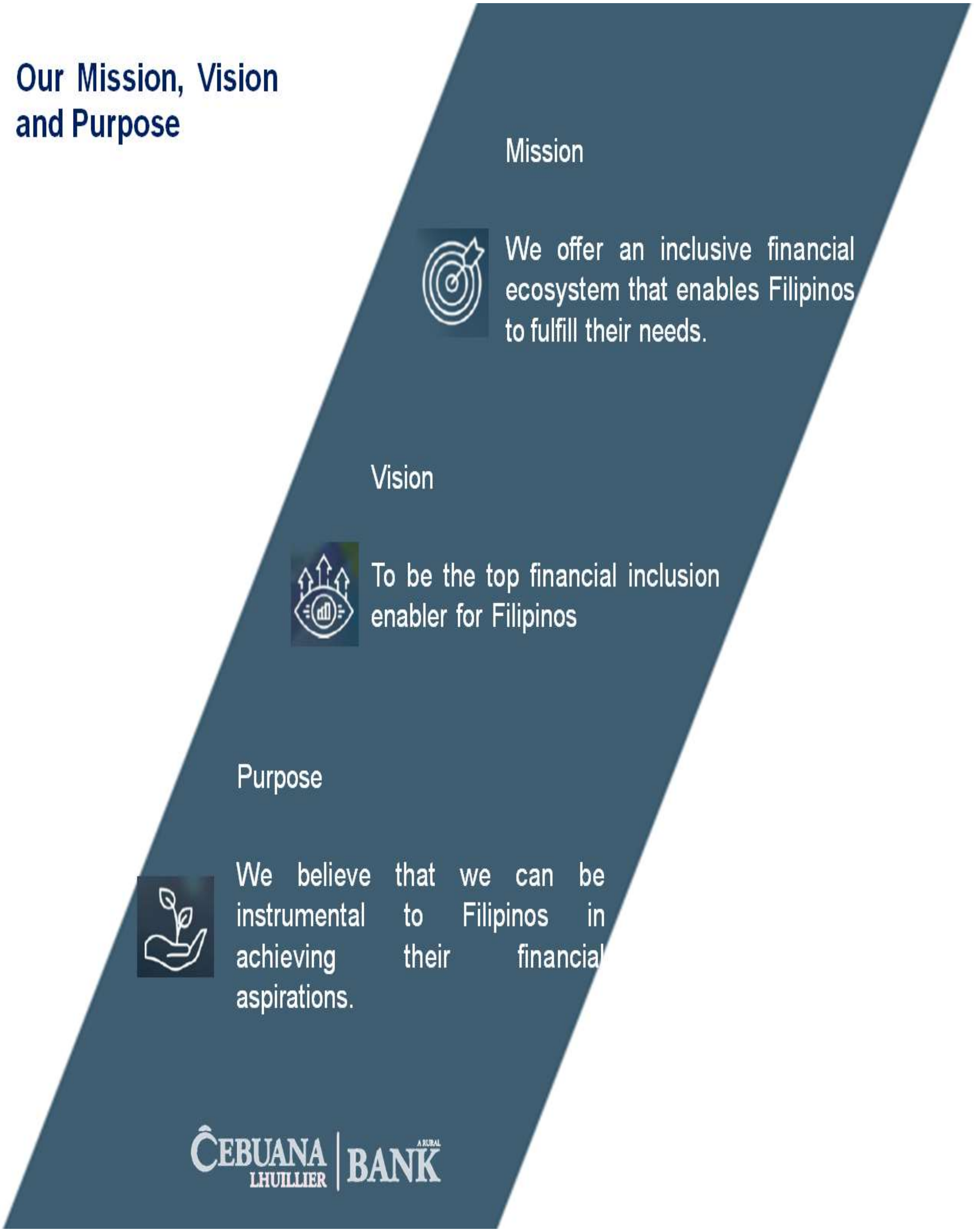
2024 ANNUAL REPORT

1. **<u>Corporate Policy</u>**

   a. **<u>Bank's Mission, Vision and Purpose Statement</u>**



b. Brief Background, History and Achievements

CEBUANA LHUILLIER | A RURAL BANK

Your Partner Towards an Affordable Banking Lifestyle

Cebuana Lhuillier Bank (CLB) was established in June 1998 as the banking arm of PJ Lhuillier, Inc. Regulated by the Bangko Sentral ng Pilipinas, the Bank continues to serve the underserved Filipinos through its affordable and accessible banking transactions.

The Bank offers products, from savings, which cater to micro, small, and medium clients to loans which provide clients an array of facilities that they can apply to. A variety of other services offered are bills payment, load top-up, and money transfer.

Geared towards financial inclusion, CLB has already established nine (9) branches in the Philippines, with plans of increasing its footprint nationwide. The Bank is now widening its reach through its cash agent Cebuana Lhuillier with more than 3,500 branches and 20,000 partner outlets to make way for greater connectivity and accessibility.

The Bank is poised to achieving an ecosystem that empowers Filipino towards an affordable banking lifestyle. CLB plans to overcome barriers to saving by educating, encouraging, and providing banking access to more of the unbanked and underbanked segment.

OUR BRANCHES

1998
- Bacoor Branch

2010
- Calatagan Branch

2012
- Imus Branch Lite
  Nasugbu (Branch Conversion

2019
- Jupiter Branch

2022
- Cebu Branch
- Davao Branch

2024
- General Santos Branch
- Angeles Branch

2025
- Tanjay Branch
  (Soon to Open)
- Relocation BLU Imus to
  Sta Rosa (Soon to Open)


CEBUANA
LHUILLIER
A RURAL
BANK
FASTEST GROWING
MICROFINANCE
BANK
PHILIPPINES 2024
GLOBAL BANKING &
Finance
review


CEBUANA
LHUILLIER
A RURAL
BANK
Bank of the Year
For Rural / Cooperative
4 CONSECUTIVE YEARS
Bank of the Year 2021
Bank of the Year 2022
Bank of the Year 2023
Rural / Cooperative
Bank of the Year
2024
By:


ĈEBUANA LHUILLIER
BANK
Most Innovative Microfinance Bank
World Economic Magazine
CEBUANA LHUILLIER RURAL BANK
MOST INNOVATIVE MICROFINANCE BANK PHILIPPINES
AWARD WINNER 2023
AWARD WINNER 2024


ĈEBUANA LHUILLIER
BANK
Best Microfinance Bank
World Economic Magazine
CEBUANA LHUILLIER RURAL BANK
BEST MICROFINANCE BANK PHILIPPINES
AWARD WINNER 2023
AWARD WINNER 2024


Reshaping the Banking Landscape
Generated 4.5 Billion Teacher's Loan Booking catering to more than 13,000 DepEd Personnel
World Economic Magazine Awardee
4Peat Awardee of Asian Banking & Finance for Rural/Cooperative Bank of the Year
Launched bancnet pos cash out to Cebuana Lhuillier Branches


Bridging Gaps and Building Future
QR PH Pilot Participant
VISA
VISA Principal Member
More than 8 million Micro Savings Accounts
Launched Teacher's Loan for Non-Teaching and Teaching DepEd Personnel

Claiming Greater Heights

Launch of the eCebuana Mobile App with enhanced features.

Launch of 24K Debit card and partnership with BancNet and UnionPay for ATM and cashless payment features

8.7 million Micro Saving Account Holder

Revolutionizing the Financial Landscape

Cebuana Lhuillier Micro Savings was launched to empower Filipinos to save for their future.

Launch of the eCebuana mobile app.

Top 5 Rural Bank: BSP Ranking based on total Assets as of Dec 31, 2024.

c. Introduction of the Bank's Brand

Cebuana Lhuillier Bank: 26 Years of Advancing Financial Inclusion

From its beginnings as a single rural bank in Batangas, Cebuana Lhuillier Bank (CLB) has grown into a nationally recognized driver of financial inclusion. Since 1998, it has focused on addressing the needs of micro entrepreneurs, informal workers, self-employed Filipinos and now has evolved on serving medium to large enterprises.

Powered by the strength of the PJ Lhuillier Group of Companies and supported by Cebuana Lhuillier's extensive network of over 3,500 branches and 20,000 partner agents, CLB has steadily expanded its reach. It now operates nine branches across key locations in Luzon, Visayas, and Mindanao, including newly opened branches in Pampanga and Davao. These strategic expansions allow the Bank to better serve high-potential areas while reinforcing its goal of reaching underserved communities.

Apart from its branch expansion efforts, 2024 also marked a major milestone in CLB's organizational growth with the inauguration of its new branch in General Santos. More than just a new address, the facility was purposefully designed to foster collaboration, enhance operational efficiency, and support the Bank's evolution into a more agile, future-ready institution. It stands as a physical symbol of CLB's long-term commitment to innovation, excellence, and client-focused service delivery.

True to its brand promise "Your Partner Towards an Affordable Banking Lifestyle," CLB goes beyond providing mere access to banking. It is committed to empowering Filipinos to build stronger financial foundations. Through microsavings programs, livelihood-enabling loans, and intuitive digital platforms, the Bank makes managing finances simpler and more accessible for its clients, instilling confidence in their financial journeys. CLB's dedication to inclusion is reflected not only in its expanding reach but in the lasting impact it has on communities that were historically excluded from the formal financial system.

This renewed momentum has been reflected in CLB's ongoing success, recognized by regional and global institutions alike. At the Asian Banking and Finance Retail Banking Awards, the Bank was named Rural/Cooperative Bank of the Year – Philippines for the fourth consecutive year and honored for its Financial Inclusion Initiative of the Year. Additionally, the Global Banking and Finance Review recognized CLB as the Fastest Growing Microfinance Bank and the Best Microfinance Bank for Financial Inclusion in the Philippines. The World Economic Magazine also awarded CLB triple honors: Most Innovative Microfinance Bank, Fast Growing Bank for Financial Inclusion, and Best Microfinance Bank – Philippines.

These accolades underscore more than just institutional success; they reflect CLB's capacity to adapt and stay relevant while making a tangible difference in the lives of Filipinos. By embracing digital transformation and staying grounded in its mission, the Bank continues to empower more Filipinos to take charge of their financial future.

This progress is underpinned by solid financial performance. As of the third quarter of 2024, CLB recorded ₱8.3 billion in total assets, ranking it among the top six rural and cooperative banks. Its total deposit liabilities reached ₱7.0 billion, placing it in the top five. With a total capital of ₱1.0 billion, the Bank holds a top 11 ranking in equity, while its total loans of ₱5.8 billion placed it in the top six for lending.

Looking ahead, Cebuana Lhuillier Bank remains deeply committed to its mission: to serve as a true partner in building a more secure, empowered, and financially inclusive future for all Filipinos.

d. Business Model of the Bank

The Bank's business model is driven by the target market's financial services needs as summarized in the table below showing the Bank's products and services and the corresponding target market:

A. Deposit Products

Deposit Products	Site of Product Availability	Target
1. Regular Savings Account	• Branches • Head Office • Branch-Lite Unit	• Individual Pensioner • Micro Business Owners • MSME • Salary Loan Clients
2. Micro Savings Account (Basic Deposit Account)	• Branches • Head Office • Branch-Lite Unit • Cash Agent- Cebuana Pawnshop	• Individual Microfinance Clients • Filipinos, age 7 years old and above, with minimal or no access to the full banking operations • Workers or Employees of Companies with CLB payroll
3. Special Savings Deposit	• Branches • Head Office	• Individual • Institutional
4. Time Deposit		
5. Checking Account		

B. Loan Products

Consumer Loans	Site of Product Availability	Target
1. Teachers Loan	• Branches • Branch-Lite Unit	• Teaching and Non-Teaching Personne of DepEd
2. Motorcycle Loan	• Head Office	• Employees within PJLI Nationwide • Cebuana Lhuillier Bank EmployeesNationwide
3. Developer – Generated Housing Loan	• Head Office	• Homeowners from Accredited Real Estate Developers
4. Home Loan Direct	• Branches • Head Office	• Individuals
5. Employee Salary Loan	• Head Office	• Employees within PJLI Nationwide • Cebuana Lhuillier Bank EmployeesNationwide
6. Corporate Salary Loan	• Branches • Head Office	• Employees from Accredited Companies Nationwide
7. Xclusive Loan	• Head Office	• Top Pawners of Cebuana Lhuillier

Business Model of the Bank

Business Loans	Site of Product Availability	Target
1. Business Loan – Term Loan	• Branches • Head Office	• Small and Medium Sized Enterprises and Large Corporations
2. Business Loan – Credit Line	• Branches • Head Office	• Small and Medium Sized Enterprises and Large Corporations
3. Business Loan – Contract To Sell	• Branches • Head Office	• Accredited real estate developers
4. Agri-Agra Loan	• Branches • Head Office	• Enterprises within the Value Chain of Agriculture Sector
5. Multi-Purpose Loan - Assignment of Receivables	• Branches • Head Office	• PJLI Lessors
6. Multi-Purpose Loan –Back to Back	• Branches • Head Office	• Individuals
7. Sustainable Financing	• Branches • Head Office	• Small and Medium-Sized Enterprises and Large Corporations

Other Product	Site of Product Availability	Target
1. Payroll Services	• Branches • Head Office	• Small and Medium Sized Enterprises and Large Corporations

2. **Financial Summary/ Financial Highlights**

	2024	**2023**
Profitability		
Total Net Interest Income	488,616,277	304,967,825
Total Non-interest Income	361,346,725	318,278,800
Total Non-interest Expense	701,010,553	510,888,595
Provision for Credit Losses	56,999,402	25,716,198
Net Income	63,601,023	65,741,286
Total Comprehensive Income	65,740,543	62,481,803
Selected Balance Sheet Data		
Liquid Assets	1,461,516,777	1,904,995,188
Gross Loans	6,365,141,568	3,719,178,383
Total Assets	9,496,738,655	7,924,254,868
Deposits	7,977,591,182	6,758,202,845
Total Equity	1,019,054,880	953,314,337
Selected Ratios		
Return on Equity	6.45%	9.78%
Return on Assets	0.73%	0.92%
Capital Adequacy Ratio	11.63%	15.78%
Headcount		
Officers	42	29
Staff	382	273

3. **Financial Condition and Results of Operation**

a. Review of the Bank's Operations and Results of Operations for the Financial Year

The Bank's total assets rose by 20% to Php 9.5 Billion, gross loans increased by 71% to Php 6.4 Billion, other resources increased by 84% to Php 0.2 Billion, deposits increased by 18% to Php 8.0 Billion, and other liabilities increased by 135% to Php 0.5 Billion. Equity grew by 7% to Php 1.0 Billion.

The increase in total assets of the Bank is primarily caused by the inflows of funds from the deposit portfolio which increased by 18% from Php 6.8 Billion in 2023 to Php 8.0 Billion in 2024, or a Php 1.2 Billion increase in funding from deposits.

The net inflows from the deposit portfolio in 2024 were primarily utilized to finance the expansion of the loan portfolio. The Bank's gross loans increased by 71%, rising from Php 3.7 Billion in 2023 to Php 6.4 Billion in 2024, reflecting a Php 2.7 Million increase in the gross loan portfolio. The significant contributor to this increase is the teachers' salary loans, with a total loan portfolio amounting to Php 3.0 Billion by year-end. Housing loans followed with 193% increase and with total portfolio by year-end at Php 1.8 Billion.

Other significant movements in the total assets of the Bank include the following: 1) Due From Other Banks, which decreased by 6% or Php 0.1 Billion; 2) Due From BSP, which decreased by 53% or Php 0.4 Billion; and 3) Investment Securities, which decreased by 41% or Php 0.7 Billion. The Bank matured some of its investments and used its available funds to support the continued growth of its loan portfolio.

On the deposit portfolio, the increase of 18% or Php 1.2 Billion was primarily attributed to the continued growth of the Bank's MicroSavings product, which was subsequently upgraded to Regular Savings for eligible accounts. This expansion has resulted in a continued rise in the number of depositors and an increase in the amount of deposits placed.

Regarding other liabilities, there was an increase of 135%, from Php 0.2 Billion in 2023 to Php 0.5 Billion in 2024, representing a Php 0.3 Billion increase attributed to ATM and InstaPay transfers payable to clearing house.

The Bank's equity growth was primarily fueled by its operational performance which yielded a total comprehensive income of Php65.7 Million. Consequently, the Bank's total equity increased by 7%, at Php 1.0 Billion in 2024.

In terms of profitability, the Bank observed a 60% increase in total net interest income, amounting to Php 0.5 Billion. There was also an increase of 14% in total non-interest income, increasing from Php 0.3 Billion in 2023 to Php 0.4 Billion in 2024. Meanwhile, total non-interest expenses rose by 37% to Php 0.7 Billion, reflecting the Bank's continued focus on capacity building as it launched and expanded products both in the traditional and digital platforms. Overall, the Bank's total comprehensive income increased by 5% to Php 65.7 Million.

The primary revenue source contributing to the positive operational outcome was the Bank's interest income from loans and investments, which experienced a 59% increase from Php 0.3 Billion in 2023 to Php 0.5 Billion in 2024. Specifically, interest income from loans rose by 108%, reaching Php 0.4 Billion in 2024, aligning with the sustained significant growth of the Bank's gross loan portfolio over the past five years.

