are retained in the financial statements. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements and any resulting gain or loss is credited or charged to profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

5.3 Investment Property

An investment property shall be recognized as an asset when and only when: (a) It is probable that future economic benefit will flow to the entity, and (b) the cost of the investment property can be measured reliably.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties from the foreclosure date.

Investment properties, which pertain to land acquired, are initially at acquisition cost and other incidental cost necessary to transfer the property in the name of Bank, and subsequently measured at cost less impairment, if any.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized by the Bank upon disposal or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income in the period in which the property is derecognized.

Depreciation is computed using straight-line method based on the estimated useful lives of the assets of 2 to 25 years. Land is not depreciated.

Transfers are made to investment properties when there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Expenditures incurred after the investment properties have been put into operations such as repairs and maintenance costs, are normally charged to income in the period on which the costs are incurred.

Real and other properties acquired pertains to real properties, such as land, or building held by the bank for capital appreciation. The accounts also includes real properties foreclosed from the delinquent borrowers.

5.4 Other Assets

Other assets not classified as financial assets, bank premises, furniture, fixtures and equipment, intangible assets and investment property include prepaid assets, deferred charges and the like. These other assets qualifying into the definition of assets under PAS 1 Presentation of Financial Statements are resources controlled by the Bank as a result of past events and from which future economic benefits are expected to flow to the entity. Other assets are recognized on an accrual basis of accounting.

5.5 Impairment of Non-Financial Assets

At the end of each reporting date, the Bank assesses whether there is any indication that any non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment as an expense.

5.6 Financial Liabilities and Equity Instruments

A financial liability is any liability that is:

- a. A 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 entity; or
- b. A contract that will or may be settled in the entity's own equity instruments and is
 - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

5.6.1 Classification as Financial Liability or Equity Instrument

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

5.6.2 Equity Instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Share Capital

Share capital represents the nominal value of shares that have been issued and are classified as equity instruments. Share capital is classified as equity instruments.

Additional paid-up capital

Additional paid-up capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-up capital, net of tax. The additional paid-up capital account is recorded on the Bank's statements of financial position as part of equity and cannot be returned to shareholders as dividends.

Retained Earnings

Retained earnings represents all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividend declared if any. Dividends on equity are recognized when they are declared and approved by BSP.

5.6.3 Financial Liabilities

Financial liabilities of the bank include deposit liabilities, bills payable, accrued interest and other expenses, and other liabilities (excluding government – related payables and non - financial liabilities).

Financial liabilities are recognized when the Bank becomes a party to the contractual agreements of the instrument where the substance of the arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability components on the date of issue.

The accounting for financial liabilities remains the same as it was under PAS 39. The Bank initially measure a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs. Subsequent to initial recognition, the Bank's financial liabilities are carried at amortized cost less payments.

After initial measurement, deposit liabilities and other similar financial liabilities not qualified as and not designated at fair value through profit and loss (FVPL), are subsequently measured at amortized cost using the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium, if any, on the issue and fees that are an integral part of the effective interest rate.

5.6.4 Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as liabilities under 'Deposit liabilities', 'Bills payable' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with that equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. Financial liabilities are initially measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated as FVPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

5.6.5 Derecognition of Financial Liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5.7 Related Party Relationships and Transactions

Related party transactions are transfer of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and (d) the Bank's retirement fund.

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

5.8 Revenue Recognition

Income is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognized. The current specific revenue recognition policies of the Bank are as follows:

5.8.1 Interest on Loans

Interest income on loans and discount with advanced interest are recognized periodically using the effective interest method of amortization. On the other hand, interest income on loans and discount with no advanced interest are recognized on accrual basis. The accrual basis of recognition of interest income however, ceases when the loans and discount account is already past due.

The Bank shall only charge interest based on the outstanding balance of a loan at the beginning of an interest period. For a loan where the principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.

5.8.2 Interest Income on Bank Deposits and Investments

Interest on bank deposits and investments are recognized using the accrual method.

5.8.3 Other Income

Other income arises from bank charges from dormant accounts, closed accounts, lost passbooks, processing fee, penalties, notarial fees, filing fees and the like. Other income is recognized upon completion of the earning process and the collectability is reasonably assured.

5.8.4 Loan Fees and Service Charges

Loan fees directly related to acquisition and origination of loans are included in the cost of receivables and are amortized using the effective interest rate method over the term of the loan. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower.

Service charges are recognized earned or accrued where there is reasonable degree as to its collectability.

5.9 Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined; or
- Immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify or cease to qualify for recognition in the statement of financial position as an asset.

5.10 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5.10.1 *The Bank as Lessee*

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, if any.

Right-of-use assets

The Bank recognizes right-of-use assets, if any, at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less incentives received.

Right-of-use assets, if any, are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognizes, if any, lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease liabilities, if any, that are expected to be settled for no more than 12 months after reporting period are classified as current liabilities presented as current portion of lease liabilities. Otherwise, these are classified as noncurrent liabilities.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of office space, if any (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies, if any, the leases of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

5.10.2 *The Bank as Lessor*

Rental income, if any, is recognized and accounted for on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

5.11 Employee Benefits

Employee Benefits are all forms of considerations given by the Bank in exchange for services rendered by employees, including trustees and management.

5.11.1 *Short-term Employee Benefits*

The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, non-monetary benefits and other short-term-benefits.

5.11.2 Retirement Benefit

The cost of providing benefits should be determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the covered employees.

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

5.12 Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

5.12.1 Current Income Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5.12.2 Deferred Income Tax

Deferred tax is recognized on temporary difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry-forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that it is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

5.13 Provisions, Contingent Liabilities and Contingent Assets

5.13.1 Provisions

Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No contingent accounts as of December 31, 2021.

5.13.2 Contingent Assets and Contingent Liabilities

Contingent assets and liabilities 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 Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

5.14 Events after the Reporting Date

The Bank identifies after the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Bank's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6.1 Critical Judgments in Applying Accounting Policies

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

6.1.1 Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Bank, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the normal operations of the Bank.

6.1.2 Revenue and Expense Recognition

The Bank's revenue and expense recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and expense. The Bank's revenue and expense are recognized when earned or incurred, except interest on loans receivable on past due account which are recognized when collections are actually made as provided under existing BSP MORB.

6.1.3 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Bank.

6.1.4 Determining Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. The Bank takes into consideration its present, legal or constructive obligations, if any in accordance with its policies and management's assessment.

6.1.5 Determining Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models was taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

6.1.6 Determining Fair Value acquired Assets Classified as Investment Property

The Bank determines the fair value of the acquired properties through internally generated or externally-generated appraisal. The appraised value is determined based on the current economic and market conditions as physical condition of the properties.

6.1.7 Determining Asset Impairment

The Bank performs an impairment review when certain impairment indicators are present. Determining the fair value of BPFPE, investments and intangible assets, which require the determination of future cash flows expected

5.13.2 Contingent Assets and Contingent Liabilities

Contingent assets and liabilities 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 Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

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The Bank identifies after the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Bank's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6.1 Critical Judgments in Applying Accounting Policies

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

6.1.1 Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Bank, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the normal operations of the Bank.

6.1.2 Revenue and Expense Recognition

The Bank's revenue and expense recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and expense. The Bank's revenue and expense are recognized when earned or incurred, except interest on loans receivable on past due account which are recognized when collections are actually made as provided under existing BSP MORB.

6.1.3 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Bank.

6.1.4 Determining Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. The Bank takes into consideration its present, legal or constructive obligations, if any in accordance with its policies and management's assessment.

6.1.5 Determining Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models was taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

6.1.6 Determining Fair Value acquired Assets Classified as Investment Property

The Bank determines the fair value of the acquired properties through internally generated or externally-generated appraisal. The appraised value is determined based on the current economic and market conditions as physical condition of the properties.