Regarding non-interest expenses, the 37% increase from Php 0.5 Billion to Php 0.7 Billion was primarily driven by factors such as salaries and benefits (increased by 40% or Php 79.7 Million), membership and subscriptions (increased by 15% or Php 28.6 Million), information and technology expense (increased by 12% or Php 22.0 Million), taxes and licenses (increased by 11% or Php 21.8 Million) and advertising and promotion (increased by 10% or Php 18.9 Million), among others.

b. Highlight of Major Activities during the year that impact Operations

2024 Milestones: Advancing Financial Inclusion and Growth at Cebuana Lhuillier Bank

In 2024, Cebuana Lhuillier Bank (CLB) achieved significant milestones, reinforcing its role as a key player in financial inclusion and empowering underserved communities across the Philippines. The Bank’s lending portfolio surged to a remarkable ₱4.64 billion in total disbursements, exceeding its annual target of ₱4.55 billion and achieving 101.84% of its goal, demonstrating its resilience in meeting the diverse financial needs of its customers.

Business loans led the charge, surpassing expectations with ₱1.65 billion in disbursements, achieving 133% of the target. Housing loans also delivered strong performance, totaling ₱266.29 million, while educational loans continued to make an impact, with teacher’s loans at ₱2.39 billion and Employee Salary Loans reaching ₱294.95 million. These figures underscore the Bank’s unwavering commitment to fueling the dreams and aspirations of its clients, particularly those in education sectors and medium and large enterprises.

On the deposit side, CLB posted a solid ₱7.0 billion deposit base, a 1.2% increase from the previous year. This growth reflects the Bank’s strong ability to build trust and encourage financial inclusion, as it now serves over 1.1 million deposit accounts. With the continued expansion of its digital services, evidenced by a total of 1.5 million eCebuana users, including 300,000 new users in 2024, CLB is making banking even more accessible, putting control of financial security directly in the hands of Filipinos.

As the Bank continues its path forward, it remains committed to refining its services, expanding its reach, and embracing new opportunities for growth. With an unwavering focus on serving those who have been historically excluded from the formal banking system, CLB is poised to make an even greater impact in 2025 and beyond—helping Filipinos achieve financial empowerment and security in the years to come.

With continued innovation and a customer-first approach, Cebuana Lhuillier Bank is positioned to expand its reach and impact, driving greater financial empowerment for Filipinos across the nation.

CLB desires to implement its ATM Switch and Debit Card management system through ATM Switch Managed Service offered by BancNet. For more than 3 years the Bank has been maintaining its ATM Fleet and Debit Cards with BancNet OSD. BancNet, after more than 13 years of operating the Managed service, has decided to proceed with the discontinuance of its Managed service effective January 1, 2026 and focus on its core business as a Payment Network for ATM Services and an Operator of a Designated Payment System (ODPS) for Instapay.

BancNet held a General Assembly with the institutions to discuss the initial transition plan and migration options, and the support and guidance that BancNet will provide during the transition. Based on the output of the discussions and as supported by the results of a conducted survey, 27 out of the 29 Managed institutions indicated that their preferred option to replace BancNet is for a similar ATM Switch Managed Service set-up and arrangement.

As BancNet will not endorse nor evaluate and select vendor options for the institutions, the selection shall depend on the institution's evaluation and decision.

Thus, CLB shall be conducting its own independent selection for a vendor to provide for the services in lieu of Bancnet services.

Milestones:

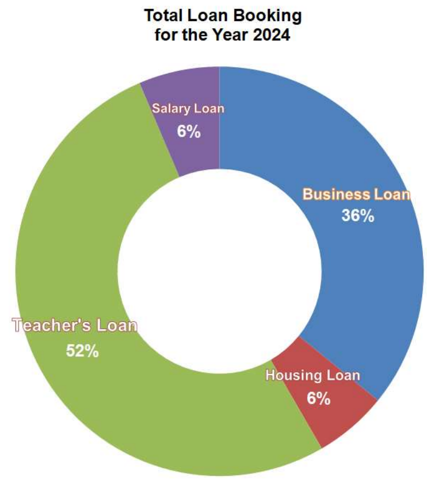
Release of Request for Proposal (RFP), Submission of Technical and Commercial Proposals Vendors, Technical, Commercial Proposal evaluation by CLB and Short listing of vendors was completed May of 2024 with 3 out of the 6 vendors invited for product demo.

Shortlist of Vendors invited for Proof-of-Concept Presentation and final evaluation to determine the ranking and selection of the winning bid then finally reporting of the results to the management completed July 2024.

Contract negotiation and review and Signing of contract completed last October 2024 with Yalamanchili.

c. Major Strategic Initiatives of the Bank

The Bank takes pride in its position as a leading provider of financial services, particularly in rural communities. The total loan booking for the year 2024 is Php 4.55 Billion, with an overall attainment of 102%.



The Teachers Loan program, launched on March 14, 2022, has continued to grow impressively, emerging as the most rapidly growing loan portfolio. By the end of 2024, the program had been consistently achieving its billion-target milestone for about two years since its launch. This significant growth is attributed to the strategic opening of new branches, such as the Davao Branch, and the relocation of branches like Nasugbu and Calatagan to more strategic locations. These efforts have contributed significantly to the program's success.

The Teachers Loan program has been instrumental in providing financial assistance to teachers, especially in rural areas, enabling them to achieve their financial goals and improve their overall quality of life.

The Housing Loan program continued to excel, forging new partnerships with real estate developers and conducting a Bankathon with various developer partners, which contributed to achieving 100% of its target as of the end of 2024. This initiative has strengthened the Bank's relationships with real estate developers, enhancing its ability to serve homeowners in need of financial support and promoting financial inclusivity.

The Business Loan program has also surpassed expectations, achieving 133% of its target. The Bank has built strategic partnerships with businesses, and the sales team's dedication to continuously sourcing accounts has been crucial in reaching this goal. This remarkable achievement underscores the Bank's steadfast commitment to providing robust financial assistance to businesses.

The Bank remains committed to promoting financial inclusivity through its Motorcycle Loan program. By partnering with various motorcycle dealership companies, the Bank has expanded its reach, allowing more eligible buyers to purchase brand-new two-wheeled motor vehicles through the Bank's financing facility. The Bank offers flexible loan options to cater to the specific needs of buyers, whether they are interested in regular Japanese brands, medium bike segments, or big bike segment motor vehicles. Streamlining its processes, the Bank strives for faster approval and convenient release of motor vehicles to buyers.

The Bank's achievements in 2024 reflect its dedication to innovation, strategic expansion, and customer-centric service. Through its diversified loan products and commitment to financial inclusivity, the Bank continues to empower individuals and businesses, driving growth and development in the communities it serves.

In 2025, our goal is to continue expanding our footprint, particularly in Tanjay Negros Oriental. We also aim to reach more clients by offering our financial products to coastal, island, and remote areas.

d. Challenges, Opportunities, and Responses during the years, if any

For the past twenty years, the Bank just focused on acquiring customers for its deposit products, particularly on savings and time deposits. Loans were concentrated on salary loans for employees within the PJL group of companies. Credit policies and procedures were in place but required continuous updating and enhancements.

While the focus is to introduce new products and services, management is continuously committed to investing its resources in building staff capability, creating a mindset of customer-centricity, and having an agile way of thinking, managing, and processing.

Corporate governance is also strengthened to ensure management oversight. With the continuous drive to increase the loan portfolio, continuous growth in deposit base, and implementation of digital initiatives, the Bank has invested in the core banking system which shall serve as a platform and support to various risk management systems. Additional key officers joined the Bank in 2024 to further build up the organization and its management. Staff and officers are periodically sent to training to improve their current functions aligned to the Bank's development and business plans. As processes are continuously being streamlined, the opportunity to automate continued to gain potential benefits through FTE savings, cost-reduction, increased productivity, and increase in sales.

The Bank joined the BSP's effort to strengthen customer protection against fraudulent schemes by setting up its own Fraud Management Department (FMD). The Enterprise Fraud Risk Management Framework approved and implemented in 2022 along with the acquisition of Fraud Management System (FMS) – the fraud tool of the Bank to detect fraud in real-time.

Impact of COVID-19 Pandemic on Bank's Business

The most recent event that greatly impacted the Bank, and most businesses in the country, was the outbreak of the COVID-19 pandemic which became widespread in early 2020. As a result, the Bank had to scale down its operations due to mobility restrictions, business units were operating at less than full capacity, and additional administrative expenses were incurred to ensure the health and safety of the employees and customers. Initiatives such as the frequent disinfection of facilities and COVID-19 testing for the employees were regularly conducted. From these challenges, the Bank took the opportunity to accelerate digital solutions aligned with its projects and digital initiatives. Also, the Bank intensified its promotional and marketing strategies, ensured cash availability in branches and cash handling facilities worked continuously to mobilize cash, introduced new loan products to expand the Bank's loan portfolio, implemented stricter credit evaluations for borrowers belonging to severely hit industries, implemented new occupational safety and health standards to provide a safe and sanitized environment for both customers and employees through the strict observance of health and safety protocols, retrofitting of work spaces, periodic testing for employees and to minimize infection within the workplace.

More than further improvements made to its roster of financial services, the bank's continuous commitment to push for financial inclusion and financial mobility has earned the attention and respect of the local banking industry, along with the Bangko Sentral ng Pilipinas (BSP). Cebuana Lhuillier Bank is one of the current and strongest proponents of financial inclusion in the Philippines and has served on the advisory board of the BSP. Currently, it has participated in the QR PH program and is slowly pushing for QR integration in all of its products and services.

4. **<u>Financial Results of Business Segments (for complex banks) (N/A)</u>**

   a. **Summary of Financial Performance of the Business Segment**
   b. **Contribution of Each Major Business Segment to the Total Revenue of the Bank**
   c. **Significant Developments during the year including Major Activities**
   d. **Future Plans/ Target/ Objective**

5. **<u>Risk Management Framework Adopted</u>**

The Bank's adopted risk management framework, aligned with BSP Circular No. 971, seeks to ensure that there is an effective process in place to manage risk across the Bank. It aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the Board of Directors (BOD).

The Risk Management program is driven by a formal approach and aligned with the organization's profile and strategic objectives, through formalizing roles within the organization, active committees, policies and procedures, reporting, communication, and technology. This program also produces various risk mitigation activities within the business units. The resulting strategic, financial, and operational risk mitigation activities are implemented to 1) strengthen the organization, 2) reduce the potential for unexpected losses, and 3) manage the volatility experienced by the Bank. Policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the BOD for approval.

a. **Overall Risk Management Culture and Philosophy**

Risk management is integral to all aspects of the Bank's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, put in place appropriate controls, and monitor the effectiveness of those controls. The risk management culture emphasizes careful analysis and management of risk in all business processes.

The Bank's risk management approach reflects its values, influences the culture, and guides its operations, as such, is captured in policy statements, Board and management directives, operation procedures, and training programs, and is demonstrated in daily activities by management and staff. The Bank's Risk Management Framework consists of structured and consistent risk management processes that are applied across the organization under the following principles:

i The Bank is in the business of taking risks and therefore, risk must be managed and controlled if it is measured consistently and accurately.

ii The Bank recognizes that an effective risk management system is a critical component of bank management and a foundation for its safe and sound operation.
iii The Risk Management process is a top-down process and shall continually operate at all levels within the Bank. It is important to emphasize that each individual with the Bank has their respective role and must participate in the process.
iv The Bank shall promote a culture of risk awareness aligned with the expectation of the Bank's regulatory supervisors.
v All the bank's activities shall be following applicable legal and regulatory provisions of the Philippines as well as the Bank's internal policies and procedures.
vi Policies and practices that generate incentives for inappropriate actions shall be avoided. These include, but are not limited to over-emphasis on short-term performance results that ignore long-term risks, ineffective segregation of duties that allow misuse of assets or concealment of poor results, etc.
vii It is the Bank's firm policy that liquidity will never be compromised for profitability.

b. Risk Appetite and Strategy

The Bank faces a broad range of risks doing business as a financial intermediary. These risks include its day-to-day operational activities which can be significant. These risks are managed through detailed processes that emphasize the importance of integrity, maintaining high-quality staff, and accountability. In terms of operational issues, the Bank has a low appetite for risk. The Bank makes resources available to control operational risks to acceptable levels. The Bank recognizes that it is not possible or necessarily desirable to eliminate some of the risks inherent in its activities. Acceptance of some risks is often necessary to foster innovation within business practices.

The Bank's "Risk Appetite Statement" considers the most significant risk to which the Bank is exposed and provides an outline of the approach to managing these risks. All strategic plans and business plans for functional areas must be consistent with this Statement. The Risk Appetite Statement is treated as a live and evolving document where its intent is challenged and discussed frequently.

i **Strategic Risk.** The Bank aspires to be among the country's top rural banks measured by asset size. This requires ongoing development and innovation in its operations through strategic planning. The Bank has a low appetite for threats to the effective and efficient delivery of its strategic plan. It recognizes that the actual or perceived inability to deliver a strategic plan could have a significant impact on its ability to achieve its objectives as well as its reputation. The Bank's BOD meets regularly to discuss actual performance vis-à-vis the plan. A framework is in place to ensure the Bank's strategic plan is managed and reported regularly.

ii **Market Risk.** The Bank's exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss of market value, primarily of its holdings of debt securities and derivatives, due to price fluctuation. The market risk relevant to the Bank is interest rate risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank's cash flow interest rate risk relates primarily to the possible changes in the prevailing interest rates due from BSP and other banks and deposit liabilities that are subject to variable interest rates. The volatility in the interest rates of these financial instruments will result in an increase or decrease in the Bank's interest spread and consequently will affect its financial performance. The Bank follows a prudent policy on managing its resources and liabilities. That is to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. Market interest rates review is done every month to ensure that the interest rate offers on Bank products are competitive and within the industry rate. Whereas on investment-taking activities, limits are established to closely monitor and maintain exposures within approved position limits and to remain compliant with regulatory standards.

iii **Liquidity Risks.** The Bank has a very low appetite for liquidity risks because these have a significant impact on the Bank's reputation. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a loan portfolio with evenly-spaced maturities and cash flows. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise. The Bank uses Maximum Cumulative Outflow (MCO) model to measure liquidity risk arising from assets and liabilities mismatch. Stress testing scenarios are administered to enable the Bank to gauge its liquidity capacity given certain scenarios. It also aims to identify the level of magnitude and its impact on the operations should the Bank implement necessary action plans to cover necessary liquidity funding from the stress scenario.

iv **Credit Risks.** Managing credit risk involves defining the principles and parameters governing credit activities at various levels, i.e. strategic level, portfolio level down to individual transaction or account level. The Bank has a low appetite for credit risks. The risk tolerance of the Bank's credit activities is approved by the BOD; wherein performance against set measures is monitored and reported to the BOD and Senior Management every month. The following tools, among others, are used in identifying, assessing, and managing credit risk:

- Established credit policies, asset allocations, and concentration limits, collateral acceptance criteria, target market, and clearly defined approving authorities;
- Defined documentation policies of approved credit lines;
- Independence of credit control and monitoring functions from the credit risk-taking function;
- Periodic monitoring of individual account performance;
- Regular review of the adequacy of valuation reserves;
- Active loan portfolio management to determine the quality of the loan portfolio, including risks associated with particular industry sectors, loan size, and maturity; monitoring portfolio growth, collection performance and delinquency trends, the trend of non-performing loans, concentration risk, and other performance indicators; and,
- Close monitoring of remedial accounts.

The Bank observes a system of checks and balances before extending a loan and undergoes a series of level approvals in accordance to set limits and thresholds (Credit Committee, Risk Oversight Committee, Board of Directors level). The loan portfolio growth is assessed using key performance indicators.

The Bank uses credit scoring models, decision systems, and borrower risk ratings as may apply to its loan products. Excessive concentration of lending poses an undue risk to the Bank's asset quality. The Bank believes that good diversification across economic sectors and kinds of borrowers will lessen this risk. To maintain the quality of its loan portfolio, the Bank keeps its risk tolerance limits on asset quality lower than the industry ratio and enforces a stringent policy on credit evaluation, review, and monitoring. The Bank monitors concentrations of credit risk by sector.

v **People and Culture Risks.** Identified people and culture-related risks include the following:

- *The Caliber of People* – The Bank relies on motivated and high-quality staff to perform its functions. It aims to create an environment where the employees are empowered to the full extent of their abilities. The appetite for losses to the value of the Bank's collective competencies, knowledge, and skill is very low.

- *Conduct of People* – The Bank expects employees to act with a high degree of integrity, to strive for excellence in the work they perform and the outcomes they achieve, and to promote the best interest of the public. The appetite for such standard behaviors not being met is very low. The Bank deals seriously with any breaches of its Code of Conduct.

- *Work Health & Safety (WHS)* – The Bank aims to create a safe working environment for its entire staff, where people are protected from physical or psychological harm. It has a very low appetite for practices or behaviors that lead to staff being harmed while at work.

vi **Operational Risks.** The Bank's appetite for specific operational risks is detailed below. Risks are carefully analyzed in all the Bank's operational activities to ensure that the benefit of the risk control measures exceeds the costs of these measures.

- *Information Technology (IT) risks* cover both daily operations and ongoing enhancements of the Bank's IT systems. These include:

  1. *Processing – Prolonged outage of the Bank's Core System.* The Bank has a very low appetite for risks to the availability of systems that support its critical business functions including those which relate to inter-bank settlements, banking operations, and financial markets operations. Maximum recovery times have been identified and agreed upon with each business area.

  2. *Information Security – Cyber-attack on Bank's systems or networks*. The Bank has a very low appetite for threats to Bank assets arising from external malicious attacks. To address this risk, the Bank aims for strong internal control processes and the development of robust technology solutions.

  3. *On-going Development* – The implementation of new technologies creates new opportunities, but the same goes for risks. The Bank has a low appetite for IT system-related incidents which are generated by poor change management practices.

     - *Fraud and Corruption.* The Bank takes all allegations of suspected fraud and/or corruption very seriously and responds fully and fairly as outlined in its Code of Conduct.

     - *Physical Security.* The Bank strives to provide a highly-secure environment for its people and assets by ensuring that its physical security measures meet high standards. The Bank has a very low appetite for the failure of physical security measures.

- *Compliance.* The Bank is committed to a high level of compliance with relevant laws, regulations, industry codes, and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance are remedied as soon as practicable. The Bank has no appetite for deliberate or purposeful violations of law or regulatory requirements.

- *Information Management.* The Bank is committed to ensuring that its information is authentic, appropriately classified, properly conserved, and managed following regulatory and business requirements. It has a very low appetite for the compromise of processes governing the use of information, its management, and publication. The Bank has no appetite for the deliberate misuse of its information.

c. Bank-wide Risk Governance Structure and Risk Management Process

The Bank is exposed to risks with its operating, investing, and financing activities, and the business environment in which it operates. The Bank's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems that are established to address these risks. The Bank's risk management framework, aligned with BSP Circular No. 971 series of 2017, seeks to ensure that there is an effective process in place to manage risk across the Bank. The COVID-19 global pandemic catalyzed to re-strengthen the risk management process among businesses, it is considered among the key to business survival. The Bank's overall risk management strategy and oversight function are handled by the:

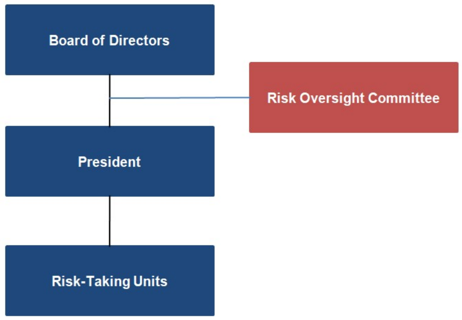
i **Board of Directors.** The BOD has the ultimate responsibility for approving and periodically reviewing the risk strategies and significant policies of the Bank. It adopts policies and guidelines to govern the safe and prudent functioning of the Bank with the end view of effectively managing all risks in its activities. The policies to be formulated include, but are not limited to, lending, investing, fund sourcing, liquidity management, personnel administration, and internal controls.

ii **President.** The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

iii **Risk Oversight Committee.** The Risk Oversight Committee is responsible for the development and oversight of the risk management program of the Bank. It oversees the system of limits to discretionary authority that the BOD delegates to management, ensures that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. The members of the committee are knowledgeable of the Bank's risk exposures which enables them to develop necessary strategies that would prevent or minimize the impact of losses.

iv **Credit Committee.** A committee responsible to oversee the credit risk-taking activities, quality and profitability of the credit portfolio, and credit evaluation process. All credit proposals beyond the credit approving limit of the Credit Operations Head and the President pass through this committee for final approval. Credit proposals beyond its limits are escalated to the Risk Oversight Committee for endorsement to the BOD for final approval.

Risk Reporting Structure:



d. Anti-Money Laundering Governance and Culture

The Bank has adopted a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) geared toward the promotion of high ethical and professional standards and the prevention of the Bank being used, intentionally or unintentionally for money laundering/terrorist financing activities aligned with the Anti-Money Laundering and Countering the Financing of Terrorism rules and regulations of the AMLC and the BSP. The Bank shall adopt and implement a sound MTPP that identifies, assesses monitors, mitigates, and controls risks associated with ML/TF such as counter-party, reputational, operational, and compliance risks to ensure that the Bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism. It shall be the ultimate responsibility of the Board of Directors to fully comply with the AML/CFT rules. The BOD shall set the tone of good governance and culture to ensure that ML/TF risks are effectively managed. The Audit Committee of the Board shall have direct oversight of the management of ML/TF risks. Senior Management shall oversee the day-to-day management of the Bank and ensure effective implementation of MTPP policies approved by the Board's Audit Committee and alignment of activities with the strategic objectives, risk profile, and corporate values set by the BOD. To help Senior Management with its day-to-day management of AML risks, the Bank shall adopt the three lines of defense model: (1) Business Units and Branches; (2) Compliance Office; (3) Internal Audit. All employees of the Bank are enjoined to be vigilant in the fight against ML/TF.

To meet the needs of the regulatory requirements of the BSP Circular 706 and AMLC Reporting Procedures, and any subsequent regulatory updates, the Bank acquired an AML Solution (i360 System) and currently in the developmental process.

6. <u>Corporate Governance</u>

This section comprehensively discusses the Bank's corporate governance framework and adopted corporate culture.

a. Overall Corporate Governance Structure and Practices

Board of Directors

The BOD is the highest authority in the matters of governance and managing the business of the Bank. The directors hold their office charged with the duty to exercise sound and objective judgments for the best interest of the Bank. The BOD is responsible to promote and adhere to the principles and best practices of corporate governance to foster the long-term success of the Bank in fulfilling its mission and vision.

The BOD is composed of seven (7) members. It is assisted in its governance function by the Audit Committee which reports regularly to the BOD.

Audit Committee

The Audit Committee is tasked primarily with assisting the BOD to fulfill its oversight responsibilities. The Audit Committee reviews the Bank's financial information, its systems of internal controls and risk management, the audit process, and compliance with significant applicable legal, ethical, and regulatory requirements. It monitors the Bank's compliance with approved internal policies and controls, as well as statutory regulations, emphasizing an accounting system that is compliant with prescribed accounting standards. The Audit Committee facilitates free and open communication among Management, Compliance Office, Risk Management Committee, Internal Audit, the External Auditors, and BSP examiners. It enjoys sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations. It is also empowered, among others, to appoint, compensate and oversee external audit engagements, review and provide feedback on internal and external audit reports; and resolve financial reporting disputes between management and the auditor.

Risk Oversight Committee

The Risk Oversight Committee is a board-level committee responsible for the development and oversight of the risk management program of the Bank. It oversees the system of limits to discretionary authority that the BOD delegates to management, ensures that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

IT Steering Committee

The IT Steering Committee is a board-level committee responsible for the monitoring IT performance and devising appropriate actions to ensure the achievement of desired results. It sets the IT strategic direction of the Bank and ensures that these are aligned with Bank's goals and objectives. It provides oversight functions on major technology implementations, and makes certain that key technology solutions being acquired, developed, and/or outsourced meet the requirements and specifications of the business users of the Bank. The IT Steering Committee also ensures that overall IT performance is measured, its resources are managed, its risks are mitigated, and that the IT projects and priorities best meet the overall priorities of the Bank.

Management Committee

Management Committee is responsible for the implementation of the strategies on risk control and makes adjustments to the overall business strategy. It also ensures compliance with laws and regulations and creates systems to measure and monitor the performance of the line managers under their respective areas of responsibility. The Management Committee regularly reports to the BOD.

Credit Committee

A committee responsible to oversee the credit risk-taking activities, quality and profitability of the credit portfolio, and credit evaluation process of the Bank. All credit proposals beyond the credit approving limit of the Credit Operations Head and the President pass through this committee. Credit proposals beyond its limits are escalated to the Risk Management Committee for endorsement to the BOD for final approval.

Asset-Liability Committee
Asset-Liability Committee is responsible for the oversight of the Bank's assets and liabilities and for managing interest rate exposure. The committee's goal is to achieve a desired overall interest rate profile within the Bank's appetite for interest rate risk, keeping the flexibility to interest rate movements and changes in economic conditions.

Corporate Governance Committee
Corporate Governance (CorGov) Committee is responsible for ensuring that the Bank's corporate governance principles. The Committee also reviews, evaluates/pre-screens and shortlists all candidates nominated to become a member of the Board pursuant to the minimum qualifications and disqualifications. It shall likewise establish, review, maintain and oversee a formal and transparent procedure for developing policy on remuneration and for fixing the remuneration packages of the Bank's corporate culture, strategy and control environment.

Compliance Office
This Compliance Office is responsible for reviewing any legal or regulatory matters that could have a significant impact on the Bank's financial statements and compliance with laws and regulations. It reviews the effectiveness and adequacy of the system for monitoring compliance with laws and regulations. The Chief Compliance Officer regularly reports to the BOD.

Internal Audit
Internal Audit (IA) provides an independent assessment of the Bank's management and effectiveness of existing internal control systems through adherence testing of processes and controls across the organization. The IA audits risk management processes throughout the Bank. It employs a risk-based audit approach that examines both the adequacy of the procedures and the Bank's compliance with the procedures. It discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee of the BOD.

Loan Committee
Loan Committee (LOANCOM) has been given the responsibility to facilitate review and approval of various credit and collection matters of the bank within the limits and guidelines as prescribed by the Board of Directors.

b. Selection Process for the Board and Senior Management

The BOD recognizes that its members as well as the senior management must have the appropriate skill set, as well as the necessary experience and commitment, to efficiently and effectively contribute to the growth of the Bank. The directors and senior management are expected to remain and act properly within the duration of their terms. They should possess unquestionable credibility to make decisions objectively and resist undue influence. Each of the directors shall treat their directorship as a profession and shall have a clear understanding of his/her duties and responsibilities as well as his/her role in promoting good governance.

c. Board of Directors' Overall Responsibility

The BOD composed of seven (7) directors, is primarily responsible for defining the Bank's vision and mission. The Board has the fiduciary responsibility to the Bank and all its shareholders. It approves and functions as an oversight in the implementation of strategies in order for the Bank to achieve its corporate objectives. It likewise approves and oversees the implementation of the risk governance framework, the systems of checks and balances, and the establishment of a sound corporate governance framework. The BOD approves the selection of the Chief Executive Officer and key members of senior management and control functions and oversees their performance.

d. Role and Contribution of Executive, Non-Executive, and Independent Directors, and of the Chairman of the Board

The President and Vice-President are executive directors primarily responsible for the general supervision, administration, and management of the Bank in carrying out its policies and objectives. In addition, the Bank has two non-executive directors responsible for the oversight function of the Bank's business and affairs. Lastly, the Bank also has three (3) independent directors. To meet the criteria of independence, the independent directors are not involved in the day-to-day management of the Bank, do not participate in any of its business dealings, and do not own more than 2% of the outstanding shares of the Bank, among others.

The Chairperson of the Board, who provides leadership in the BOD, is responsible for:

i. The effective function of the BOD, maintaining a relationship of trust among its members;
ii. Oversight in the meeting agenda focused on strategic matters including discussions on risk appetites, and key governance concerns;
iii. Encouraging and promoting critical discussions to ensure that dissenting views can be expressed and discussed within the decision-making process;
iv. Ensuring that its members receive accurate, timely, and relevant information;
v. Conducting proper orientation for first-time directors and providing training opportunities for all directors; and
vi. Conducting performance evaluation of the members of the board, at least annually.

e. Board of Directors Composition

	Name of Director	Type of Directorship	No. Of Years Served as Director	No. of Shares Held	Percentage of Ownership
1	Philippe J. Lhuillier	Chairman/ Non-Executive	25 years	2,599,893	37.14%
2	Jean Henri D. Lhuillier	Non-Executive	25 years	2,450,000	35%
3	Dennis O. Valdes	Executive	> 5 years	2	0%
4	Jimmy S. Ang	Executive	> 3 years	1	0%
5	Horatio S. Aycardo Jr.	Independent Director	> 2 years	1	0%
6	Andrew D. Alcid	Independent Director	> 1 year	3	0%
7	Dominador T. Gregorio III	Independent Director	< 1 year	1	0%

f. BOD Qualification

Ambassador Philippe J. Lhuillier, Chairman | 79 yo | Filipino
BS Business Management

Current Directorship, Officership, Work Experience:

Name of Office	Position	Date Assumed
P.J Lhuillier Inc.	Chairman of the Board	04/07/1989
P&EL Realty Corporation	Chairman of the Board	10/10/1989
Oceanic Escoldta Gifts and Jewelries	Chairman of the Board	02/16/1990
CebuanaLhuillier Services Corp.	Chairman of the Board	09/20/1996
P.J Lhuillier Development Corp.	Chairman of the Board	01/30/1997
Phils Import-Export Co., Inc.	Chairman of the Board	03/07/1997
PJL Fastfoods, Inc.	Chairman of the Board	09/25/1998
Le Soleil De Boracay Resort, Inc.	Chairman of the Board	11/13/1998
PJL Corporate Centre, Inc.	Chairman of the Board	08/05/1999
CebuanaLhuillier Foundation, Inc. (formerly P.J. Lhuillier Foundation, Inc.)	Chairman of the Board	12/28/2000
PJL Ventures, Inc.	Chairman of the Board	04/23/2001
PJL Leisure, Inc.	Chairman of the Board	02/28/2005
Cintree Management Services, Inc.	Chairman of the Board	06/24/2005
Riche Gould Real Estate, Inc.	Chairman of the Board	08/16/2005
Verite Pawn Corp.	Chairman of the Board	09/14/2005
Just Jewels Diamonds Boutique	Chairman of the Board	10/20/2005
Pawnsoft Services, Inc.	Chairman of the Board	01/25/2010
Department of Foreign Affairs	Philippine Ambassador to Spain	10/11/2016
Department of Foreign Affairs Department of Foreign Affairs	Philippiqne Ambassador to Portugal Philippine Ambassador to Italy	10/08/2012 to 2016 1999-2010
Department of Foreign Affairs	Philippine Ambassador to Albania	2000-2010
Department of Foreign Affairs	1st Philippine Ambassador to San Marino	2003-2010

Jean Henri D. Lhuillier, Vice-Chairman | 55 yo | Filipino
BS Economics and Business Administration, Doctor of Humanities

Current Directorship, Officership, Work Experience:

Name of Office	Position	Date Assumed
Phils Import-Export Co., Inc.	President and CEO	03/07/1997
Cebuana Lhuillier Services Corporation	President and CEO	09/01/1998
P.J. Lhuillier, Inc.	President and CEO	09/01/1998
P & EL Realty Corporation	President and CEO	09/01/1998
P.J. Lhuillier Development Corp.	President and CEO	09/01/1998
Le Soleil D' Boracay Resort, Inc.	President and CEO	11/13/1998
Cebuana Lhuillier Insurance Solutions, Inc.	Chairman and President	06/11/1999
DFNN, Inc.	Director	06/14/1999
PJL Corporate Centre Inc.	President and CEO	08/05/1999
Hatchasia, Inc.	Director	2000
Intelligent Wave Philippines	Director	2001
Cebuana Lhuillier Foundation, Inc. (formerly PJL Foundation, Inc.)	President and CEO	12/28/2000
Pawnsoft Services, Inc.	President and CEO	01/25/2001
PJL Ventures, Inc.	President and CEO	04/23/2001
Chamber of Pawnbrokers of the Philippines, Inc.	VP for External Affairs	01/01/2002
Pawnsafe Services Corp.	President and CEO	05/06/2004
Pawncare Services, Inc.	President and CEO	05/06/2004
PJL Leisure, Inc.	President and CEO	02/28/2005
Philippine Coast Guard	101st Auxillary Squadron	05/01/2005
Cintree Management Services, Inc.	President and CEO	06/24/2005
Riche Gould Real Estate, Inc.	President and CEO	08/16/2005
Verite Pawn Corp.	President and CEO	09/14/2005
Just Jewels Diamonds Boutique Corp.	President and CEO	10/20/2005
Networld Capital Ventures, Inc.	Chairman and President	12/21/2005
Next Ideas, Inc.	Director	03/01/2006
Enderun Colleges, Inc.	Director	06/05/2006
FlacorHeli Solutions Philippines, Inc.	Director	05/12/2010
Republic of San Marino Office	Honorary Consul General of the Republic of San Marino to the Philippines	11/22/2007 (Appointive)

Dennis O. Valdes, Director and President | 46 yo | Filipino
BSC Management of Financial Institutions, MBA

Current Directorship, Officership,

Name of Office	Position	Date Assumed
Rural Bank Association of the Philippines Region IVA	Board Director Region IV-A	2020 to 2021 / 2022 to present
Confederation of Southern Tagalog Rural Banks	Vice President	2019 to 2021
Cavite Federation of Rural Banks, Inc.	Member	2018 to present
Financial Executives Institute of the Philippines	Member	2021 to present
Philippine Payments Management, Inc. (PPMI)	Board Director ExCom Member	2022 to present

Work Experience:

NAME OF OFFICE	POSITION TITLE	DURATION FROM (mm/dd/yyyy)	DURATION TO (mm/dd/yyyy)
P.J. LHUILLIER, INC.	VICE PRESIDENT	02/01/2012	05/31/2018
P.J. LHUILLIER, INC.	CFO - OIC (CONCURRENT)	06/01/2016	06/30/2017
UNIONBANK INC.	BUSINESS MANAGER	10/01/2008	01/31/2012
UNIONBANK INC.	RELATIONSHIP MANAGER	01/01/2006	09/30/2008
UNIONBANK INC.	CASH SOLUTION MANAGER	07/01/2004	12/31/2005
AUSTRALIA AND NEW ZEALAND BANKING	ACCOUNT OFFICER	08/01/2001	06/30/2004
EQUITABLE PCI BANK	ACCOUNT OFFICER ASSISTANT	07/01/2000	07/31/2001
EQUITABLE PCI BANK	CREDIT ANALYST	06/01/1999	06/30/2000

Jimmy S. Ang, Director and Vice President | 48 yo | Filipino
BSC Marketing

Work Experience:

NAME OF OFFICE	POSITION TITLE	DURATION FROM (mm/dd/yyyy)	DURATION TO (mm/dd/yyyy)
CITIBANK N.A.	BRANCH CUSTOMER SERVICE ASSOCIATE	08/01/1998	02/28/1999
INTERNATIONAL EXCHANGE BANK	SENIOR PRODUCT ASSOCIATE	03/01/1999	06/01/2003
JAPAN CREDIT BUREAU	MARKETING MANAGER	06/02/2003	10/01/2007
HUDSON BAY LOYALTY MANAGEMENT	ACTING COUNTRY MANAGER	10/02/2007	10/30/2009
MEGALINK INC.	SAVP AND HEAD OF RELATIONSHIP AND RISK MANAGEMENT	10/31/2009	12/31/2015
COUNTRY BUILDERS BANK	VICE PRESIDENT AND HEAD OF MARKETING	01/01/2016	08/01/2019

Horatio S. Aycardo Jr., Independent Director | 67 yo | Filipino
BS Mathematics, MBA

Work Experience:

NAME OF OFFICE	POSITION TITLE	DURATION FROM (mm/dd/yyyy)	DURATION TO (mm/dd/yyyy)
IBM PHILIPPINES INC.	SYSTEM ENGINEER	06/01/1978	05/31/1983
IBM PHILIPPINES INC.	INDUSTRY SPECIALIST	06/01/1983	06/30/1985
UNITED LABORATORIES, INC	DIRECTOR, MANUFACTURING	07/01/1985	01/31/1986
CITIBANK N.A ASIA-PACIFIC SUPPORT	CORE BANKING DEVELOPMENT	02/24/1986	03/31/1989
CITIBANK N.A ASIA-PACIFIC SUPPORT	BRANCH SYSTEMS	04/01/1989	05/31/1995
CITIBANK N.A ASIA-PACIFIC SUPPORT	ATM DEVELOPMENT HEAD	06/01/1995	08/31/1997
CITIBANK N.A ASIA-PACIFIC SUPPORT	ASIA-PACIFIC SUPPORT CENTER	09/01/1997	03/31/2001
CITIBANK N.A	COUNTRY TECHNOLOGY HEAD	04/01/2001	09/30/2001
CITIBANK N.A	SENIOR COUNTRY OPERATION	10/01/2001	01/31/2008
CITIBANK N.A	COUNTRY TECHNOLOGY HEAD	02/01/2008	02/29/2012
PHILIPPINE BANK OF COMMUNICATION	CHIEF OPERATION OFFICER	08/01/2012	01/31/2015
PHILIPPINE NATIONAL BANK	CORE BANKING INTEGRATION	02/15/2015	02/28/2019

Andrew D. Alcid, Independent Director | 65 yo | Filipino
Bachelor in Business Administration, MBA

Work Experience:

NAME OF OFFICE	POSITION TITLE	DURATION	
		FROM (mm/dd/yyyy)	TO (mm/dd/yyyy)
PEAT, MARWICK, MITCHELL & CO. (NEW YORK, USA)	AUDIT ASSOCIATE	09/01/1982	08/31/1985
SALOMON BROTHERS INC (NEW YORK, USA)	ASSOCIATE, MORTGAGE FINANCE	09/01/1985	02/28/1987
MERILL LYNCH MORTGAGE CAPITAL INC. (NEW YORK, USA)	COMMERCIAL MORTGAGE SECURITY TRADER	03/01/1987	06/30/1989
CITICORP INTERNATIONAL LIMITED (NEW YORK & LOS ANGELES)	VICE PRESIDENT, REAL ESTATE INVESTMENT BANKING	07/01/1989	12/31/1994
CITICORP INTERNATIONAL LIMITED (HONGKONG)	DIRECTOR, HEAD OF SYNDICATIONS	01/01/1995	12/31/1996
CITIBANK N.A. (MANILA)	VICE PRESIDENT, CAPITAL MARKETS	01/01/1997	08/31/1999
UNITED COCONUT PLANTERS BANK (UCPB)	EXECUTIVE VICE PRESIDENT/COO	09/01/1999	12/28/2004
BDO PRIVATE BANK, INC	EXECUTIVE VICE PRESIDENT/COO	03/01/2004	04/30/2006
AXA PHILIPPINES	PRESIDENT/CEO	05/01/2006	09/30/2008
COASTAL ROAD CORPORATION	PRESIDENT/CEO	10/01/2008	01/31/2013
GREENHILLS PROPERTIES, INC	PRESIDENT/CEO	02/01/2013	07/31/2013
PHILIPPINE REALTY AND HOLDINGS CORPORATION	PRESIDENT/CEO	08/01/2013	09/30/2016

Dominador T. Gregorio III, Independent Director | 65 yo | Filipino
Bachelor in Business Administration and Accountancy, MBA, CPA

Work Experience:

NAME OF OFFICE	POSITION TITLE	DURATION	
		FROM (mm/dd/yyyy)	TO (mm/dd/yyyy)
SGV & COMPANY	EXTERNAL AUDITOR	03/11/1983	05/30/1986
CITICORP REAL ESTATE INC. (CITIBANK N.A.) (USA)	ASSISTANT VICE PRESIDENT	07/01/1988	06/30/1994
SGV & COMPANY	PARTNER	09/01/1994	04/30/2007
DELOITTE ALMATY, KAZAKHSTAN	PARTNER	05/01/2007	06/30/2009
FIL ESTATE LAND INC.	DIRECTOR	01/01/2010	12/31/2010
LIONHEART CONSULTING INC.	PRESIDENT AND DIRECTOR	01/01/2010	12/31/2021
CLEARVIEW HOLDINGS INC.	DIRECTOR	01/01/2014	08/01/2022
ADF PHILIPPINES II, SPV-AMC, INC.	DIRECTOR	01/01/2019	08/01/2022

g. List of Board Level Committees including Membership and Function

Board Level Committee	Membership	Function
Audit Committee	**Dominador T. Gregorio III,** ***Chairperson*** **Members:** **Horatio S. Aycardo Jr.,** ***Chairperson*** **Andrew D. Alcid,** ***Independent Director***	• Oversight of the financial reporting framework • Monitor and evaluation on the adequacy and effectiveness of the internal controls system • Oversight on the implementation of corrective actions • Investigate significant issues/ concerns raised
IT Steering Committee	**Horatio S. Aycardo Jr.,** ***Chairperson*** **Members:** **Dennis O. Valdes,** ***Director and President*** **Ariel M. Bien,** ***ICT Operations Head***	• Set IT strategic direction of the Bank • Oversight on major technology implementations • Ensure that IT projects and priorities best meet the overall priorities of the Bank • Ensure that overall IT performance is measured, its resources are managed, and its risks are mitigated
Risk Oversight Committee	**Andrew D. Alcid** ***Chairperson*** **Members:** **Dennis O. Valdes,** ***Director and President*** **Dominador T. Gregorio III** ***Independent Director***	• Responsible for the development and oversight of the risk management program of the Bank. • Oversees the system of limits to discretionary authority that the BOD delegates to management • Ensures that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached • Develop necessary strategies that would prevent or minimize the impact of losses.
Corporate Governance Committee	**Horatio S. Aycardo Jr.,** ***Chairperson*** **Members:** **Dominador T. Gregorio III** ***Independent Director*** **Andrew D. Alcid,** **Independent Director**	• Oversight function in different contracts with affiliates • Responsible for the arm's length review of proposed related party transactions to ensure transparency and fairness for all stakeholders. • Review of materiality threshold • Determine whether or not the transactions are on terms "not less favorable" to the Bank than the terms available to any unconnected third party under the same or similar circumstances. • The committee presented and endorsed the proposed RPT transactions as well as the actions taken thereon to the BOD for approval.

h. Directors' Attendance at BOD Meetings

The BOD was elected by the stockholders in their annual meeting held on February 27, 2024. The term of the directors is for one year. Hereunder is the report of directors' attendance at the board and committee meetings during the election year up to December 31, 2024, including the number of board and committee meetings attended by each director.

The BOD formally accepted the resignation of Independent Director Ms. Maria Rodora E. Banares, effective July 31, 2024, and expressed appreciation for her contributions, particularly as Chairperson of the Audit Committee and member of other key committees.

The BOD has elected and appointed Mr. Dominador T. Gregorio III as the new Independent Director and Chairperson of the Audit Committee, following the resignation of Ms. Maria Rodora E. Banares. Mr. Gregorio was found qualified after due evaluation and will serve the unexpired term of his predecessor. The Board also confirmed that Mr. Gregorio holds no interlocking directorships, as reported during the regular Board meeting on November 27, 2024.

Composition of the Board of Directors 2024

AMB. PHILIPPE J. LHUILLIER (PJL)	Chairman
MR. JEAN HENRI D. LHUILLIER (JHL)	Vice Chairman
MR. DENNIS O. VALDES (DOV)	Director/President
MR. JIMMY S. ANG (JSA)	Director/Vice-President
MR. HORATIO S. AYCARDO JR. (HSA)	Independent Director
MR. ANDREW D. ALCID (ADA)	Independent Director
MS. MARIA RODORA E. BAÑARES (MEB)	Independent Director (Jan-July)
MR. DOMINADOR T. GREGORIO III (DTG)	Independent Director (Nov-Dec

Board of Directors Meeting Attendance - 2024

	Regular BOD	JA - SH & BOD	Regular BOD	Regular BOD	Regular BOD	Regular BOD	Regular BOD	Regular BOD	Regular BOD	Regular BOD	JA - SH & BOD	Special BOD	Regular BOD	Meetings Attended %
Date	Jan 29	Feb 27	Mar 25	Apr 23	May 28	Jun 25	Jul 26	Aug 29	Sep 25	Oct 25	Nov 27	Dec 06	Dec 20	
PJL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%
JHL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%
DOV	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%
JSA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%
HSA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%
ADA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%
MEB	Yes	Yes	Yes	Yes	Yes	Yes	Resigned							100%
DTG											Appointed		Yes	100%

Audit Committee 2024 (MEB (Jan-July), DTG (Dec) - Chairman, ADA - Member (Jan-Jul)/OIC Chairman (Aug-Nov), JHL - Member, HSA - Member													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	%
MEB	Yes	Yes	Yes	Yes	Yes	Yes	Yes						100
ADA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100
DTG												Yes	100
JHL	Yes												100
HSA		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100

Risk Oversight Committee 2024 (ADA - Chairman, MEB - Member, DOV - Member, DTG - Member)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	%
ADA	Yes	Yes	Yes	Yes	Yes	Yes	Yes					Yes	100
MEB	Yes	Yes	Yes	Yes	Yes	Yes	Yes						100
DOV	Yes	Yes	Yes	Yes	Yes	Yes	Yes					Yes	100
DTG												Yes	100

Corporate Governance Committee 2024 (HSA - Chairman, MEB - Member, ADA - Member, DTG - Member)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	%
HSA			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100
ADA			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100
MEB			Yes	No	Yes	Yes	Yes						80
DTG												Yes	100

Related Party Transaction Committee 2024 (HSA - Chairman, MEB - Member, ADA - Member)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	%
HSA	Yes	Yes											100
ADA	Yes	Yes											100
MEB	Yes	Yes											100

IT Steering Committee 2024 (HSA - Chairman, DOV - Member, AMB - Member)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	%
HSA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100
DOV	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100
AMB	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	92

i. Changes in the Board of Director (for Complex Banks)

The Bank is classified as simple bank.

j. List of Executive Officers/ Senior Management

Dennis O. Valdes, President

Filipino | 46 | President since 2018 | Director since 2018 | Board Director Region IV-A, Rural Bankers Association of the Philippines (2020 to 2021 and 2022 to 2023)|Vice-President, Confederation of Southern Tagalog Rural Bankers (2019 to 2021) | Member, Cavite Federation of Rural Banks | Member, Financial Executives Institute of the Philippines, Member | Education: Bachelor of Science degree in Commerce, De La Salle University. Master of Business Administration, DLSU Graduate School of Business

Jimmy S. Ang, Vice President and Head of Retail Banking Division

Filipino | 48 | Vice-President since 2019 | Head of Retail Banking Division since 2019 | Former Vice President and Marketing Head of Country Builders Bank | Former SAVP and Head of Relationship and Risk Management, Megalink, Inc. | Education: Bachelor of Science degree in Commerce Major in Marketing, Far Eastern University

Charm O. De Guzman, Head of Credit Operations and Management Division

Filipino | 49 | Head of Credit Operations and Management Division in 2019 | Head of Cash Management and Consumer Finance Division in 2018 | Former Senior Manager in Wholesale Lending–Business Banking, ANZ Global Services and Operations (Manila), Inc.| Former SAVP and Head of Portfolio Management Division, RCBC Savings Bank | Education: Bachelor of Science degree in Commerce Major in Economics, University of Santo Tomas

Lorna Z. Tecson, Head of Product and Channel Management Division

Filipino | 46 | Head of Product and Channel Management Division | Former Head of Loans Department, Country Builders Bank in 2017 | Former Managing Director, Global Pinoy Remittance & Services Inc. in 2016| Former Marketing Manager –Relationship Manager, in 2008 | Education: Bachelor in Tourism, Polytechnic University of the Philippines

George S. Agas, Head of Compliance Management Division

Filipino | 56 | Head of Compliance Management Division | Former VP, CO and IA Manager in 2019-2021 | Systems & Methods, QA and ISO from 2017-2019 of Northpoint Development Bank | Education: Bachelor of Science in Commerce, Major in Accounting, Colegio de San Juan de Letran

Ernesto R. Raneses, Head of Central Operations Division

Filipino | 57 | Head of Central Operations Division in 2023 | Former OIC – OPRNS and Control, Phil Veterans Bank in 2020 | Former Chief Operation Officer/Bank OIC, Maxbank in 2017.| Former Head of Operation, Numoni-Maximum Savings Bank in 2014 | Education: Bachelor of Science in Business Management Major in Accountancy, St. Louis University

Ariel M. Bien, Head of Information, Communication and Technology Division

Filipino | 49 | Head of ICT Division | Former Head in IT Production Management, UNOBank in 2022 | Former VP, Sr. Manager, CBPS NAM Brands CTC Apps, City Business Process Solutions in 2021| Former AVP, Operations Support officer, BDO Unibank in 2019 | Education: Bachelor in Computer Data Processing Management, Polytechnic University of the Philippines

Michael Aaron P. Gacutan, Head of Legal and Remedial Division
Filipino | 37 | Head of Legal and Remedial Division | Cintree Management Services, Inc. Former Litigation and Property Department Manager in 2017-2020 | Former Litigation Officer from 2014-2017 of Equicom Savings Bank, Inc. | Education: AB-BSE (Major in Social Sciences/Social Studies), University of Sto Tomas

Cary M. Resari, Head of Risk Management Division
Filipino | 43 | Head of Risk Management Division | Former Chief Risk Officer from 2019-2024 of ORIX Metro Leasing and Finance Corporation | Former Risk Management Head from 2017-2019 of Legaspi Savings Bank | United Coconut Planters Bank Former Market/Trust Risk Officer in 2014-2017 | Bachelor of Arts in Economics, Bicol University College of Business, Economics, and Management

Bernard Louie M. Sision, Head of Retail Banking Division
Filipino | 44 | Head of Retail Banking Division | Former Branch Development Head, Product Development and Strategic Alliance Department Head in 2017-2024 | Former Senior Product Manager from 2011-2017 Bank of Commerce Philippines | Education: Bachelor of Science in Applied Economics, De La Salle University

Mark Kenneth P Dela Cruz, Head of Project Management Division
Filipino | 42 | Head of Project Management Division | Former Project Manager of BDO Unibank in Jan-Sept 2024 | Former Product Development Manager in 2020-2023 of TrueMoney Philippines | Former Project Manager in 2018-2020 of UnionBank of the Philippines | Education: Bachelor of Science in Computer Science, University of Sto Tomas, Manila

Edel P. Regato, Head of Accounting Department
Filipino | 37 | Head of Accounting Department | Bachelor of Science in Accountancy, University of the Philippines, Master of Business Administration (MBA) University of the Philippines-Diliman

Gerald Joseph D. Navarro, Head of Internal Audit Department
Filipino | 46 | Head of Audit Department | Keb Hana Bank Former Senior Internal Audit Manager in 2019-2020 | Former Internal Audit Manager from 2016-2019 of Bank of the Philippine Islands | Education: Bachelor of Science in Accountancy, Philippine School of Business Administration

k. Performance Assessment Program

The assessment and evaluation system of the Bank involves the assessment of the activities and/ or accomplishments of the BOD, committees, and individual directors, officers, and staff. The performance assessment program consists of the following steps:
Step 1 – Identification of Criteria and Expected Activities
Step 2 – Methodology and Assessment Approach
Step 3 – Assessment Timetable
Step 4 – Corporate Governance and Operational Improvement Program
Step 5 – Documentation
Step 6 – Directives, Desired Actions, and Areas of Improvement

The BOD, as a whole, in coordination with the Chief Compliance Officer, conducts the self-assessment, assessment of committees, and compliance function. The Audit Committee assesses/ evaluates the Internal Auditor. The senior management is evaluated by the BOD, while the other officers and staff are evaluated by the manager or by their respective supervisors. Management reports to the BOD the result of the performance evaluation of officers and staff and provides recommendations based on the results of the rating. The recommendations may be in the form of merit increases, promotions, or both.