6.1.7 Determining Asset Impairment

The Bank performs an impairment review when certain impairment indicators are present. Determining the fair value of BPFPE, investments and intangible assets, which require the determination of future cash flows expected

to be generated from the continues use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that BPPFE, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under generally accepted accounting principles in the Philippines.

Management has determined that the Bank's BPPFE and intangible asset are not impaired, hence, no impairment loss was recognized in both 2021 and 2020.

6.2 Key Source of Estimation Uncertainty

6.2.1 Impairment Losses on Financial Assets (Loans Receivables and Investments)

The Bank reviews its loans and other receivable and investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditioned that correlate with defaults on assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Bank utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. As of December 31, 2021, and 2020, the management believes that the allowance provided by the Bank is sufficient to cover BSP requirements.

As of December 31, 2021, and 2020, loans and other receivables amounted to ₱381,713,189 and ₱267,783,952, respectively, net of allowance for credit losses, as disclosed in Note 11. The Bank's IBODI/financial assets at amortized cost amounted to ₱81,691,252 and ₱157,370,966 as of December 31, 2021 and 2020 as disclosed in Note 10.

6.2.2 Estimating Useful Lives of Assets

The Bank estimates the useful lives of bank premises, furniture, fixture and equipment (BPPFE), investment property and intangible assets based on the period over which the assets are expected to be available for use. The estimate useful lives of BPPFE, investment property, and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of BPPFE, investment property, and intangible assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results operations could be materially affected by changes in estimates brought about by changes in factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

The Bank has BPPFE stated at carrying value of ₱52,243,053 and ₱29,321,836 as of December 31, 2021 and 2020, respectively, as disclosed in Note 12.

The carrying amount of the Bank's investment properties is ₱27,725,902 and ₱40,857,144 as of December 31, 2021 and 2020, as disclosed in Note 13.

6.2.3 Determining Impairment of Non-Financial Assets

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. Through management believes that the assumptions used in the estimation of fair values reflected in the financial statements are approximate and reasonable, significant changes in these assumptions may materially affect assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

6.2.4 Determining Retirement Benefit Obligation

The determination of the Bank's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, and expected salary rate increase. In accordance with PFRS, actual results that differ from

assumptions are accumulated and amortized over the future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

In determining the Bank's obligation as of December 31, 2021, they engaged the services of an actuary. For the year ended December 31, 2020 the Bank recognized the retirement benefit obligation amounting to ₱1,442,802.

7 RISK MANAGEMENT OBJECTIVES AND POLICIES

7.1 General Risk Management Principles

The Bank's financial instruments comprise cash and cash equivalents, held-to-maturity financial assets, loans and receivables, other assets, and other financial liabilities such as savings deposits, bills payable and accrued expenses to finance the Bank's operations.

The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

	Notes	2021	2020
Financial assets			
Cash and other cash items	9	6,753,728	3,376,042
Due from BSP	9	9,445,374	9,749,785
Due from other banks	9	43,697,600	84,242,882
IBODI/financial assets at amortized cost - net	10	81,691,252	157,370,966
Loans and other receivables – net	11	381,713,189	267,783,952
Other assets*	15	5,632,631	1,990,545
		528,933,774	524,514,172
Financial Liabilities			
Deposit liabilities	16	281,796,904	278,944,791
Accrued expenses	17	7,938,946	5,272,636
		289,735,850	284,217,427

*excluding non-financial assets amounting to ₱1,476,689 and ₱4,499,456 in 2021 and 2020, respectively, as disclosed in Note 15.

7.1.1 Credit Risk and Concentrations of Assets and Liabilities and Off-balance Sheet items

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Bank only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Bank uses other publicly available financial information and its own trading records to rate its major customers. The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Bank enforces credit risk management fundamentally via its Credit Policy Manual (CPM), the provisions of which are regularly and updated to reflect changing risk conditions. The CPM defined, among others, the following:

- The Bank's credit structure
- Target market
- Credit evaluation, administration, monitoring, and collection guidelines; and
- Remedial management

The bank likewise manages risk by setting limits such as:

- Approving authority limits
- Individuals and borrower group limits; and
- Concentration limits as to facility and industry segments.

Moreover, the Bank monitors credit exposures, and continually assesses the creditworthiness of counterparties. It also obtains security where appropriate, enters into collateral arrangement with counterparties and financial decision making.

The Bank has an internal credit risk rating system for the purpose of measuring, in a consistent manner, credit risk for every exposure. The risk information derived is then used for business and financial decision making.

7.1.2 Maximum Exposure to Credit Risk before Collateral Held or Other Credit Enhancements

An analysis of the maximum exposure to credit risk relating to on-balance sheet assets without taking into account of any collateral held or other credit enhancements is shown below:

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	Notes	2021	2020
Cash and other cash items	9	6,753,728	3,376,042
Due from BSP	9	9,445,374	9,749,785
Due from other banks	9	43,697,600	84,242,882
IBODI/financial assets at amortized cost - net	10	81,691,252	157,370,966
Loans and other receivables*	11	443,652,758	310,128,243
Other assets**	15	5,632,631	1,990,545
		590,873,344	566,858,463

*gross of allowance and unamortized discount amounting to ₱61,939,570 and ₱42,344,291 in 2021 and 2020, respectively as disclosed in Note 11.

** excluding non-financial assets amounting to ₱1,476,689 and ₱4,499,456 in 2021 and 2020, respectively, as disclosed in Note 15.

Where financial instruments are recorded at fair value, the amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

7.1.3 Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2021 and 2020.

	2021					
	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash and other cash items	6,753,728					6,753,728
Due from BSP	9,445,374					9,445,374
Due from other banks	43,697,600					43,697,600
IBODI	81,691,252					81,691,252
Loans and other receivables*	294,642,111			31,536,049	117,474,598	443,652,758
Other assets**	5,632,631					5,632,631
	441,862,696	0	0	31,536,049	117,474,598	590,873,344
	2020					
	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash and other cash items	3,376,042					3,376,042
Due from BSP	9,749,785					9,749,785
Due from other banks	84,242,882					84,242,882
IBODI	157,370,966					157,370,966
Loans and other receivables*	238,077,788			4,871,555	67,178,900	310,128,243
Other assets**	1,990,545					1,990,545
	494,808,008	0	0	4,871,555	67,178,900	566,858,463

*gross of allowance and unamortized discount amounting to ₱61,939,570 and ₱42,344,291 in 2021 and 2020, respectively as disclosed in Note 11.

** excluding non-financial assets amounting to ₱1,476,689 and ₱4,499,456 in 2021 and 2020, respectively, as disclosed in Note 15.

High grade cash on hand and in banks and working capital cash fund placed, invested or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability. Other high-grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties collection

issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which has a probability of impairment based on historical trend. These accounts show probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

Past due but not impaired Loans and receivables and Investment securities are loans and receivables and investment securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Bank.

Loans with negotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

Impaired loans and receivables and investment securities are loans and receivables and investment securities for which the Bank determines that it is probable that it will be unable to all principal and interest due based on the contractual terms of the promissory notes and securities agreements.

The Bank holds collateral against loans receivables in the form of real estate and chattel mortgages, and deposit hold out over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired.

7.1.4 *Aging Analysis*

An aging analysis of the Bank's loans and other receivables, gross of allowance and unamortized discount, as of December 31, 2021 and 2020 are as follows:

	2021	2020
Outstanding receivables:		
Current accounts	294,534,382	221,212,460
Past due accounts:		
1-30 days past due	74,883,694	3,712,483
31-60 days past due	11,636,350	581,970
61-90 days past due	4,405,509	2,099,750
Over 90 days past due	58,192,823	82,521,580
	443,652,758	310,128,243

As part of the impairment of the monitoring system of the Bank, accurate tagging-based on Circular 855 and Appendix 18 was adopted. Serious effort and collection strategies are continuously being done.

7.2 **Liquidity Risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Bank seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Bank's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

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The table below summarizes maturity profile of the Bank's financial assets and liabilities as of December 31, 2021 and 2020 based on undiscounted contractual cash flows.

2021	On Demand	Due Within 1 year	> 1 year <= 5 years	> 5 years <= 15 years	Total
Financial Assets					
Cash and other cash items	6,753,728				6,753,728
Due from BSP	9,445,374				9,445,374
Due from other banks	43,697,600				43,697,600
IBODI/financial assets at amortized cost		33,026,231	44,438,642	4,226,379	81,691,252
Loans and other receivables*	27,981,600	27,510,490	208,422,895	179,737,773	443,652,758
Other assets**	5,632,631	0			5,632,631
	93,510,933	60,536,721	252,861,537	183,964,152	590,873,344
Financial Liabilities					
Deposit liabilities	200,608,299	19,731,264	61,457,342		281,796,904
Accrued expenses	7,938,946				7,938,946
	208,547,245	19,731,264	61,457,342	0	289,735,850
2020					
Financial Assets					
Cash and other cash items	3,376,042				3,376,042
Due from BSP	9,749,785				9,749,785
Due from other banks	84,242,882				84,242,882
IBODI/financial assets at amortized cost	102,841,589	54,529,377			157,370,966
Loans and other receivables*	36,318,048	18,517,220	123,335,424	131,957,551	310,128,243
Other assets**	1,990,545				1,990,545
	238,518,891	73,046,597	123,335,424	131,957,551	566,858,463
Financial Liabilities					
Deposit liabilities	169,489,246	35,414,245	74,041,300		278,944,791
Accrued expenses	5,272,636				5,272,636
	169,489,246	40,686,881	74,041,300	0	284,217,427

*gross of allowance and unamortized discount amounting to ₱61,939,570 and ₱42,344,291 in 2021 and 2020, respectively as disclosed in Note 11.

** excluding non-financial assets amounting to ₱1,476,689 and ₱4,499,456 in 2021 and 2020, respectively, as disclosed in Note 15.

7.3 Interest Rate Risk

Interest rate risk is the risk to the earning or capital resulting from adverse movements in the interest rates. The Bank closely monitors the movements of interest rates in the market and reviews its asset and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits. The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis on interest rate risk is not readily estimable as interest is unpredictable.

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Bank is exposed to interest rate risk since its financial assets and financial liabilities have fixed and variable rates.

7.4 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility of the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following risk in the following areas:

- a) Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- b) Requirements for the reconciliation and monitoring of transactions;
- c) Compliance with regulatory and other legal requirement;
- d) Documentation of controls and procedures;
- e) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- f) Requirements for the reporting of operational losses and proposed remedial action;
- g) Development of contingency plans;
- h) Training and professional development;
- i) Ethical and business standards; and
- j) Risk mitigation, including insurance where this is effective.

Compliance with bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

8 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents a comparison by category of carrying amounts and estimate value of the Bank's financial instruments as of December 31, 2021 and 2020:

2021	Carrying Value	Fair Value			Total
		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)	
ASSETS					
Assets for which fair value is disclosed:					
Cash and other cash items	6,753,728			6,753,728	6,753,728
Due from BSP	9,445,374			9,445,374	9,445,374
Due from other banks	43,697,600			43,697,600	43,697,600
IBODI/financial assets at amortized cost - net	81,691,252			81,691,252	81,691,252
Loans and other receivables – net	381,713,189			381,713,189	381,713,189
Other assets*	5,632,631			5,632,631	5,632,631
	528,933,774	0	0	528,933,774	528,933,774

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LIABILITIES					
Liabilities for which fair value is disclosed:					
Deposit liabilities	281,796,904			281,796,904	281,796,904
Accrued expenses	7,938,946			7,938,946	7,938,946
	289,735,850	0	0	289,735,850	289,735,850

2020	Carrying Value	Fair Value			Total
		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)	
ASSETS					
Assets for which fair value is disclosed:					
Cash and other cash items	3,376,042			3,376,042	3,376,042
Due from BSP	9,749,785			9,749,785	9,749,785
Due from other banks	84,242,882			84,242,882	84,242,882
IBODI/financial assets at amortized cost - net	157,370,966			157,370,966	157,370,966
Loans and other receivables – net	267,783,952			267,783,952	267,783,952
Other assets*	1,990,545			1,990,545	1,990,545
	524,514,172	0	0	524,514,172	524,514,172
LIABILITIES					
Liabilities for which fair value is disclosed:					
Deposit liabilities	278,944,791			278,944,791	278,944,791
Accrued expenses	5,272,636			5,272,636	5,272,636
	284,217,427	0	0	284,217,427	284,217,427

* excluding non-financial assets amounting to ₱1,476,689 and ₱4,499,456 in 2021 and 2020, respectively, as disclosed in Note 15.

The fair value of financial assets and financial liabilities measured at amortized cost approximate their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

Fair Value Hierarchy

The bank uses the following hierarchy as guide for determining fair value of financial instruments:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchange;

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data (observable inputs). This level includes equity investment (if any) and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The fair values of financial assets and financial liabilities measured at amortized cost approximates their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

9 CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021	2020
Cash and other cash item	6,753,728	3,376,042
Due from BSP	9,445,374	9,749,785
Due from other banks	43,697,600	84,242,882
	59,896,702	97,368,709

Due from other banks comprise of savings and time deposits having interest rates ranging from 0.10% to 2.50% in 2021 and from 0.10% to 2.75% in 2020.

Interest earned on deposits on local banks amounted to ₱247,467 and ₱592,651 in 2021 and 2020, respectively.

10 IBODI/Financial Assets at amortized cost – net

This account consists of long-term retail treasury bonds and agrarian reform bonds acquired from LBP amounting to ₱81,691,252 and ₱157,370,966 as of December 31, 2021 and 2020. The Bank earns interest rates ranging from 0.975% to 6.250% in 2021 and from 3.135% to 4.625% in 2020. Total interest earned on these financial assets amounted to ₱2,858,809 and ₱3,257,930 for 2021 and 2020, respectively.

11 LOANS AND OTHER RECEIVABLES- net

This account consists of the following:

	2021	2020
Loans receivable - gross	425,126,352	303,260,702
Unamortized discount/deferred credits	(3,522,800)	(1,125,852)
Allowance for credit losses	(46,412,111)	(34,811,528)
General loan loss provision	(6,016,523)	(2,816,523)
Loans receivable - net	369,174,919	264,506,799
Accounts receivable - gross	3,175,334	3,432,223
Allowance for credit losses	(2,493,095)	(2,480,515)
Accounts receivable - net	682,239	951,708
Sales contract receivable - performing	14,671,245	2,755,491
Sales contract receivable - non performing	679,827	679,827
Unamortized discount/deferred credits	(3,125,512)	(740,343)
Allowance for credit losses	(369,530)	(369,530)
Sales contract receivable - net	11,856,031	2,325,445
Total loans and other receivables - net	381,713,189	267,783,952

The Bank's loan accounts are stated at the outstanding balance reduces by estimated allowance for credit losses and unearned interest and discounts.

Total earned interest on loans amounted to ₱35,160,196 and ₱28,910,537 for the year ended December 31, 2021 and 2020, respectively.

Sales contract receivable refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

The Bank earned interest on sales contract receivable amounting to ₱2,861,771 in 2021.

The movement of the allowance for credit loss at December 31 is summarized as follows:

	2021	2020
At January 1	37,628,050	34,729,814
Provision for credit losses	18,593,631	2,421,500
Adjustments	(3,793,048)	476,737
December 31	52,428,633	37,628,050

The bank applied for regulatory relief due to COVID-19 Pandemic issued by the BSP under Memorandum No. M-2020-008.