The BOD, President, Managers, and Supervisors document all its assessment activities for future reference and appropriate tracking of records. This is to ensure to have a common understanding of the corporate governance and operational improvement programs, including improvements of bank personnel. It is also to assign clear accountability for the effective implementation both of the program and the timetable.

The BOD, President, Managers, and Supervisors provide/ set instructions for the rate to improve the result of the assessment/ evaluation and of the Bank's operations as a whole. Such specific actions and recommendations are commensurate with the issues identified and the resulting assessment of the quality of corporate governance, and operational activities. Part of the recommendation is a continuous personnel improvement thru the conduct of necessary training.

I. Orientation and Education Program

The directors and senior management maintain professional integrity and continuously seek to enhance their skills, knowledge, and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training. Directors and senior management attend corporate governance seminars conducted by BSP accredited training providers, before, or at least immediately after, the assumption of office.

The Human Resources Department under PJLI Group regularly reviews the training program of the Bank's employees ensuring continuous enhancement of skills and updates with the relevant rules and regulations. During the outbreak of the pandemic, employee training was conducted through a series of webinars and online learning activities. Webinars also include wellness and mental health programs for employees, as the industry copes with the new normal in the overall changes in working -arrangement, environment, and business processes.

EXTERNAL TRAINING

Public Workshop

Formal training conducted by consultants with participants from different companies.

Conference/Conventions

A gathering of people usually from the same field to discuss common issues, concerns and updates.

Certificate/Diploma Programs/Short Courses

Mostly offered by academic institutions; certificates are issued upon completion/ passing of the course/ program.

Online Training

A computer-based training; a form of training that takes place completely on the internet.

WHAT IS CLAO?

Cebuana Lhuillier Online Academy (CLAO) serves as a cloud-based platform for seamless enrollment in a variety of courses. This platform brings learning opportunities to all employees, providing convenience, efficiency, and flexibility for skill enhancement and regulatory compliance.

PLANS & INITIATIVES

- Drive Leadership Imperatives Program for all People Leaders
- Drive Skills Building Programs Across the groups
- Drive Learning Management System Transformation

m. Retirement and Succession Policy

The normal retirement date of senior management is upon his/ her attainment of age 60. On the other hand, the Bank does not impose mandatory retirement age for the directors. Moreover, independent directors may only serve as much for a maximum cumulative term of nine years, after which, the independent director shall be perpetually barred from serving as an independent director in the Bank, but may continue to serve as a regular director. The nine-year maximum cumulative term for independent directors shall be reckoned from 2012. Meanwhile, for non-independent directors, the Bank does not impose any limit on the term.

Succession policy provides the Bank's succession plan to identify and develop internal personnel with the potential to fill critical organizational positions. The Bank's succession plan involves planning for smooth continuation and to manage gaps that will arise when individuals in key positions leave or are promoted.

1. Leadership Journey is Cebuana Lhuillier Bank's (CLB) Succession Planning program.

   Succession planning is a process for identifying and developing employees with the potential to fill leadership and critical positions in an organization.

2. PURPOSE
   It aims to identify and develop high potentials for the organization's ready pool of candidates and talents. It ensures that we have the right people in the right place at the right time.

3. HOW DO ORGANIZATIONS IDENTIFY HIGH-POTENTIAL TALENT
   High Potential Talents are identified using Performance, Potential and Competencies-- the big 3 in Talent Management.

   CLRB uses the following documents to identify the high-potential talent.

Talent Management	Source	Documents
Performance	Performance Review	Key Result Area
Potential	Skills Assessment	PXT Assessment
Competency	Manager's Opinion	Competency Assessment Development Form (CADF)

4. LEADERSHIP JOURNEY
   The leadership Journey consists of 5 steps: Performance Management, Talent Map, Individual Development Plan, Gap Analysis and Career Map.

4.1 Performance management

The first step is to look at the performance of the employee by looking at the following documents:

1. Rating in Key Result Area (KRA)
2. Three Sixty degree Report (if available)
3. Competency Assessment and Development Form (CADF)

4.2 Talent Maps *(refer to Annex A)*

After gathering the data, map the talent in the 4 quadrants based on their potential and performance.

A High Performer must be consistent to have a Stretch Goal or Outstanding KRA rating in the past 2 years. A high performer gives immediate return on investment, obtain through results and competencies.

A High Potential is an employee who demonstrate high-level contributions; potential to move up to an identified position within a given timeframe, and assume greater responsibility.

Potential	**Q3** **High Potential** **Low Performance**	**Q2** **High Potential** **High Performance**
	Q4 **Low Potential** **Low Performance**	**Q1** **Low Potential** **High Performance**
	Performance	

The focus of the Leadership Journey is the high potential and high performer employees or those in quadrant 2. The type of action plan is explained per quadrant below.

Potential	**Q3** *Developmental Career Plan* Mismatched on their positions, these are the employees who usually excels on other areas other than their current positions.	**Q2** *Individual Development Plan* Employees who perform according or beyond the standards set by the company.
	Q4 *Counsel out/PIP* "Pay and remove"	**Q1** *Engagement Plan* Performs according or beyond the standards set by the company but less opportunity for promotion or growth in the corporate ladder.
	Performance	

4.3 Individual Development Plan

The next step is to create an Individual Development Plan or IDP per employee. In creating an IDP, we use the 70:20:10 Learning Model.

The 70% hands-on experience is the most beneficial as it enables employees to discover and refine their job-related skills. The 20% is through social learning. Employees learn from others through coaching and mentoring. And the 10% comes from formal traditional courses.

4.4 Gap Analysis *(refer to Annex B)*

Identify the skills gap. Identify 2-3 competencies to develop for a particular duration using the 9-Box Grid. This is a tool to aid in discussion of employee strengths and development needs.

Name of Employee	Demonstrated Strengths	Development Areas

Refer to Annex C for a sample of detailed Individual Development Plan.

5. **Career Map** *(refer to Annex D)*

The last step is to identify the career map of the employee. For the Career Path, an employee may have more than 1 career paths, and talent can be shared through other departments or division.

Name of Employee	Competencies	Readiness	Career Path
		1 – Needs more than 2 years to develop 2 – Should develop in current role for 1-2 years 3 - Can take next development step within next 12 months	

Ready Now are the employees who can readily take on the new role while, Ready later means the employee needs 2 to 5 years to be developed.

n. Remuneration Policy

The Bank provides rewarding careers by maintaining competitive compensation and benefits programs for employees. The remuneration policy of the Bank applies to all employees including its senior officers. The relative value of each job and corresponding pay levels are determined by a competency-based job evaluation system. The Human Resources Department under PJLI Group regularly reviews the compensation policies and recommends changes through the senior management for endorsement to the BOD approval.

On top of the salaries, the Bank's employees, including senior management, also receive other compensation and benefits such as:

- Guaranteed bonus
- Performance-based incentive
- 13th-month pay
- Overtime pay (supervisors and below)
- Leaves (vacation, sick, maternity, paternity, solo parent, and special leave for women)
- Medical benefits (hospitalization and out-patient benefits for employees)
- Financial assistance loans for officers and employees
- Retirement benefits based on tenure and salary

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

Per diem of BOD are as follow:

	Amount
Regular Board Meetings	
Chairman of the Board	Php 30,000.00
Board Members	Php 25,000.00
Special Board Meetings	
Chairman of the Board	Php 30,000.00
Board Members	Php 25,000.00
Committee Meetings	
Chairman of the Board	Php 15,000.00
Board Members	Php 10,000.00

ii. **Remuneration Policy for Senior Management**

The Chairman determines and recommends the salaries of the Bank's senior management.

o. Policies and Procedures on Related Party Transactions

The Bank recognizes that transactions between and among related parties create financial, commercial, and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, it is the policy of the Bank that related party transactions (RPT) are done on an arm's length basis. Towards this end, the Bank exercises appropriate oversight and implements effective control systems in managing said exposures as these may potentially lead to abuses that are or may be disadvantageous to the Bank and its depositors, creditors, fiduciary clients, and other stakeholders.

The BOD manages conflicts of interest or potential conflicts of interest and is responsible in:

i. Evaluation on an ongoing basis, the existing relations between and among businesses and counter-parties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in the relationship with counter-parties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the BOD and regulators/supervisors.

ii. Evaluation of all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties as compared to similar transactions with non-related parties under similar circumstances; to ensure that no corporate or business resources of the BSFI 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. In evaluating RPTs, the BOD takes into account, among others, the following:

- the related party's relationship to the Bank and interest in the transaction;
- the material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- the benefits to the Bank of the proposed RPT;
- the availability of other sources of comparable products or services; and
- assessment on whether the proposed RPT is within terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank has in place an effective price discovery system and exercises due diligence in determining a fair price for RPTs.

All RPTs that are considered material based on the Bank's internal policies require BOD approval to:

- Ensure that appropriate disclosure is made, and/ or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies and on conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.

- Direct management to report to the BOD regularly, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.

- Ensure that transactions with related parties, including write-offs of exposures, are subject to periodic independent review or audit process.

- Oversee the implementation of the system in identifying, monitoring, measuring, controlling, and reporting of RPTs, including the periodic review of RPT Policies and procedures.

Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the material RPT and abstain from the discussion, approval and management of such transaction or matter affecting the Bank.

The related party transactions shall be conducted in the regular course of business and are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirements etc.) than similar transactions with non related parties under similar circumstances.

The Bank shall implement a price discovery system. This shall include but not limited to the following:

- Acquiring the services of an external expert;
- Opening the transaction to a bidding process; or
- Publication of available property for sale.

Vetting Process:

The concerned Division Head shall prepare/present the RPT proposal to the RPT Committee. This shall include but not limited to the following:

- The nature of transaction;
- Terms and conditions of the proposed RPT at arm's length and are comparable to the terms generally available to an unrelated party;
- Benefits and other details of the proposed RPT;
- Other relevant or material information regarding the RPT transaction

The RPT Committee shall review/vetting the proposed RPT transaction. The same shall be endorsed to the Board for approval.

Any transaction that involves a transfer of resources, services or obligations between the Cebuana Lhuillier Bank. and its related party shall be considered a related party transaction.
Related party transactions that are excluded from materiality threshold requirement shall be the following:

1) Transactions concerning deposit operations;
2) Regular trade transactions involving purchases and sales of debt securities traded in an active market; and
3) Bank's fringe benefit programs approved by the BSP.

Related party transaction/s, either individually, or in aggregate over a twelve (12) month period with the same related party, amounting to ten percent (10%) or higher of the Cebuana Lhuillier Bank's total assets based on its latest audited financial statement shall be considered material RPTs.

The Cebuana Lhuillier Bank's Whistle Blowing Policy shall also apply to RPTs.

Restitution of losses and remedies for abusive RPTs including the manner of handling personnel, officers, or directors, who have been remiss in their duties in handling RPTs shall be governed by the HRD Manual and policies.

iii. In 2024, the following material RPTs were entered into between the Bank and its related parties (see also Note 22 of the Audited Financial Statements section).

RELATED PARTY TRANSACTIONS

The summary of the Bank's transactions with its related parties as of December 31, 2024 and 2023 is presented below.

(Amounts in PHP)		2024		2023	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding balance**	Amount of Transaction	Outstanding balance
DOSRI:					
Grant and payment of loans	22.1	**23,590,158**	**21,353,222**	4,833,852	6,993,578
Deposit liabilities	22.1	**7,000,000**	**(21,201,272)**	100,304,083	(28,484,622)
Other related parties:					
Cash agent transactions	10, 17, 22.2	**5,359,301,437**	**(99,503,112)**	8,108,513,088	(22,807,806)
Commission expense	22.2	**25,820,300**	**-**	31,749,883	-
Key management personnel – Compensation	22.3	**65,433,100**	**-**	61,245,887	-

iv. Policy on Directors or Officers with Interlocking Positions in Other Entities

I. <u>Objective</u>. To have an effective governance process in place to ensure that the benefits of having directors or officers with interlocking positions in other entities are optimized, that the concerned directors or officers devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

II. <u>Duties and Responsibilities of the Board of Directors.</u> Consistent with the standards and principles set forth in the corporate governance guidelines for BSFIs under Sec. 132, the board of directors shall:

1) Approve policy on having directors or officers with interlocking positions in other entities, which shall cover. among others. the following:

a) Cases and the corresponding rationale when the CLB shall allow/appoint directors or officers to have/with interlocking positions in other entities: the sectors or industries of the entities where the directors or officers may assume other positions; interlocking positions that may be held by directors or officers; and limit on the number of entities where the director or officer may hold interlocking positions.

Provided, That the limit to be set shall be consistent with item "b" of qualifications of a director under Section 132, to wit;

<u>As a general rule, the Chairperson of the board of directors shall be a non-executive or an independent director.</u>

The positions of chairperson and CEO shall not be held by one (1) person. In exceptional cases where the position of the board of directors and CEO is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed.

The Chairperson must not have served as CEO of the CLB within the past three (3) years. In exceptional cases, former CEO of CLB shall be allowed to immediately assume the position of the Board of directors, provides, That:

1) This is consistent with the provision of its succession plan; and
2) There are no major supervisory concerns in the quality of the CLB's governance, risk management, systems, and internal controls and compliance system, and the CLB is not subject to escalated enforcement action.

   For this purpose the board of directors shall define the responsibilities of the lead independent director, which shall be documented in the corporate governance manual. The board of directors shall ensure that the lead independent director shall ensure that the lead independent director functions in an environment that allows him effectively challenge the CEO as circumstances may warrant. The lead independent director shall perform a more enhance function over the other independent directors and shall: (1) lead the independent directors at board of directors meeting in raising queries and pursuing matters; and (2) lead meeting of independent directors, without the presence of the executive directors.

b) Measures to avoid excessive concentration of economic power, unfair competitive advantage and abusive practices. The policy shall also include the measures in handling conflict of interest situation;

c) Requirement to obtain approval from the board of directors or the appropriate authority designated in the CLB prior to acceptance of interlocking directorship/officership positions in other entities;

d) Requirement to obtain proof of disclosure to and consent from all the involved entities on interlocking officership positions held outside the banking group/conglomerate: and

e) Courses of action in case conflict of interest arise or when the performance of the director or officer has been affected by the interlocking positions held.

2) Ensure effective governance process on the selection and appointment of directors and/or officers who are holding interlocking positions in other entities and in approving the acceptance of directors/officers of interlocking positions in other entities. The governance process shall cover continuous assessment of potential conflict of interest in the entities involved as well as the interlocking positions held. The assessment of the Board shall include the following:

   a) Justifications on why there will be no conflict of time and interest in the performance of the subject director/officer's duties and responsibilities considering their interlocking positions with other institutions; and

   b) Justification on how their educational background and work experiences will help in the effective discharge of their duties and responsibilities as director/officer of CLB.

3) Ensure that directors and/or officers holding interlocking positions in other entities effectively carry out their duties and responsibilities in the BSFI. It shall be the responsibility of the board of directors to conduct a periodic performance evaluation of the concerned directors and officers measured against agreed upon standards for the position. The board of directors shall immediately take appropriate action should the results of performance evaluation reflect that the performance of the function in the CLB has been adversely affected by the interlocking positions held by the director and/or officer.

4) Ensure that the control functions (i.e. risk management. compliance. and internal audit) cover the assessment of adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or officers. For the interlocking positions held by heads of control functions, the assessment shall be performed by the board of directors or board-level committee to whom they functionally report to.

III. Factors to Consider on Interlocking Positions. CLB shall observe the following rules for interlocking positions held by directors and/or officers:

1) Interlocking directorships are allowed except in cases involving banks belonging to the same category. In this respect, interlocking directorships in banks belonging to the same category shall only be allowed if the banks: (i) are part of the same banking group; or (ii) have different business models and are serving different markets or clients.

   For purpose of determining interlocking directorship, a director and his/her spouse, whether legitimate or common-law, shall be considered as one (1) and the same person.

2) Interlocking directorships are allowed provided that the positions do not pose conflict of interests. For this purpose, the appointment should be consistent with the policy adopted by the CLB.

3) As a general rule, interlocking officerships shall not be allowed except:

   a) Held in the same capacity within a banking group as (i) corporate secretary (ii) security officer, (iii) Chief Risk Officer, Chief Compliance Officer, Head of Internal Audit, or (iv) other positions performing similar functions as those in (i) to (iii) hereof; Provided That: The assumption of interlocking officerships is consistent with the enterprise risk management approach of the CLB and the banking group where the concerned entities belong.

   b) As corporate secretary or assistant secretary between/among entities which are not part of the same banking group/conglomerate provided that;

      1) Proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained; and

      2) The positions do not pose conflict of interest and that the officer holding interlocking positions will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities.