The allowance for credit losses which includes both specific and general loan loss reserves, represents management estimates of credit losses inherent in the portfolio, after consideration of the prevailing and anticipated economic conditions, prior to loss experience, estimated recoverable value based on fair market values of underlying collateral.

The BSP observes certain criteria and guidelines based largely on the classification of loans in establishing specific loss reserves.

In compliance with the regulations of the BSP, the Bank strictly adheres to the setting up of allowance for credit losses based on Appendix 15, the Appendix to Section 143 on credit classification and provisioning. The Bank reviews the quality of its loan portfolio and prepares a quantitative classification of its risk assets including loans. Accordingly, a specific valuation allowance for probable losses was provided on regular loans based on the following schedule.

Classification of Risk Assets	Required Valuation Allowance
Loans especially mentioned	5%
Substandard – secured	10%
Substandard – unsecured	25%
Doubtful	50%

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Loss 100%

For micro-finance portfolio, the specific allowances are computed based on portfolio at risk. Portfolio at risk (PAR) refers to loan outstanding with one-day amortization missed payment. Specific allowance based on PAR follows:

Number of Days PAR	Required Allowance
1-30 Days	2%
31-60 Days	25%
61-90 Days	50%
91 days and over	100%

For unclassified loans whether regular or micro-finance, a general loan loss provision equivalent to 1% of the total loan portfolio is provided.

Disclosures as to industry/economic sector are as follows:

	2021		2020	
	Amount	%	Amount	%
Agriculture, forestry and fishing	51,803,063	12.29%	34,602,394	11.45%
Mining and quarrying	20,000,000	4.74%	20,000,000	6.62%
Wholesale and retail trade, repair of motor vehicles, motorcycles	133,306,565	31.62%	59,896,323	19.82%
Real estate activities	128,800,153	30.55%	90,183,161	29.85%
Education	33,399,371	7.92%	37,734,416	12.49%
Others (travel, motorcycle, personal consumption)	54,298,660	12.88%	59,718,556	19.77%
Total	421,607,812	100.00%	302,134,850	100.00%

*Loans receivables are reported net of unamortized discount/deferred credits.

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of their total loan portfolio except for the real estate loans. As of December 31, 2021, no credit concentration exists in the portfolio of the Bank.

Loan portfolio classification as to security according to loan status for the year follows:

	2021	2020
Classification as to security		
1. DOSRI	32,649,821	35,589,904
Secured	32,649,821	35,589,904
REM-Residential	76,892	387,041
REM-Commercial	912,449	0
Non-risk assets	28,948,642	32,849,226
Other collateral	2,711,838	2,353,637
2. Non-DOSRI	388,957,991	266,544,946
Secured	343,366,369	217,637,713
REM-Residential	128,818,325	89,812,480
REM-Commercial	125,937,145	57,035,914
REM-Agricultural	46,216,996	30,827,541
Other collateral	42,393,903	39,961,778
Unsecured	45,591,622	48,907,233
	421,607,812	302,134,850

2021	Performing Loans		Non-Performing Loans		Total Loans
	Current	Past Due	Non-Performing, net of ITL	Items in Litigation	
Classification as to status					
Other agricultural credit loans	32,984,190	5,387,477	13,300,192	131,203	51,803,063
Microfinance loans	2,686,692	1,093,191	4,480,841	94	8,260,818
Small scale enterprises	41,058,406	18,008,972	22,552,402	1	81,619,780
Medium scale enterprise	40,000,000			3,425,967	43,425,967
Loans to private corporations	33,399,371		20,000,000		53,399,371
Loans to individuals for housing purposes	97,342,367	1,505,061	29,450,692	502,033	128,800,153
Loans to individuals primarily for personal use purposes	28,867,301	1,849,748	21,852,076	1,729,535	54,298,660
	276,338,328	27,844,449	111,636,202	5,788,833	421,607,812

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2020	Performing Loans		Non-Performing Loans		Total Loans
	Current	Past Due	Non-Performing, net of ITL	Items in Litigation	
Classification as to status					
Agrarian reform loans	16,634,439				16,634,439
Other agricultural credit loans	14,063,404		3,539,133	365,418	17,967,955
Microfinance loans	1,702,979	249,766	2,087,324	111,638	4,151,707
Small scale enterprises	32,571,122	616,562	16,390,007	2,740,958	52,318,649
Medium scale enterprise				3,425,967	3,425,967
Loans to individuals for housing purposes	57,734,416				57,734,416
Loans to individuals primarily for personal use purposes	77,490,881		12,692,280		90,183,161
Loans to individuals for other purposes	33,592,662	357,546	23,288,327	2,480,021	59,718,556
	233,789,903	1,223,874	57,997,071	9,124,002	302,134,850

The maturity profile of the Bank's loan portfolio follows:

	2021	2020
Within one year	17,390,338	51,465,010
Beyond one year but within five years	161,167,169	120,920,811
Beyond five years	243,050,305	129,749,029
	421,607,812	302,134,850

11.1 Past Due Loans

Past due loans of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at maturity.

BSP Manual of Regulations for Banks, Sec. 304, defined the classification of past due loans as follows:

As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual date, in which case, the total outstanding balance thereof shall be considered past due. However, BSFIs may provide a cure period on a credit-product specific basis, not to exceed thirty (30) days within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due: Provided, that any cure period policy shall be based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays: Provided, further, that the observance of a cure period policy shall not preclude the timely adverse classification of an account that has developed material credit weakness/es, and that BSFIs shall regularly review the reasonableness of its cure period policy. For microfinance and other small loans that feature high frequency payments, the cure period allowable by policy shall not exceed ten (10) days.

Installment refers to principal and/or interest amortizations that are due on several dates as indicated in the loan documents. The allowance for loan losses is the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the collectability of loans and prior loss experience.

Any amounts set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates to be present in the portfolio of loans and advances are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expenses and reduced by write-offs and reversals.

11.2 Non-Performing Loans

BSP Manual of Regulations for Banks, Sec. 304, defined non-performing loans (NPLs) as follows:

Loans, investments, receivables or any financial asset shall be considered non-performing, even without missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

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12 BANK PREMISES, FURNITURE, FIXTURE AND EQUIPMENT -net

The carrying amounts of the Bank's BPFFE are follows:

	Land	Building	Furniture, Fixture and Equipment	Information Technology Equipment	Transportation Equipment	Other Office Equipment	Leasehold Improvements	Total
Cost								
January 1, 2020	11,036,160	22,620,910	6,133,191	6,316,626	3,466,908	1,927,354	2,947,141	54,448,290
Additions		1,740,094	755,945	116,625	879,851	45,739	29,996	3,568,250
December 31, 2020	11,036,160	24,361,004	6,889,136	6,433,251	4,346,759	1,973,093	2,977,137	58,016,540
Additions	18,010,103	5,677,122	1,255,583	317,770		25,028		25,285,606
Disposals								0
Reclassifications/Adjustments	(4,761,600)	4,761,600				(4,433)		(4,433)
December 31, 2021	24,284,663	34,799,726	8,144,719	6,751,021	4,346,759	1,993,688	2,977,137	83,297,713
Accumulated depreciation								
January 1, 2020		10,819,204	3,596,213	6,164,967	3,311,311	1,860,113	370,314	26,122,122
Depreciation		953,303	926,284	202,024	280,002	53,198	151,328	2,566,139
Disposals								0
Reclassifications/Adjustments			6,443					6,443
December 31, 2020		11,772,507	4,528,940	6,366,991	3,591,313	1,913,311	521,642	28,694,704
Depreciation		770,348	904,599	219,171	287,104	42,777	140,390	2,364,389
Disposals								0
Reclassifications/Adjustments						(4,432)		(4,432)
December 31, 2021	0	12,542,855	5,433,539	6,586,162	3,878,417	1,951,656	662,032	31,054,661
Carrying amount								
December 31, 2020	11,036,160	12,588,497	2,360,196	66,260	755,446	59,782	2,455,495	29,321,836
December 31, 2021	24,284,663	22,256,871	2,711,180	164,859	468,342	42,032	2,315,105	52,243,053

Management believes that there are no indications of impairment in the value of its bank premises, furniture, fixture and equipment as of December 31, 2021 and 2020.

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Depreciation amounting to ₱2,364,389 and ₱2,566,139 are presented as separate components of operating expenses under non-interest expenses in the statement of comprehensive income in 2021 and 2020, respectively, as shown in Note 26.

No bank premises, furniture, fixtures and equipment were used as collateral for liabilities as at December 31, 2021 and 2020.

Under BSP regulations, investment in Bank premises, furniture, fixtures and equipment should not exceed 50% of the Bank's unimpaired capital. As of December 31, 2021, and 2020, the Bank has satisfactorily complied with this provision.

13 ROPA / INVESTMENT PROPERTIES - net

This account pertains to real properties, such as land, held by the bank for capital appreciation. The account also includes real properties foreclosed from the delinquent borrowers which are held for capital appreciation.

	Land	Building	Other Properties	Total
Cost				
January 1, 2020	21,955,718	1,330,913	1,093,150	24,379,781
Additions	14,718,080	4,605,892		19,323,971
Disposals	(843,659)		(879,851)	(1,723,510)
December 31, 2020	35,830,139	5,936,805	213,299	41,980,243
Additions	12,886,327	2,313,464		15,199,790
Disposals	(27,106,067)	(1,317,542)		(28,423,609)
Reclassifications/Adjustments	92,578			92,578
December 31, 2021	21,702,976	6,932,727	213,299	28,849,002
Accumulated Depreciation				
January 1, 2020		270,577		270,577
Depreciation				0
December 31, 2020	0	270,577	0	270,577
Depreciation				0
December 31, 2021	0	270,577	0	270,577
Allowance for probable losses				
December 31, 2020	589,071	50,152	213,299	852,522
December 31, 2021	589,071	50,152	213,299	852,522
Carrying amount				
December 31, 2020	35,241,067	5,616,076	0	40,857,144
December 31, 2021	21,113,905	6,611,997	0	27,725,902

Allowance for probable loss amounted to ₱852,522 in 2021 and 2020.

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is no indication that an impairment loss has occurred on its investment properties. The Bank believes that the cost of the asset approximates its fair value as of December 31, 2021 and 2020.

No amount of the investment property of the Bank has been pledged to secure general banking facilities granted to the bank.

14 RIGHT OF USE ASSETS – net

This account consists of the following:

	2021	2020
Gross carrying amount		
Balance at January 1	10,103,655	10,103,655
Adjustments	(1,052,815)	0
Balance at December 31	9,050,840	10,103,655

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Depreciation and impairment		
Balance at January 1	1,920,320	960,160
Depreciation	475,859	960,160
Balance at December 31	2,396,179	1,920,320
Carrying amount	6,654,661	8,183,335

Lessor	Leased Properties	Lease Term	Lease Payment	Escalation
JAOVIL Realty and Development Corporation	Comm'l Bldg., Rizal St. Angeles City	30 yrs (Jan. 1, 2012 - Dec. 31, 2041)	30,000.00	10% every 2 yrs
Mercy N. Manongtong	Unit No. 3, M.H del Pilar St. Brgy, Sto. Cristo,	5 yrs (Aug. 30, 2016 - Aug. 29, 2021)	47,837.30	5% yearly

15 OTHER ASSETS

This account consists of the following:

	2021	2020
Accrued interest receivable	4,189,631	547,545
Deferred tax asset	0	3,114,661
Miscellaneous assets	315,547	334,547
Other investments	1,436,000	1,436,000
Petty cash fund	7,000	7,000
Prepaid expenses	794,196	623,896
Prepaid income tax	0	121,803
Stationeries and supplies on hand	366,946	304,549
	7,109,319	6,490,001

16 DEPOSIT LIABILITIES

This account consists of the following:

	2021	2020
Savings deposits	176,813,088	159,224,460
Time certificate of deposit	104,983,816	119,720,331
	281,796,904	278,944,791

Savings deposits earn annual interest rate of 0.25%. Time deposits earn annual interest rate ranging at 0.5% to 1.75% depending on the term.

Total interest expense on deposit liabilities amounted to ₱2,756,168 and ₱3,535,259 for 2021 and 2020, respectively.

Under existing BSP regulations, savings deposits and time deposits of the Bank are subject to statutory reserve equivalent to 2%. As of December 31, 2021, and 2020, the Bank is in compliance with such regulations.

17 ACCRUED EXPENSES

Details of this account are disclosed below:

	2021	2020
Accrued interest expense	3,118,570	3,313,968
Accrued other expenses	4,820,376	1,958,668
	7,938,946	5,272,636

18 RETIREMENT BENEFIT OBLIGATION

The Bank adopted a retirement plan in recognition of the contribution of employees to the success of its operations, and to reward their loyalty and long years of service rendered. This retirement plan was established and was effective on January 1, 2013. The plan shall be non-contributory. The Bank shall contribute on behalf of each participant an amount actuarially determined to provide his benefits under the plan.

The plan was computed under the Accrued Benefit Valuation Method-Projected Unit Credit Method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service liability is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

On November 2014, Bureau of Internal Revenue (BIR) approved the submitted retirement plan by the Bank with Ref # ERP-143-2014 dated November 24, 2014.

The amount of Retirement Liability as of December 31, 2021 and 2020 amounting to ₱1,442,802. Contributions to the plan were treated as outright expense (see Note 25).

19 OTHER LIABILITIES

This account consists of the following:

	2021	2020
Accounts payable	1,175,422	1,059,200
Dividends payable	34,824	34,824
Due to Treasurer of the Philippines	65,317	65,317
Lease liabilities	6,719,725	9,163,814
Miscellaneous liabilities	26,717	26,964
Sundry credits	35,982	74,419
SSS, PHIC and HDMF premiums payable	111,445	98,890
Unclaimed balances	7,965	29,759
Unearned income	8,125,526	6,558,514
Withholding tax payable	95,326	131,600
	16,398,250	17,243,301

Accounts Payable represents various liabilities incurred by the Bank for its own account and the third parties arising from short term indebtedness/obligations still outstanding at the cut-off/ reporting date.

Due to Treasurer of the Philippines are deposit account balances which are dormant for ten (10) years or longer which are due for transfer to the Treasurer of the Philippines due to absence of claimant.

Miscellaneous liabilities represent various banks liabilities and/or credit accounts temporarily lodged to said account, pending management resolution and/or settlement thereof.

SSS, PHIC and HDMF contributions are employee's contributions which are to be remitted by the Bank on January 2022.

Unearned Income represents capitalized interest and other deferred credits.

Withholding tax payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is obliged to withhold as a withholding agent of the government.

20 SHARE CAPITAL

20.1 Ordinary Share

Shown below are the details on the movement of ordinary shares:

	2021		2020	
	Share	Amount	Share	Amount
Authorized capital – Ordinary, ₱100 par value	2,500,000	250,000,000	2,500,000	250,000,000
Issued and outstanding				
Balance, January 1		198,009,000		198,009,000
Issued capital during the year		14,000,000		0
Balance, December 31		212,009,000		198,009,000

Ordinary shares carry one vote per share and a right to dividends.

Payments made by the stockholders above the par value were booked as additional paid-up capital.