IV. Approval of interlocking positions. The board of directors shall approve the interlocking positions held by directors and officers of CLB. The documents supporting the approval shall reflect the assessment done by the approving authority consistent with this policy.

Reports. The Compliance Office shall submit an annual report of all interlocking positions of its directors and officers within twenty (20) banking days from end of each reference year starting 31 December 2021.

The Compliance Office shall keep a complete record of all interlocking positions of its directors and officers, and documentation of the assessments conducted by the board of directors and shall maintain a system of updating said records which shall be made available during examination by the Bangko Sentral or when required for submission for verification.

V. BSP Enforcement Actions

The Bangko Sentral shall deploy enforcement actions to promote adherence to the requirements on interlocking directorships and or officerships under Section 137 of the MORB. The Bangko Sentral shall issue directives or sanctions on the CLB and responsible persons which may include restrictions or prohibitions from certain authorities/activities; and warning, reprimand, suspension, removal and disqualification of concerned CLB directors and officers. The Bangko Sentral shall disallow interlocking directorships and officerships or direct the CLB to amend its internal policy on interlocking positions pose conflict of interest which give rise to excessive concentration of economic power, unfair competitive advantage, and abusive practices.

VI. Effectivity:

This policy shall be effective starting 01 July 2022.

INTERLOCKING INFORMATION:

Dominador T. Gregorio III – Independent Director

Registered Name	Nature of Business	Position Level	Date of Assumption (MM/DD/YYYY)
Stella Maris Property Holdings Inc.	Real Estate	Director	01/01/1994
Mandurriao Property Holdings Inc.	Real Estate	Director	01/01/2012
FTI Consulting Philippines Inc.	Consulting Services	Director	01/01/2014
Red Platinum Investment Holdings Inc.	IC-Investment Company	Director	01/01/2014
Marikudo Agrimarine Corporation	Agriculture	Director	01/01/2018
Hidjao Property Holdings Inc.	Real Estate	Director	01/01/2020
Sunlife Investment Management and Trust Corporation	TC-Trust Corporation	Independent Director	01/29/2021
Home Credit Consumer Finance Philippines	FC-Financing Company	Independent Director	05/11/2022

Horatio S. Aycardo Jr. – Independent Director

Registered Name	Nature of Business	Position Level	Date of Assumption (MM/DD/YYYY)
Samson College of Science & Technology	Education	Director	03/01/2019
Samtop Investment	FC-Financing Company	Director	09/01/1992

Andrew D. Alcid – Independent Director

Registered Name	Nature of Business	Position Level	Date of Assumption (MM/DD/YYYY)
The Sloan Group	FC-Financing Company	Director	10/01/2016
Dlocal Payments Philippines Inc	Payment Systems/Fintech	Director	09/14/2023

p. Self-Assessment Form

i. **Internal Audit and Compliance Functions**

The *internal audit function*, with strict accountability for confidentiality and safeguarding of records and information, is authorized full, free, and unrestricted access to any of the Bank's records, physical properties, and personnel pertinent to carrying out internal audit engagement.

It also has the authority to directly access and communicates with any officer or employee, to examine any activity or entity of the Bank, as well as to access any records, files or data whenever relevant to the exercise of its internal audit assignment. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity also has unrestricted access to the BOD.

The *compliance function* remains sufficiently independent of the operations that it conducts compliance testing and evaluation to enable him/ her to perform his/ her duties in a manner, which facilitates impartial and effective professional judgments and recommendations. The compliance function has no operational responsibilities. The Chief Compliance Officer reports directly to the BOD every month.

The Chief Compliance Officer reports regularly to senior management on compliance matters. The report refers to the compliance risk assessment that has taken place during the reporting period, including any changes in the compliance risk profile based on relevant measurements such as performance indicators, a summary of any identified breaches and/ or deficiencies, the corrective measures recommended to address them, and the report on corrective measures already taken.

ii. **Review of Effectiveness and Adequacy of the Internal Control System**

The Audit Committee assists the BOD in reviewing the assurance reports of the Internal Audit covering the results of the assessment on the adequacy and effectiveness of the internal controls, risk management, and governance processes, and in overseeing the financial management processes, the systems of internal accounting and financial controls, the performance and independence of the external and internal auditor, and annual independent audit of the Bank's financial statements. Internal control and risk management are further strengthened with the BOD's approval of the Audit Committee recommendations arising from a periodic review of Internal Audits, management reports, and consultation with the Bank's front-line and support units.

q. Dividend Policy

Before the declaration of dividends, the BOD ensures compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution. The BOD has the power to declare and approve cash dividends, while the stockholders have the right to approve stock dividends. The net amount available for dividends is the amount of unrestricted or free retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of the calendar year-end immediately preceding the date of dividend declaration. For the year ended December 31, 2023 and 2024, the Bank did not declare any dividend in line with its strategic plan to continuously build up capital. Rather, a series of stock declarations and distributions were made in 2019. In 2020, a Php 100.0 Million deposit for future capital subscription was infused by the major stockholders of the Bank.

r. **Corporate Social Responsibility**

The employees of the Bank are involved in conducting Financial Literacy Program in different schools in coordination with Cebuana Lhuillier Foundation Inc.

s. **Consumer Protection Practices**

i. **Role and Responsibility of the BOD and Senior Management**

The BOD of the Bank is ultimately responsible for ensuring that consumer protection practices are embedded in the Bank's business operations. Moreover, it is primarily responsible for approving and oversight of the implementation of the Bank's consumer protection policies; ensuring that mechanisms are in place in compliance to said policies.

The BOD together with Senior Management is responsible for developing the Bank's consumer protection strategy and establishing an effective oversight over the Bank's consumer protection programs.

The Senior Management is responsible for the implementation of the consumer protection policies as approved by the Board, wherein the latter is responsible for monitoring and oversight the performance of the Senior Management in managing the day-to-day consumer protection activities of the Bank.

ii. **Consumer Protection Risk Management System of the Bank**

As part of the Bank's consumer protection risk management system, it has put in place appropriate management controls and has outlined reasonable steps in handling customer complaints/ requests to ensure that it identifies and remedies any recurring or systemic problems, and points out weaknesses in the Bank's internal control procedures or process by doing:

- data and root-cause analysis from the complaints/ requests;
- cause-effect analyses, taking into account the magnitude of the identified weakness/es on how it may affect other processes or products, including those not directly complained of/ requested for; and corrective actions, as may be reasonable, taking into account the concomitant costs and other resources.

iii. **Consumer Assistance Management System**

So that financial consumers are provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints with their financial transactions, Cebuana Lhuillier Group has a designated department for complaint handling and redress.

Cebuana Lhuillier Customer Care provides services such as but not limited to receiving, recording, evaluating, resolving, monitoring, reporting, and giving feedback to consumers. The Consumer Help Officer is a front-liner who: i) receives and acknowledges consumer concerns; ii) records concerns; iii) makes an initial review and investigation of concerns; iv) handles simple complaints/ requests and escalates/ reports complex complaints/ requests to the Unit Consumer Help In- Charge.

The business managers of the Bank, on the other hand, are responsible for the oversight and evaluation of branch complaints. The officer is tasked to review consumer concerns and reports the same to the Retail Banking Division Head and the President. Complex complaints/requests may be further escalated by the officer-in-charge to the senior management, for proper disposition.

iv. **Sustainable Finance**

The Bank adopts the Board approved transition plan with specific timelines. These include strategy and policies integrating principles into its corporate governance and risk management framework as well as in its strategic objectives and

The Bank is now in the process of integrating sustainability principles in its governance frameworks, risk management system, business strategy and operations.

A. **Basic Principles and Policies to Sustainable Finance**
CLB shall apply the following principles:

1. Conduct business in conformity with high ethical standards in order to ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders.

2. Effectively implement a sound sustainable finance framework/risk management system that identifies, assesses, monitors and controls risks.

3. Adopt tools for monitoring Environmental and Social (E&S risks) as well as the compliance of the bank and its counter parties with sustainability-related standards, laws and regulations.

4. Adopt clear guidance in assessing E&S risks in the bank's operations, products and services, transaction, activities, and operating environment.

5. Integrate E&S risks in stress testing exercises covering both short- term and long-term horizons following the principles and requirements provided under Sec. 151 of the MORB.

6. Identify the unit or personnel responsible for overseeing the management of E&S risks.

7. Adopt measures that should be taken in case of breaches in limits or thresholds or non-compliance with sustainability-related standards, laws and regulations

B. **Environmental and Social Loan Products**

1. **Environmental Loans -** The funds from Cebuana Bank committed to environmental or climate projects that contribute to environmental objectives such as climate change mitigation or adaptation, natural resource conservation, biodiversity protection, pollution prevention or control, circular economy transition, etc.

2. **Social Loans -** The funds from Cebuana Bank committed to social impact projects contribute such as addressing basic needs, improving access to essential services, promoting employment generation, enhancing socio-economic advancement and empowerment:

C. **Environmental and Social Risk Management Systems (ESRMS)**

Cebuana Lhuillier Bank shall adopt and implement a sound Sustainable Finance Risk Management System that identifies, assesses, monitors, mitigates and controls risks such as counter party, credit, operational, sustainable finance and compliance risks.

A. GOVERNANCE

1. Board of Directors

   It shall be the ultimate responsibility of the Board of Directors to fully comply with the Sustainable Finance consistent with this framework. The BOD shall set the tone of good governance and culture to ensure that sustainable finance risks are effectively managed and that this forms part of the CLB enterprise risk management system.

   The Risk Oversight Committee of the Board shall have the direct oversight on the management of sustainable finance risks.

2. Senior Management

   Senior Management shall oversee the day-to-day management of CLB and ensure effective implementation of Sustainable Finance policies approved by the Board of the Directors (BOD) and alignment of activities with the strategic objectives, risk profile and corporate values set by the BOD. Senior Management shall establish a management structure that promotes accountability and transparency and upholds checks and balances within CLB.

3. Operational Management

   To help Senior Management with its day-to-day management of Sustainable Finance risks, CLB shall adopt the following:

   a. Business Units and Branches

      Branches and business units own and manage the Sustainable Finance risks and are responsible for implementing corrective actions to address any process and control gaps. Policies and procedures should:

      i. be clearly written, communicated and available to all personnel;
      ii. provide guidance on how to keep the activities of CLB in accordance with this Sustainable Finance Framework and in compliance with BSP rules;
      iii. contain a clear description of employees' duties and responsibilities; and
      iv. contain internal procedures for detection of the potential negative impacts of transition risks to businesses and individuals including exposure arising from credit operations which include among others, potential issues associated with the activities of its borrowers that may have material impact and the corresponding control measures to mitigate such risks.

D. **Specific Duties and Responsibilities of the Board of Directors and Senior Management**

Board of Director's Duties and Responsibilities

a. Institutionalize the adoption of sustainability principles, including those covering Environmental and Social (E&S) risk areas in the Bank, by incorporating the same in the corporate governance and risk management frameworks, as well as in the Bank's strategic objectives, risk strategy, risk appetite and risk management policies and procedures. Moreover, the Board shall:

    i. Set strategic E&S objectives covering short, medium, and long-term horizons:
    ii. Approve the risk appetite on specific risk areas that the Bank is willing and capable to manage, results of stress testing exercises, and assessment of the timing and channels through which E&S risks may materialize; and
    iii. Ensure that material E&S risks are considered in the internal capital planning process.

b. Promote a culture that fosters environmentally and socially responsible business decisions. The Board shall ensure that sustainability implications are considered in the overall decision-making process;

c. Approve the Bank's ESRMS that is commensurate with the size, nature and complexity of operations and oversee its implementation. The Board shall ensure that the ESRMS is aligned with internationally and forms part of the enterprise-wide risk management (ERM) systems;

d. Ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;

e. Adopt an effective organizational structure to ensure attainment and continuing relevance of sustainability objectives. The Board or the designated Board-level or management committee shall monitor the Bank's progress in attaining the sustainability objectives;

f. Monitor the progress of the Bank in meeting its E&S strategic objectives and targets and ensure that issues in meeting the same are addressed;

g. Institutionalize a capacity building program for the Board, all levels of management, and personnel to equip the Bank in identifying, measuring, monitoring, and controlling E&S risks. The Board shall likewise ensure that key personnel shall possess adequate knowledge, skills, and expertise necessary to perform their work;

h. Ensure that adequate resources are available to attain the Bank's sustainability objectives. The Board shall ensure that the members of the Board, SM, and personnel are regularly apprised of the developments on sustainability standards and practices; and

i. Adopt an effective communication strategy to inform both internal and external stakeholders of the Bank's E&S strategic objectives and targets;

j. Ensure that the sustainability agenda is integrated in the Bank's performance appraisal system;
k. Set out clear criteria involving decisions to finance high E&S risk sectors covering short,

medium, and long-term horizons. The criteria shall consider the long-term financial interest of the Bank and its role in contributing to the sustainable goals and growth of the economy;

l. Ensure comprehensive discussion of credit related E&S risks of the Bank as well as deviations from strategic objectives and targets set;

m. Ensure that E&S risks are integrated in the operational risk management framework; and

n. Ensure that Bank's policies and procedures include the extent of engagement with counter parties, including suppliers and outsourced service providers, with regard to the adoption of sustainability principles, in accordance with the strategy.

o. Ensure that resources are adequate;

p. Define the frequency of monitoring the Bank’s progress;

q. Promote a culture that fosters responsible business decisions within the organization; and

r. The sustainability agenda shall be integrated into the performance appraisal system.

E. **REPORTING PROCESS TO THE SENIOR MANAGEMENT AND TO THE BOARD OF DIRECTORS**

To enhance the reporting process to the Senior Management and the Board of Directors, these shall include the following:

a. Progress of implementation of ESRMS and CLB’s E&S Policies;

b. Material E&S Risks as these relate to Bank’s Strategic Objectives, Credit Strategies and Risk Appetite.

c. Report on operational risk limit structure on internal threshold level to monitor progress report against business & strategy and risk appetite;

d. Results of the periodic testing on operational feasibility;

e. Results of stress testing exercise;

f. Results of Business Continuity Plan testing exercise;

g. Bank’s exposure arising from credit operations which include among others, potential issues associated with the activities of its borrowers that may have material impact and the corresponding control measures to mitigate such risks.

h. Updates on E&S strategic objectives and targets.

i. Self-Assessment Function
Frequency of Report: Quarterly

F. **Senior Management**

a. Senior Management's Duties and Responsibilities

1. Assess periodically the effectiveness of implementation and continuing relevance of said policies considering the developments in the business environment;

2. Facilitate the identification, assessment monitoring and mitigation of E&S risks. The Management shall ensure that the Bank takes a holistic approach in managing these risks aligned with the strategic objectives set by the Board;

3. Ensure that the bank activities are aligned with the overall E&S strategic objectives and targets;

4. Ensure adoption of methodologies and tools that will effectively identify, and quantify/measure, monitor and control E&S risks;

.

5. Ensure that policies, procedures, and processes are clearly and effectively communicated across the organization;

6. Assess consistency of operations and performance of personnel with the Bank's sustainability objectives;

7. Apprise the Board and/or relevant management committee, on a regular basis, on the Bank's exposure to E&S risks, which shall include potential issues associated with both internal and external activities of the Bank and the activities of its clients that may have material impact on the Bank's portfolio or reputation. Moreover, the SM shall report its progress in implementing the Bank's sustainability policies and ESRMS;

8. Ensure effective implementation of policies, procedures, and processes to identify, measure, monitor and control E&S risks arising from credit operations, both at the individual and portfolio levels;

9. Consider E&S factors in the credit underwriting and loan pricing frameworks as well as in determining allowance for credit losses;

10. Report periodically to the Board the Bank's exposures to E&S risks arising from credit operations, which shall include, among others, potential issues associated with the activities of its borrowers that may have material impact and the corresponding control measures to mitigate such risks;

11. Ensure that the reporting lines and the duties and responsibilities of personnel and officers in the Bank with respect to the management of E&S risks related to operations are clear, well-defined, and adequately documented;

12. Facilitate identification of E&S risks that may affect performance of key personnel and officers that could serve as source of reputational risk; and

13. Conduct an assessment, at least annually or as frequently as necessary, of the vulnerability of the Bank's systems, operations and branches/branch-lite unit to

physical risks and other disaster-related events. Such assessment may be conducted as part of the periodic assessment of the Bank's business continuity plan.

Moreover, the following shall be part of the senior management responsibilities, to wit;

a. The Management shall assess the continuing relevance of Sustainable Finance policies, guidelines and procedures including the specific tools/methodologies to measure, monitor, and control E&S risks.

b. Specific frequency of reporting to the Board on the exposure to E&S risks and progress of implementation of sustainability policies.

The frequency of reporting to the Board on the exposure to E&S risks shall be quarterly

G. **Compliance Management**

To ensure independence, it shall have direct reporting line to the Board's Audit Committee on all matters related to Sustainable Finance compliance and their risk management.