20.2 Preferred Share

Shown below are the details on the movement of preferred shares:

	2021		2020	
	Share	Amount	Share	Amount
Authorized capital – Preferred, ₱100 par value	500,000	50,000,000	500,000	50,000,000
Issued and outstanding				
Balance, January 1		40,307,000		35,307,000
Issued capital during the year		1,000,000		5,000,000
Balance, December 31		41,307,000		40,307,000

Under Section 121 of MORB: *Minimum Required Capital*. Thrift Banks with 1–10 branches in all other areas outside NCR are required to comply with the minimum capital of ₱300 million. However, under the same transitory provisions of the said section, BSP allowed existing banks to comply with the minimum capital requirements for 5 years from the effectivity of the covering circular.

20.3 Capital Management

The primary objective of the Bank's capital management is to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure, which is composed of paid-up capital and retained earnings and make adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return on capital structure or issue capital securities.

Under the current banking regulations, the qualifying capital accounts of the Bank should not be less than an amount equal to ten percent (10%) of its risk-weighted assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets is total capital funds excluding:

- (a) Unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- (b) Total outstanding unsecured credit accommodations to DOSRI;
- (c) Deferred tax assets
- (d) Goodwill, if any
- (e) Sinking fund for redemption of redeemable preferred stock; and
- (f) Other regulatory deductions

Risk assets consists of total asset after exclusion of cash on hand, due from BSP, Loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The regulatory capital is classified into two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the total of Tiers 1 and 2 capitals.

Tier 1 and Tier 2 capital are defined as follows:

- a. Tier 1 Capital includes the following:
 - i. Paid up common share,
 - ii. Paid up perpetual and non-cumulative preferred share
 - iii. Additional paid-in capital
 - iv. Retained earnings

Subject to deductions for:

Deferred tax asset net of deferred tax liability

- b. Tier 2 Capital includes:
 - i. General loan loss provision

As of December 31, 2021, and 2020, the Bank's capital adequacy ratios are 55.32% and 71.04%, respectively. Under the existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital regulatory capital reported to the BSP, determined on the basis regulatory accounting policies, which differ from PFRS in some respects.

Information regarding the Bank's "unimpaired capital" as of December 31, 2021 and 2020 is shown below.

	2021	2020
	In (000,000's)	In (000,000's)
Tier 1 capital (CET1 capital)	267.707	261.051
Tier 2 capital	46.337	43.123
Gross qualifying capital	314.043	344.481
Total risk-weighted assets	567.733	484.911
Total capital adequacy ratio	55.32%	71.04%
Tier 1 capital ratio (CET 1 ratio)	85.25%	75.78%
Total exposure measure	501.987	-
Leverage ratio	53.33%	-
Minimum liquidity ratio	52.21%	99.00%

21 RETAINED EARNINGS

21.1 Retained Earnings, Free

The table below shows retained earnings, free for the year:

	2021	2020
Balance, January 1	66,156,412	65,587,972
Total comprehensive income/(loss)	(7,073,382)	504,612
Adjustments	(2,538,241)	63,828
Balance, December 31	56,141,178	66,156,412

Adjustments for the year ending December 31, 2021 and 2020 is composed of:

	2021	2020
Prior period adjustment	(2,364,078)	0
Adjustment on ROUA	(474,405)	0
Income tax – current	300,241	0
Income tax expense not closed in prior year	0	63,828
	(2,538,241)	63,828

The Bank's retained earnings is not subject and is exempt from the provision of improperly accumulated earnings tax as provided under Section 29 of National Internal Revenue Code of the Philippines and as implemented by Revenue Regulation 02-2001, and Section 34 Republic Act No.8791 requiring banks to maintain a specific minimum Capital Adequacy ratio (CAR).

22 INTEREST INCOME

This account consists of the following:

	2021	2020
Bank deposits	247,467	592,651
Held to maturity-financial assets	2,858,809	3,257,930
Loans and receivable	35,160,196	28,910,537
Sales contract receivable	2,861,771	0
	41,128,243	32,761,118

23 INTEREST EXPENSE

This account consists of the following:

	2021	2020
Deposit liabilities	2,756,168	3,535,259
	2,756,168	3,535,259

24 NON-INTEREST INCOME

This account consists of the following:

	2021	2020
Fees and commission	1,571,124	1,259,986
Gain on sale of non-financial assets	2,198,611	1,434,732
Other income	2,310,073	1,683,563
	6,079,808	4,378,281

Other income consists of the following

	2021	2020
Miscellaneous income	2,266,073	1,683,563
Rent income	44,000	0
	2,310,073	1,683,563

Gain on sale of non- financial assets pertains to the gain from disposal of investment property acquired through foreclosure from delinquent borrowers.

Other income refers to rent income, gain from restructured loans, income from appraisal fees and penalties on closing of accounts, and the like.

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25 COMPENSATION AND FRINGE BENEFITS

Details of compensation and fringe benefits are shown below:

	2021	2020
Contributions to retirement fund	1,862,024	772,583
Directors' fees	1,174,000	994,000
Government contributions	764,419	770,406
Medical, dental and hospitalization	707,789	1,655,132
Salaries and wages	11,681,500	12,743,652
	16,189,731	16,935,773

26 DEPRECIATION AND AMORTIZATION

Details of depreciation and amortization are shown below:

	2021	2020
Building	770,348	953,303
Furniture, fixture, and other equipment	904,599	926,284
Information technology equipment	219,171	202,024
Leasehold rights and improvements	140,390	151,328
Other office equipment	42,777	53,198
Right of use assets	475,859	960,160
Transportation equipment	287,104	280,002
	2,840,248	3,526,299

27 TAXES AND LICENSES

Details of taxes and licenses are shown below:

	2021	2020
BIR registration fees	2,000	2,000
Business permit and other fees	361,142	510,415
Others	179,101	251,797
Percentage taxes	1,761,924	1,630,988
	2,304,167	2,395,200

28 OTHER ADMINISTRATIVE EXPENSES

Details of other administrative expenses are shown below:

	2021	2020
Advertisement	58,072	33,125
Donations and charitable contributions	24,500	2,500
Fees and commission	2,137	37,595
Fines, penalties, and other charges	113,379	0
Fuel and lubricants	433,500	226,915
Information technology	124,911	152,889
Insurance	978,550	850,412
Interest on ROUA	65,109	678,182
Litigation	584,543	1,026,478
Management and professional fees	487,647	538,050
Membership fees and dues	88,578	94,078
Miscellaneous	1,031,357	648,351
Periodicals and magazines	4,400	11,439
Postage, telephone, and telegram	644,673	564,316
Power, light, and water	717,367	590,657
Provisions	991,939	0
Repairs and maintenance	358,535	276,978
Representation and entertainment	277,970	130,749
Security, clerical, messengerial and janitorial services	1,306,334	1,276,969
Stationeries and office supplies	839,700	882,188
Supervision and examination fee	179,031	164,014
Travelling expenses	1,128,738	583,667
	10,440,971	8,769,552

Miscellaneous expenses pertain to expenses incurred in meeting and conferences auxiliary collection fees, Christmas give gifts and giveaways, purchase of check booklets from various banks, and other expenses.

29 INCOME TAX

The reconciliation of the provision for income tax at statutory income tax rate as shown in the statements of income follows:

Regular corporate income tax (RCIT)	
Net income/(loss) before tax	(5,673,382)
Add: Non-deductible expenses	
Depreciation on ROUA	475,859
Interest expense on deposit liabilities	621,255
Interest on ROUA	65,109
Provision for year-end expenses	991,939
Provision for probable losses	18,593,631
Total non-deductible expenses	20,747,794
Less: Non-taxable income/Income subjected to final tax	
Accounts written off	3,761,441
Interest income subjected to final tax	3,106,276
Lease payments	992,248
Total taxable income/income subjected to final tax	7,859,965
Net taxable income	7,214,446
Tax rate	25.00%
Income tax due	1,803,612
Minimum corporate income tax (MCIT)	
Gross profit	38,372,075
Tax rate	1.00%
Income tax due	383,721
Income tax expense	
Tax due whichever is higher between RCIT and MCIT	1,803,612
Less: Tax credits/payments	
Prior years' excess credits	200,555
Tax payments for the first three quarters	613,644
Tax paid in return previously filed	618,078
Total tax credits/payments	1,432,277
Income tax still due	371,335

On New Tax Law

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 March 26, 2021, President Duterte signed into law, Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentive for Enterprises (CREATE) Act with certain vetoed provisions.

Among the reforms, the following are the significant provisions:

1. Adoption of graduated regular corporate income tax (RCIT) rate effective 01 July 2020 based on the total assets of domestic corporations as follows:
 - a. Domestic corporations with total assets of Php100 Million and below, and with taxable income of Php5 Million and below – 20% RCIT;
 - b. Domestic corporations with total assets of Php100 Million and below, and with taxable income of more than Php5 Million – 25% RCIT;
 - c. Domestic corporations with total assets of more than Php100 Million – 25% RCIT.
2. Adoption of 25% RCIT for resident foreign corporations effective 01 July 2020.
3. Adoption of 25% tax rate for nonresident foreign corporations effective 01 July 2020.
4. Reduction of minimum corporate income tax (MCIT) from 2% to 1% for a period of 3-years (effective 01 July 2020 until 30 June 2023).
5. Improperly accumulated tax on retained earnings under Section 29 of the NIRC, as amended, has been repealed.

6. Existing enterprises under income tax holiday (ITH) shall be allowed to continue availing the ITH until the remaining period ends. Existing enterprises enjoying the 5% tax based on gross income shall be allowed to continue to enjoy the 5% tax for a period of 10 years, regardless of number of years it has been enjoying the 5% tax rate. After the expiration of the transitory period, they have the option to avail of the tax incentives under CREATE Act.

30 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loans and other transactions with certain DOSRI. Under the Bank's policy, these loans and other transactions are made substantially on the terms as with other individuals and businesses of comparable risks. The General Banking Act BSP regulations limit the amount of the loans to each DOSRI as follows:

- The individual ceiling for credit accommodations of a bank to each of its DOSRI shall be equivalent to his outstanding deposits and book value of his paid-in capital in the lending bank. The unsecured credit accommodations to each of the Bank's DOSRI shall not exceed 30% of his total credit accommodations.
- The aggregate ceiling for credit accommodations, whether direct or indirect, to DOSRI of a bank shall not exceed 15% of the total loan portfolio of the Bank or its combined capital accounts net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowing of DOSRI shall not exceed 30% of the aggregate ceiling or the outstanding direct/indirect credit accommodations there to, whichever is lower.

The summary of Bank significant transactions with its DOSRI and related party are as follow:

2021	DOSRI Loans	Related Party Loans (inclusive of DOSRI loans)
Outstanding loans	32,649,821	32,649,821
Percent of DOSRI/Related Party loans to total loan portfolio	7.74%	7.74%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
2020	DOSRI Loans	Related Party Loans (inclusive of DOSRI loans)
Outstanding loans	35,589,904	35,589,904
Percent of DOSRI/Related Party loans to total loan portfolio	11.78%	11.78%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%

30.1 Remuneration of Key Management Personnel

The key management compensation amounted to ₱4,005,467 and ₱2,189,274 for the years ended December 31, 2021 and 2020, respectively, and are shown as part of salaries and wages under compensation/fringe benefits as presented in Note 25.

31 BASIC QUANTITATIVE INDICATORS OF FINANCIAL PERFORMANCE

The key financial performance indicators of the Bank are shown below (in %):

	2021	2020
Return on average equity	(2.44%)	0.17%
Return on average assets	(1.22%)	0.08%
Net interest margin	7.56%	5.77%
Debt to equity ratio	0.99:1	0.99:1
Capital adequacy ratio	55.32%	71.04%

32 ASSETS PLEDGED AS SECURITY

The Bank has no secured liabilities and assets pledged as security as of December 31, 2021 and 2020.

33 PROVISIONS AFTER THE REPORTING DATE

The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of loans and receivables under litigation amounted to ₱5,788,774 and ₱9,124,003 as of December 31, 2021 and 2020.

The Bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.

The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the Bank into obligation in case of non-compliance by the buyer.

As of December 31, 2021 and 2020, The Bank has contingent accounts amounted to ₱8,485,653 and ₱6,699,680.

34 APPROVAL OF FINANCIAL STATEMENTS

These financial statements for the year ended December 31, 2021 was approved and authorized for issue by the Board of Directors (BOD) on May 30, 2022.

The Board of Directors is still empowered to make revisions on financial statements even after the date of issue.

35 SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 15-2010

Revenue Regulations (RR) No. 21-2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes and license fees paid or occurred during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions.

Below is the additional information required by RR 15-2010. This information is presented for purposes of filing with the BIR and in not a required part of the basic financial statements.

35.1 Gross Receipts Tax

	2021
Gross receipts tax paid	1,379,245
Gross receipts tax payable	510,364
	<u>1,889,610</u>

35.2 All Other National and Local Taxes

All other local and national taxes paid by the Bank and presented as part of operating expenses for the period ended December 31, 2021 consist of:

	2021
National taxes:	
BIR registration fee	2,000
	<u>2,000</u>
Local taxes:	
Business permit and other fees	361,142
Others	179,101
	<u>540,243</u>
	<u>542,243</u>

35.3 Documentary Stamp Taxes

Documentary stamp taxes for the year ended December 31, 2021 is ₱1,658,244.

35.4 Withholding Taxes

Withholding Taxes paid or accrued for the year ended December 31, 2021 consist of:

	Paid	Accrued	Total
2021			
Expanded withholding tax	360,766	62,819	423,584
Withholding tax on compensation	309,552	3,471	313,023
Final withholding tax	264,512	29,037	293,549
	934,830	95,326	1,030,156

35.5 Tax Cases

The bank has no outstanding tax cases in any cases in any other court or bodies outside of the BIR as of December 31, 2021 and 2020.

36 SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 19-2011

RR No. 19-2011 that prescribes the use of new income tax forms starting with calendar year 2013 became effective on December 9, 2012. Companies are now required to include; as part of the notes to the financial statements, the schedules and information on taxable income and deductions.

Below is the additional information required by RR 19-2011. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

36.1 Interest Income

The breakdown of the Bank's interest income consists of:

	Financial Statement	Income Tax Return
Bank deposits	247,467	0
Held-to-maturity financial assets	2,858,809	0
Loans receivable	35,160,196	35,160,196
Sales contract receivable	2,861,771	2,861,771
	41,128,243	38,021,967

36.2 Cost of Services

The breakdown of the Bank's deductible cost of services consists of:

	Financial Statement	Income Tax Return
Interest expense	2,756,168	2,134,913
	2,756,168	2,134,913

36.3 Other Operating Income

Details of other operating income of Bank for 2021 are as follows:

	Financial Statement	Income Tax Return
Fees and commissions	1,571,124	1,571,124
Gain on sale of non-financial assets	2,198,611	2,198,611
Other income	2,310,073	2,310,073
Recovery on charged off assets	243,482	243,482
	6,323,291	6,323,291

36.4 Operating Expenses

Details of the Bank's deductible expenses for 2021 are as follows:

	Financial Statement	Income Tax Return
Compensation and fringe benefits	16,189,731	16,189,731
Depreciation and amortization	2,840,248	2,364,389
Taxes and licenses	2,304,167	2,304,167
Advertisement	58,072	58,072
Bad debts	0	3,761,441
Donations and charitable contributions	24,500	24,500
Fees and commission	2,137	2,137
Fines and penalties	113,379	113,379
Fuel and lubricants	433,500	433,500
Information technology	124,911	124,911
Insurance	978,550	978,550

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Interest on ROUA	65,109	0
Litigation	584,543	584,543
Management and professional fees	487,647	487,647
Membership fees and dues	88,578	88,578
Miscellaneous	1,031,357	1,031,357
Periodicals and magazines	4,400	4,400
Postage, telephone and telegram	644,673	644,673
Power, light and water	717,367	717,367
Provisions	991,939	0
Rental	0	992,248
Repairs and maintenance	358,535	358,535
Representation and entertainment	277,970	277,970
Security, clerical, messengerial and janitorial services	1,306,334	1,306,334
Stationeries and office supplies	839,700	839,700
Supervision and examination fee	179,031	179,031
Travelling expenses	1,128,738	1,128,738
Provision for probable losses	18,593,631	0
	<u>50,368,748</u>	<u>34,995,899</u>

37 SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 34-2020

On December 22, 2020, the BIR issued Revenue Regulation No. 34-2020 to inform all concerned on 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 Bank is not covered by the requirements of preparation and submission on related party transactions under Section 2 of RR 34-2020.