The Compliance Office shall be responsible for the following functions:

1. Ensure compliance by all responsible employees with Sustainable Finance rules and this ESRM. It shall conduct periodic ESRM review, which covers, among others, evaluation of: existing process, policies and procedures including on-going monitoring of the performance of employees involved in the Sustainable Finance activities; reporting channel.
2. Inform all responsible officers and employees of all resolutions, circulars and other issuance's by the BSP in relation to Sustainable Finance.

3. Organize the timing and content of ESRM training of employees including regular refresher training.

4. Regularly submit reports to the Audit Committee to inform them of management's action to address deficiencies noted in the implementation of Sustainable Finance.

5. Monitor status of commitments made to regulators, external and internal audit to address issues raised.

6. Conduct periodic compliance checking which covers, among others, evaluation of Sustainable Finance existing processes, policies and procedures of concerned units. It shall also report compliance findings to the audit committee or any board- level committee.

The Compliance Testing Activity shall include the review of the following:

a. Implementation of sustainability principles, including those covering E&S risk areas, in the corporate governance and risk management frameworks as well as in the strategic objectives and operations of the bank.

b. E&S risk appetite of the Bank.

c. Guidance in assessing E&S risks in the bank's operations, products and services, transaction, activities, and operating environment.

d. Tools for monitoring E&S risks as well as the compliance of the bank and its counter-parties with sustainability-related standards, laws and regulations.

e. The measures that should be taken in case of breaches in limits or thresholds or non-compliance with sustainability-related standards, laws and regulations.

f. Stress testing exercises incorporating E&S Risks covering both short-term and long-term horizons following the principles and requirements provided under Sec. 151. The results of the stress testing shall feed into banks' capital and liquidity planning and management exercises as well as in the business continuity and disaster recovery plans.

g. Duties and responsibilities of all personnel in the organization in managing E&S risks.

The Compliance Testing Activity shall be conducted annually.

H. **Internal Audit**

Internal audit, independently evaluates the sustainable risk management and controls, and discharges its responsibility to the Audit Committee through periodic evaluations of the effectiveness of compliance with ESRM.
Internal Audit is responsible for independently reviewing the design and operation of the Sustainable Finance Risk Management Systems.
The internal audit function associated with Sustainable Finance should be conducted by qualified personnel who are independent of the office being audited.

It must have the support of the board of directors and senior management and have a direct reporting line to the board or a board-level audit committee.

It shall be responsible for the periodic and independent evaluation of:

1. the risk management

2. Degree of adherence to internal control mechanisms related to the sustainable finance process.

3. It shall include determination of the efficiency of the functionalities of the ESRM system.

4. The results of the internal audit shall be:
a. Timely communicated to the board of directors
b. Open for scrutiny by BSP examiners in the course of the regular or special examination without prejudice to the conduct of its own evaluation whenever necessary.

5. Appropriate monitoring of corrective actions taken by the different business units concerned.

B. Risk Assessment

a. Sustainable Finance Risk Assessment

i. Consistent with the risk based approach (RBA), CLB shall identify, understand and assess its sustainable risks, arising from:

1. customers;
2. geographic areas of operations and customers;
3. products and services;
4. transactions

ii. The assessment methodology shall be appropriate to the nature of operations and complexity of the business of CLB. The sustainable finance risk assessment shall:

1. consider all relevant risk factors
2. adequately document results and findings; and
3. be updated periodically or as necessary.

The sustainable finance risk assessment shall be conducted, at least once every two (2) years, or as often as the Board or senior management may direct, depending on the level of risks identified in the previous sustainable finance risk assessment, or other relevant sustainable finance developments that may have an impact on the operations of CLB.

Based on the risk assessment, CLB shall take appropriate measures to manage and mitigate sustainable finance which should be incorporated in its ESRM. The risk assessment shall be made available to the BSP during examination or in other circumstances deemed necessary as part of continuous supervision.

b. New Products and Business Practices Risk Assessment

i. CLB shall identify and assess the sustainable finance risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre- existing products.

ii. Such risk assessment should be an integral part of product or service development process and should take place prior to the launch of the new products, business practices or the use of new or developing technologies. CLB shall take appropriate measures to manage and mitigate the identified risks.

iii. The risk assessment, which should form part of the product proposal documents, shall be properly documented and cleared with the Risk Management Head and Compliance Office Head prior to launching and/or implementation.

C. CAPACITY BUILDING PLAN PROGRAM

To institutionalize a capacity building plan program for the Board of Directors, all levels of management and personnel to equip CLB in identifying, measuring, monitoring, and controlling E&S risks to ensure that key personnel shall possess adequate knowledge, skills, and expertise necessary to perform their work.

The said program shall promote a culture that fosters responsible business decisions within the organization

D. TRAININGS

a. All directors, officers and staff of CLB must attend the Environmental and Social Risk Management (ESRM) training.

b. The ESRM training can be taken internally or externally, either via live session or webinar.

   i. All new hires shall attend the ESRM training within the 90 days from date hired.
   ii. All employees are required to take a refresher course based on the frequency indicated below. In cases where there are new developments brought about by new rules and regulation issued by the BSP and/or other regulatory bodies. CLB shall immediately cascade these information to its responsible directors, officers and employees. Such cascading of information shall be documented, either electronically or in print.

      1. Annually for customer-facing employees.
      2. Every three (3) years for backroom/support employees

   iii. The members of the Board of Directors and Senior Management shall attend the ESRM training at least once every 3 years.

c. The Risk Management Division shall be responsible for the following:

   i. Updating training programs and materials, and making these available during periodic or special BSP examination.
   ii. Designing the training programs
   iii. Updating the training materials for any new/change in the regulations and/or policies.
   iv. Dissemination of ESRM bulletins and reminders on ESRM related subjects, including emerging issues and concerns.

d. HR Training shall be responsible for the following:

   i. The Compliance Office shall serve as alternate in the absence of the Risk Management Division.
   ii. Monitoring of ESRM training attendance of all directors and employees of CLB.

iii. Ensuring that everybody has attended the training in accordance with the required frequency as stated herein.

e. It is the primary responsibility of each employee of CLB to ensure compliance with the required frequency of ESRM training.

f. The line management shall ensure that employees within their jurisdiction shall attend such courses on ESRM.

E. Guidelines on How the Board would ensure that Resources are Adequate

1. The Management Committee shall monitor the progress in attaining its objectives in ensuring that manpower resources are adequate.
2. The HRD shall present the following reports such as but not limited to recruitment, headcount reports, on boarding /boarded and among others to the Management Committee on a monthly basis.
3. The Management shall apprise the Board on the development with regard to the update on manpower that facilitates the banks' development and implementation of the ESRM System on a regular basis.

Measures to be taken in case of any breaches in E&S limits/thresholds, or non-compliance with the sustainability standards and regulations

1) The Credit Management Division Head shall be responsible to monitor and report in case of any breaches in E&S limits/threshold to the Management Committee and Risk Oversight Committee quarterly. This is to ensure that they are aware of the breaches as well as emerging issues and complex or controversial cases

2) The Compliance Office and Audit Department shall be responsible to apprise the Audit Committee on any breaches in sustainability standards and regulations. (Please see Compliance Management and Internal Audit Functions as specified in this Framework).

F. Guidelines on the Conduct of Stress Testing Exercise or Scenario Analysis

1) The Liquidity Manager shall be responsible for the conduct of stress testing activity quarterly. This shall be reported to the Management Committee and to the Asset and Liability Committee (ALCO).

2) The stress testing activity shall be linked to the risk appetite and business strategies of the Bank.

3) The stress test exercise may initially focus on mortgage exposures and those secured by real estate. Banks should then project the expected credit losses on such portfolios under a typhoon followed by a flood scenario that will affect the Bank's capital and \liquidity planning and management exercises, as well as business continuity and disaster recovery plans.

G. Tools to monitor E&S risks and compliance of the Bank and its counter-parties with sustainability-related standards, laws, and regulations

CLB is currently revisiting its ECL methodologies to ensure alignment with the expected credit loss framework under PFRS 9. Enhancements will be made to incorporate more granular segmentation of loan portfolios, recalibrate probability of default (PD), loss given default (LGD), and exposure at default (EAD) assumptions based on updated internal and external data.

These initiatives underscore CLB’s continued commitment to transparency, accuracy, and prudence in financial reporting, ensuring that the ECL estimates reliably reflect the Bank’s credit risk exposure and financial position.

H. Process for Project Evaluation and Selection

The Bank will establish a Sustainable Finance Team thru its Management Committee (the "Team"), which will be responsible for evaluating and selecting the eligible projects or activities for its green loans and social loans. The Team will consist of representatives from various departments of the Bank, such as credit management, risk management, business development, corporate affairs, audit and compliance, etc.

The Team will apply the following process for project evaluation and selection:

- Screening: The Team will screen potential projects or activities based on their alignment with the Bank's sustainability strategy and objectives, as well as their compliance with relevant laws, regulations and standards.

- Assessment: The Team will assess the environmental or social benefits of potential projects or activities based on predefined criteria and methods. The Committee will also identify and manage any perceived, actual or potential environmental or social risks associated with the potential projects or activities.

- Approval: The Team will approve the eligible projects or activities based on their environmental or social impact potential, financial viability, risk profile and alignment with the eligibility criteria. The Team will also document the rationale and evidence for the Management Committee-approval decisions.

- The Team thru Management Committee will meet regularly to review and update the list of eligible projects or activities based on new information or developments.

I. Guidelines on Integration of Sustainability Agenda into the Performance Appraisal System

a. Introduction

This document outlines the guidelines for incorporating sustainable finance in the key result areas (KRAs) of the Cebuana Lhuillier Bank's (CLB) personnel. The KRAs are the measurable outcomes or deliverables that each employee is expected to achieve within a given period of time. The KRAs are aligned with the CLB's strategic objectives and performance indicators.

CLB recognizes that sustainable finance is a key component of its business strategy and competitive advantage. The bank also acknowledges that sustainable finance requires the involvement and commitment of all its personnel across different levels and functions. Therefore, CLB aims to integrate sustainable finance in the KRAs of its personnel, in order to incentivize and reward their contribution to the bank's sustainability objectives.

CLB will apply these guidelines to all its personnel across its business segments, units and/or geographic regions. The bank will also review and update these guidelines periodically to ensure that they remain relevant and effective in achieving its sustainability objectives.

b. Principles

CLB will adhere to the following principles when incorporating sustainable finance in the KRAs of its personnel:

- Relevance: The sustainable finance KRAs should be relevant to the role and function of each employee, as well as to the bank's sustainability strategy and objectives.

- Specificity: The sustainable finance KRAs should be specific and clear, defining what is expected from each employee and how it will be measured and evaluated.

- Measurability: The sustainable finance KRAs should be measurable and quantifiable, using appropriate indicators and metrics that reflect the environmental or social impact of the bank's lending activities.

- Achievability: The sustainable finance KRAs should be achievable and realistic, taking into account the available resources, capacities and constraints of each employee and the bank as a whole.

- Timeliness: The sustainable finance KRAs should be timely and time-bound, setting deadlines or milestones for each employee to achieve their targets or deliverables.

c. Process

CLB will follow a systematic process for incorporating sustainable finance in the KRAs of its personnel. The main steps are as follows:

- ***Identification:*** The Human Resources Department in coordination with heads/ managers of different units will identify the relevant personnel who are involved or have an influence on the bank's sustainable finance activities, such as business development, credit management, liquidity, corporate affairs, audit and compliance, etc.

- ***Consultation:*** The Human Resources Department will consult with the relevant personnel and their supervisors or managers to determine their current roles and responsibilities, performance expectations and development needs related to sustainable finance.

- ***Formulation:*** The Human Resources Department will formulate the sustainable finance KRAs for each relevant employee based on their consultation results, as well as on the bank's sustainability strategy and objectives. The formulation will follow the SMART criteria (Specific, Measurable, Achievable, Relevant and Timely).
- ***Approval:*** The Human Resources Department will submit the proposed sustainable finance KRAs for each relevant employee to their supervisors or managers for approval. The approval authority will depend on the level and function of each employee.
- ***Communication:*** The Human Resources Department will communicate the approved sustainable finance KRAs to each relevant employee and ensure that they understand their expectations and obligations. The communication will also include information on how their performance will be measured and evaluated, as well as on how they can access training and support related to sustainable finance.
- ***Implementation:*** Each relevant employee will implement their sustainable finance KRAs throughout their performance period. This will involve carrying out their tasks and activities related to sustainable finance, reporting on their progress and achievements, seeking feedback and guidance from their supervisors or managers, etc.
- ***Evaluation:*** The Human Resources Department will evaluate the performance of each relevant employee based on their sustainable finance KRAs at the end of their performance period. The evaluation will involve collecting evidence and data on their outputs and outcomes, conducting performance reviews with their supervisors or managers, providing feedback and recognition, identifying strengths and weaknesses, etc.
- ***Improvement:*** The Human Resources Department will use the evaluation results to identify areas for improvement and opportunities for development related to sustainable finance for each relevant employee. This may involve providing training or coaching, assigning new tasks or projects, revising or updating their sustainable finance KRAs, etc.

7. **Corporate Information**

a. **Organizational Structure**

Name of Officers	Position
Dennis O. Valdes	President
Jimmy S. Ang	Vice President and Head, Institutional & Retail Lending Division
Charm-Ela O. De Guzman	Head, Credit Operations & Management Division
Lorna Z. Tecson	Head, Product and Channels Management Division
George S. Agas	Head, Chief Compliance Officer / Compliance Management Division
Michael Aaron P. Gacutan	Head, Legal and Remedial Division
Ernesto R. Raneses	Head, Central Operations Division
Ariel M. Bien	Head, ICT and Operations Division
Cary M. Resari	Head, Risk Management Division
Bernard Louie M. Sison	Head, Retail Banking Division
Mark Kenneth P. Dela Cruz	Head, Project Management Division
Jersey I. Del Rosario	Head, Fraud Management Department
Julieta D. Lajom	Head, Regulatory Compliance Department
Gerald Joseph D. Navarro	Head, Audit Department
Edel P. Regato	Head, Bank Accounting Department
Marissa A. Wong	Head, Branch Operations Department
Elma B. Reyes	Head, Housing and Business Lending Department
Jeffrey A. Saccuan	Head, Salary and Personal Lending Department
Jonathan G. Lacosta	Head, Teacher's Lending Department
Genalyn H. Cruz	Head, Digital Channels Department
Jordan P. Mendoza	Head, Digital Payments Department
Oscar A. Araos	Head, Transaction Banking Operations Department
Karelle Hyacinth G. Baltazar	Head, Credit Services Department
Jaerel I. Ereñeta	Head, Loan Operations Department
Ruby L. Dollison	Head, Loan Fulfillment Department
Ma. Lea Lina G. Dancel	Head, Cash Agent Department
Mark Rene A. Zamora	Head, Sales Channels Department
Glenn S. Sugui	Enterprise Solutions Architect
Gilbert E. Nero	Head, ICT Compliance and Vendor Management Department
Vergel S. Rivera	Head, ICT Infrastructure Department
Dona Mae Forca	Head, ICT Systems Department
Lauro M. Cruz Jr.	Head, IT Operations and Management Services Department
Maria Cecilia E. Leandado	Head, IT Risk Management Department
Azeelle F. Mauleon	Business Manager, Nasugbu Branch
Sheila R. Pastor	Business Manager, Cebu Branch
Anngelie I. Camerino	Business Manager, Davao Branch
Andrew Bryan J. Lamayo	Head, Business Banking Department, Jupiter Branch
Leilani E. De Jesus	Head, Business Banking Department, Calatagan Branch
Charmayne Therese L. Amarga	Head, Business Banking Department, Gensan Branch

Please refer to the next page for the Organizational Structure of the Bank showing reporting lines and interrelationship of positions

Table of Organization

(Please refer to the following Table of Organization)