38 SUPPLEMENTARY REPORTS TO BANGKO SENTRAL NG PILIPINAS (BSP)

The Bangko Sentral ng Pilipinas (BSP) requires certain supplementary information to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards; it is neither a required disclosure under the Philippine Securities and Exchange Commission rules and regulations covering the form and content of financial statements under Securities Regulation Code Rule 68.

The Bank presented this information required by the BSP as a supplementary schedule filed separately from the basic financial statements.

PAMPANGA DEVELOPMENT BANK
Comparison of Audited Financial Statements and
Submitted Consolidated Statement of Condition and Statement of Consolidated Income and Expense
For the Year Ended December 31, 2021

	Submitted Report	Audited Report	Variance/ Discrepancy	<i>Reasons for Discrepancy</i>
Cash and other cash items	6,753,728	6,753,728	0	
Due from BSP	9,445,374	9,445,374	0	
Due from other banks	43,687,957	43,697,600	(9,643)	<i>Interest received from loan payment (BDO) and overbooking of interest earned (UBP)</i>
Loans and other receivables - net	369,861,417	369,857,158	4,260	<i>Principal payment received</i>
IBODI / Financial assets at amortized cost	81,691,252	81,691,252	0	
Sales contract receivable	11,856,031	11,856,031	0	
Bank premises, furniture, fixture and equipment-net	52,007,425	52,243,053	(235,628)	<i>Over-depreciation of building</i>
ROPA / Investment properties - net	27,725,902	27,725,902	0	
Right of use assets - net	7,419,569	6,654,661	764,908	<i>Re-computation of ROUA</i>
Other assets	8,047,859	7,109,319	938,540	<i>Reversal of DTA</i>
Total assets	<u>618,496,516</u>	<u>617,034,080</u>	<u>1,462,437</u>	

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Deposit liabilities	281,796,904	281,796,904	0	
Accrued interest on financial liabilities	3,118,570	3,118,570	0	
Other liabilities	23,124,619	21,218,627	1,905,992	<i>Correction of balance of lease liability, IT computation, excess tax withheld of employees</i>
Retirement benefit liability	1,442,802	1,442,802	0	
Total liabilities	<u>309,482,894</u>	<u>307,576,902</u>	<u>1,905,992</u>	
Total capital accounts	<u>309,013,622</u>	<u>309,457,178</u>	<u>(443,555)</u>	
Total liabilities and capital	<u>618,496,516</u>	<u>617,034,080</u>	<u>1,462,437</u>	
Contingent accounts	<u>0</u>	<u>0</u>	<u>0</u>	
Total income	47,446,151	47,451,534	(5,383)	<i>Interest received from loan payment (BDO) and overbooking of interest earned (UBP)</i>
Total expenses	55,540,863	54,928,528	612,335	<i>Over-depreciation of building, re-computation of ROUA, IT computation</i>
Net income/(loss) after income tax	<u>(8,094,712)</u>	<u>(7,476,994)</u>	<u>606,952</u>	
Interest income	41,122,860	41,128,243	(5,383)	<i>Interest received from loan payment (BDO) and overbooking of interest earned (UBP)</i>
Interest expense	2,756,168	2,756,168	0	
Net interest income	<u>38,366,692</u>	<u>38,372,075</u>	<u>(5,383)</u>	
Non-interest income				
Fees and commission income	1,571,124	1,571,124	0	
Gain on sale of non-financial assets	2,198,611	2,198,611	0	
Other income	2,310,073	2,310,073	0	
	<u>6,079,808</u>	<u>6,079,808</u>	<u>0</u>	
Non-interest expense				
Compensation and fringe benefits	16,189,731	16,189,731	0	
Depreciation and amortization	3,363,783	2,840,248	523,535	<i>Over-depreciation of building, ROUA re-computation</i>
Taxes and licenses	2,304,167	2,304,167	0	
Other administrative expenses	10,933,383	10,440,971	492,412	<i>ROUA re-computation for interest portion of lease</i>
	<u>32,791,064</u>	<u>31,775,117</u>	<u>1,015,947</u>	
Recovery on charged off assets	243,482	243,482	0	
Provision for probable losses	18,593,631	18,593,631	0	
	<u>(18,350,149)</u>	<u>(18,350,149)</u>	<u>0</u>	
Net profit (loss) before tax	(6,694,712)	(5,673,382)	(1,021,330)	
Income tax expense	1,400,000	1,803,612	(403,612)	<i>IT computation</i>
Net profit (loss) after tax	<u>(8,094,712)</u>	<u>(7,476,994)</u>	<u>(617,719)</u>	

PAMPANGA DEVELOPMENT BANK
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ADJUSTING ENTRIES:

2021-01	Due from other banks – BDO	9,953	
	Interest income		5,693
	Loans receivable		4,260
	To record principal and interest payment on loans		
2021-02	Interest income	310	
	Due from banks - UBP		310
	To record adjustment on overbooking of interest income		
2021-03	Withholding tax payable	24,009	
	Accounts payable		24,009
	To record adjustment on excess tax withheld of employees		
2021-04	Lease liabilities	1,052,815	
	Right of use assets		1,052,815
	To record adjustment on computation of ROUA		
2021-05	Accumulated depreciation – ROUA	287,907	
	Depreciation expense		287,907
	To record adjustment on depreciation of ROUA		
2021-06	Accumulated depreciation – ROUA	741,957	
	Lease liabilities	196,583	
	Deferred tax assets		938,540
	To record reversal of DTA from ROUA		
2021-07	Lease liabilities	759,964	
	Retained earnings	474,405	
	Accumulated depreciation – ROUA		741,957
	Interest expense on ROUA		492,412
	To record adjustment on lease liability		
2021-08	Accumulated depreciation – Building	235,628	
	Depreciation expense		235,628
	To record adjustment on depreciation of building due to over-depreciation		
2021-09	Miscellaneous liabilities	1,926	
	SSS, PHIC and HDMF premiums payable		1,926
	To record adjustment on miscellaneous liabilities		
2021-10	Income tax expense	403,612	
	Retained earnings		300,241
	Accrued other expenses		103,370
	To record adjustment on income tax		

II. Compliance with Appendix 63c of the MORB-Disclosure in the Annual Reports and Published Statement of Condition

A. Capital structure and capital adequacy:

1 Tier 1 capital and a breakdown of its components

Capital Stock		
Common Stock	212,009,000	
Share Capital	<u>41,307,000</u>	253,316,000
Retained Earnings	63,618,172	
Provisions and Adjustments	<u>(7,476,994)</u>	<u>56,141,178</u>
Tier 1 Capital		<u><u>309,457,178</u></u>

2 Tier 2 capital and a breakdown of its components

General Loan Loss Provision		6,016,523
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3 Deductions from Tier 1 (50%) and Tier 2 (50%) capital

-

4 Total qualifying capital

314,043,359

5 Capital requirements for credit risk

501,987,034

6 Capital requirements for market risk

-

7 Capital requirements for operational risk

65,746,103

8 Capital Adequacy Ratio

55.32%