Board of Directors, Committees and Office of the President,

Compliance Management Division, Audit Division and Risk Management Division

Credit Operations and Management Division

Information, Communication and Technology Division

Product and Channels Management Division

Retail Banking Division

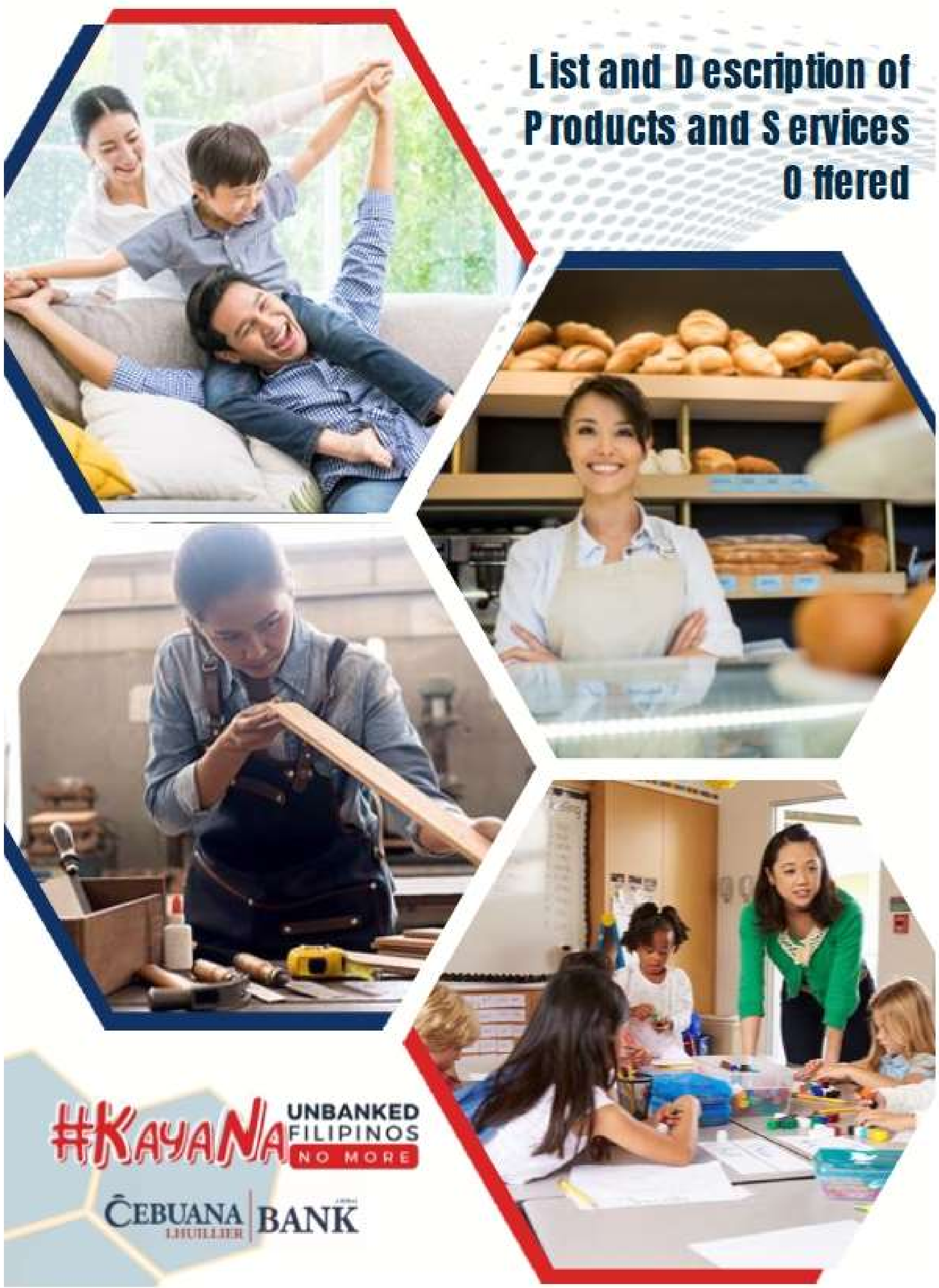
Institutional and Retail Lending Division

Central Operation Division

b. **List of Major Stockholders (with 2% and up of Stock-holdings) of the Bank, including Nationality, Percentage of Stock-holdings and Voting Status**

Name of Stockholder	Nationality	Percentage of Ownership	Voting Status
Ambassador Philippe J. Lhuillier	Filipino	37.14%	Voting
Edna D. Lhuillier	Filipino	27.86%	Voting
Jean Henri D. Lhuillier	Filipino	35%	Voting

c. **List and Description of Products and Services Offered**



Consumer Loans

It is designed to provide financial assistance to home buyers who purchased a house, lot, or condominium unit from the accredited developers of the Bank

Home loan direct is offered to customers who needs financial assistance on the ff:

1. Construction or Renovation
2. Purchase of House and/or Lot
3. Refinancing or Take-Out

Motorcycle Loan is a credit facility offered to buyer-borrowers to finance their purchase of a brand new two-wheeled motor vehicle for purposes of either for i) personal use or , ii) business use.

Teacher's loan is a credit facility offered to regular non-teaching and teaching personnel to cover their various financial needs.

It is a type of loan offered by a financial institution to employees of accredited company. The loan amount, interest rate, and repayment terms are usually based on the borrower's salary and employment status. It's typically facilitated through an agreement between the financial institution and the employer.

It aims to provide financial assistance to employees for their personal needs while ensuring convenient repayment through salary deduction

A multi-purpose loan program of Cebuana Lhuillier Rural Bank extended to qualified clients of Cebuana Lhuillier Pawnshop (CLP). It provides easy access to credit with a flexible payment scheme through monthly amortization for their various personal and business needs.

Business Loan

Agri-Agra is a financial facility offered to businesses engaged in farm input production, farm and fishery operations and management, equipment and supplies manufacturing, food processing, trading, and retailing.

A lending program offered to business owners to provide support in the business expansion, acquisition of property, purchase of Machinery or Equipment

A lending program offered to business owners to provide support in the purchase of additional inventory, working capital or to finance receivables.

A non-interest bearing deposit account which gives the convenience of disbursing funds through issuance of checks while easily monitoring every transactions

An interest-earning deposit savings account with the security of a passbook which encourages depositors to develop a good savings habit.

TD-SSA is a short term peso investment that provides higher interest rate of return at a specified future date. SSA is available 30, 60, 90, 180, to 365 Days

A type of loan facility where the Real Estate Developer "Borrower" gathers all multiple Contracts to Sell (CTS) from their individual buyers and uses the total value of these contracts as collateral to secure funding from CLB

A Back-to-Back Loan is a loan where a borrower uses their regular deposit as collateral, borrowing up to 90% of its Average Daily Balance (ADB). The deposit is held as collateral until the loan is fully repaid, serving as security to cover any missed payments.

Credit facility granted to Lessors or Service Providers of the PJL Group of Companies where the receivables i.e rent or payment for service are assigned to CLRB for the repayment of loan.

A loan product dedicated to individuals, businesses and communities to support activities that have positive impacts in the environment, society, and overall sustainability.

Digital Products

E-Money - Virtual cash featured which can be enrolled to 24K plus card across all 3,200 Cebuana Lhuillier Pawnshop branches nationwide. This provides better, secure, and convenient electronic services. E-Money can be used for the following transactions: Remit money, buy e-Load, cash in, and cash out.

ATM Services - Deployment of ATMs at CLB branches for BancNet transactions and POS terminals on almost 3,200 Cebuana Lhuillier Pawnshop branches nationwide for Cash Agent transactions. This includes issuance of 24K Debit Card, first debit card to cater the financial needs of the under-served market as well as basic services such as deposit, withdrawal, requests etc.

Pesonet and Instapay – enable funds transfer to/ from other banks via corporate and individual clients.

d. Official Website of the Bank

The Bank's website is **www.cebuanalhuillierbank.com**

e. List of banking units as of December 31, 2024:

Bank Office	Location	Contact Numbers
Head Office	PJL Bldg., Gen. Evangelista St., cor. Emilio Aguinaldo Highway, Barangay Zapote 1, City of Bacoor, Cavite	(046) 417-33-66 0994-607-6953
Corporate Office	Unit 1201-B, 12th Floor, Pacific Star Bldg. Sen. Gil Puyat Ave., cor. Makati Avenue, Makati City, metro Manila	(02) 7759-9888
Calatagan Branch	Unit F,G,H Alvez Business Center, Sto. Domingo St., Poblacion 4, Calatagan, Batangas	(043) 409-8569 0995-515-3564 0960-452-6603
Nasugbu Branch	NF1 Savemore Market JP Laurel St., Brgy 3, Nasugbu, Batangas	(043)-416-0020 0956 175 6494
Jupiter Branch	GF NCVI Bldg., 156 Jupiter St., Cor. Comet St., Bel-air, Makati City	(02) 8283-5912 0945 345 2632
Imus Branch - Lite Unit	Aguinaldo Highway corner Tanzang Luma, Imus City, Cavite	(046) 474-01-00
Cebu Branch	PJL Corporate Center II #6 Acacia St., Brgy.Kamputhaw, Cebu City	(032)-236-0750
Davao Branch	147 Mc Arthur Highway Cor. Juna Avenue, Juna Subdivision, Brgy. Matina, Talomo District, Davao City	(082)-221-6504
General Santos Branch	J. Catolico Sr. Avenue, Lagao, General Santos City, South Cotabato	(083) 305-2800
Angeles Branch	91 Mc Arthur Highway, Pulung Bulu, Angeles City, Pampanga	(045) 281-0418

8. Audited Financial Statement (AFS) with Auditor's Opinion (See Annex A)

Compliance with Appendix 63 of the MORB
(Disclosures in the Annual Reports and Published Statement of Condition)

A. **Capital Structure and Capital Adequacy**

	2024 (in Php Millions)	2023 (in Php Millions)
Tier 1 Capital	785.078	788.006
Tier 2 Capital	82.538	25.656
Total Qualifying Capital	867.616	813.662
Capital Requirements for Credit Risk	7,458.440	5,157.840
Total Capital Adequacy Ratio	11.63%	15.78%
Tier 1 Capital Adequacy Ratio	10.53%	15.28%

FOR BSP FILING

Financial Statements and Independent Auditors' Report

Cebuana Lhuillier Rural Bank Inc.

December 31, 2024 and 2023

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
Cebuana Lhuillier Rural Bank Inc.
PJ Lhuillier Inc. Bldg., Gen. Evangelista St.,
cor. Emilio Aguinaldo Highway, Zapote I,
Bacoor City, Cavite

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cebuana Lhuillier Rural Bank, Inc. (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2024 and 2023 required by the Bangko Sentral ng Pilipinas and for the year ended December 31, 2024 by the Bureau of Internal Revenue as disclosed in Notes 24 and 25, respectively, to the financial statements are presented for purposes of additional analysis and are not required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 10465911, January 2, 2025, Makati City
BIR AN 08-002511-019-2023 (until December 10, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-009 (until August 12, 2027)

April 30, 2025

CEBUANA LHUILLIER RURAL BANK INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes		2024		2023
R E S O U R C E S					
CASH AND OTHER CASH ITEMS	7	**P**	**43,032,351**	P	26,583,604
DUE FROM BANGKO SENTRAL NG PILIPINAS	7		**355,064,925**		751,728,842
DUE FROM OTHER BANKS	8		**1,063,419,501**		1,126,682,742
INVESTMENT SECURITIES AT AMORTIZED COST	9		**1,070,911,143**		1,820,235,371
LOANS AND OTHER RECEIVABLES - Net	10		**6,361,650,547**		3,754,665,600
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	11		**113,202,838**		119,773,342
INVESTMENT PROPERTIES - Net	14		**21,744,328**		15,856,120
RIGHT-OF-USE ASSETS - Net	12		**39,700,238**		17,357,639
INTANGIBLE ASSETS - Net	13		**163,058,002**		138,588,176
DEFERRED TAX ASSETS - Net	21		**36,613,172**		28,605,101
OTHER RESOURCES - Net	15		**228,341,610**		124,178,331
TOTAL RESOURCES		**P**	**9,496,738,655**	P	7,924,254,868
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	16	**P**	**7,977,591,182**	P	6,758,202,845
OTHER LIABILITIES					
Accrued expenses and other liabilities	17		**441,246,922**		179,382,159
Lease liabilities	12		**42,370,298**		18,027,650
Retirement benefit obligation	20		**16,475,373**		15,327,877
			500,092,593		212,737,686
Total Liabilities			**8,477,683,775**		6,970,940,531
CAPITAL FUNDS	18		**1,019,054,880**		953,314,337
TOTAL LIABILITIES AND CAPITAL FUNDS		**P**	**9,496,738,655**	P	7,924,254,868

See Notes to Financial Statements.

CEBUANA LHUILLIER RURAL BANK INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
INTEREST INCOME			
Loans and other receivables	10	**P 427,673,230**	P 205,964,865
Investment securities at amortized cost	9	**69,092,555**	118,215,995
Due from other banks	8	**35,376,445**	9,851,898
		532,142,230	334,032,758
INTEREST EXPENSE			
Deposit liabilities	16	**39,393,674**	26,980,374
Lease liabilities	12	**3,181,951**	1,166,118
Retirement benefit obligation	20	**950,328**	918,441
		43,525,953	29,064,933
NET INTEREST INCOME		**488,616,277**	304,967,825
IMPAIRMENT LOSSES	10	**56,999,402**	25,716,198
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**431,616,875**	279,251,627
OTHER OPERATING EXPENSES	19	**701,010,553**	510,888,595
OTHER OPERATING INCOME	19	**361,346,725**	318,278,800
PROFIT BEFORE TAX		**91,953,047**	86,641,832
TAX EXPENSE	21	**28,352,024**	20,900,546
NET PROFIT		**63,601,023**	65,741,286
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit obligation	20	**2,852,693**	(4,345,977)
Tax income (expense)	21	**(713,173)**	1,086,494
		2,139,520	(3,259,483)
TOTAL COMPREHENSIVE INCOME		**P 65,740,543**	P 62,481,803

See Notes to Financial Statements.

CEBUANA LHUILLIER RURAL BANK INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

		Surplus					
	Capital Stock (see Note 18)	**General Loan Loss Reserves** (see Note 18)	**Other Reserves** (see Note 18)	**Free** (see Note 18)	**Total**	**Remeasurement of Retirement Benefit Obligation** (see Note 20)	**Total Equity**
Balance at January 1, 2024	P 700,000,000	P 4,770,300	P -	P 254,343,044	P 259,113,344	(P 5,799,007)	P 953,314,337
Appropriation of excess general loan loss provision over allowance for expected credit losses	-	33,194,421	-	(33,194,421)	-	-	-
Total comprehensive income for the year	-	-	-	63,601,023	63,601,023	2,139,520	65,740,543
Balance at December 31, 2024	**P 700,000,000**	**P 37,964,721**	**P -**	**P 284,749,646**	**P 322,714,367**	**(P 3,659,487)**	**P 1,019,054,880**
Balance at January 1, 2023	P 200,000,000	P 4,770,300	P 40,000,000	P 148,601,758	P 193,372,058	(P 2,539,524)	P 390,832,534
Issuance of capital stock	500,000,000	-	-	-	-	-	500,000,000
Reversal of appropriations	-	-	(40,000,000)	40,000,000	-	-	-
Total comprehensive income (loss) for the year	-	-	-	65,741,286	65,741,286	(3,259,483)	62,481,803
Balance at December 31, 2023	P 700,000,000	P 4,770,300	P -	P 254,343,044	P 259,113,344	(P 5,799,007)	P 953,314,337

See Notes to Financial Statements.

CEBUANA LHUILLIER RURAL BANK INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P 91,953,047**	P 86,641,832
Adjustments for:			
Depreciation and amortization	19	**130,279,164**	121,435,736
Impairment losses	10	**56,999,402**	25,716,198
Interest expense on lease liabilities	12	**3,181,951**	1,166,118
Loss on lease modification	12	**763,812**	-
Gain on sale of foreclosed assets	15	**(122,274)**	-
Gain on disposal of investment securities at amortized cost	9	**-**	(1,025,323)
Operating profit before working capital changes		**283,055,102**	233,934,561
Increase in loans and other receivables		**(2,677,838,170)**	(2,073,260,089)
Increase in investment properties		**(6,144,562)**	(1,227,744)
Increase in other resources		**(96,354,409)**	(22,165,248)
Increase in deposit liabilities		**1,219,388,337**	1,070,772,601
Increase (decrease) in other liabilities		**261,829,907**	(78,066,996)
Cash used in operations		**(1,016,063,795)**	(870,012,915)
Cash paid for taxes		**(42,012,978)**	(34,832,751)
Net Cash Used in Operating Activities		**(1,058,076,773)**	(904,845,666)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturities and disposal of investment securities at amortized cost	9	**2,074,381,746**	3,193,070,423
Acquisitions of investment securities at amortized cost	9	**(1,311,188,864)**	(1,824,448,275)
Acquisitions of other intangible assets	13	**(92,284,558)**	(90,339,989)
Acquisitions of bank premises, furniture, fixtures and equipment	11	**(35,496,971)**	(71,114,204)
Proceeds from sale of foreclosed assets	15	**817,405**	-
Net Cash From Investing Activities		**636,228,758**	1,207,167,955
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities	12	**(21,630,396)**	(9,657,914)
Proceeds from capital infusion		**-**	500,000,000
Net Cash From (Used in) Financing Activities		**(21,630,396)**	490,342,086
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(443,478,411)**	792,664,375
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	7	**26,583,604**	22,941,395
Due from Bangko Sentral ng Pilipinas (BSP)	7	**751,728,842**	593,709,080
Due from other banks	8	**1,126,682,742**	495,680,338
		1,904,995,188	1,112,330,813
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	7	**43,032,351**	26,583,604
Due from BSP	7	**355,064,925**	751,728,842
Due from other banks	8	**1,063,419,501**	1,126,682,742
		P 1,461,516,777	P 1,904,995,188

Supplemental Information on Non-cash Investing and Financing Activities –

In 2024 and 2023, the Bank recognized right-of-use assets amounting to P35.64 million and P18.85 million, respectively, with corresponding lease liabilities of the same amount (see Note 12).

See Notes to Financial Statements.

CEBUANA LHUILLIER RURAL BANK INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Incorporation and Operations

Cebuana Lhuillier Rural Bank Inc. (the Bank) was incorporated in the Philippines on February 19, 1998 to engage in the business of banking authorized under Republic Act (R.A.) 7353, otherwise known as "Rural Banks Act" of 1992 and RA 8791, otherwise known as the "General Banking Law" of 2000 and other allied laws. The Bank operates as a rural bank providing services such as deposit-taking, loans and trade finance, and micro-finance services under the regulation and supervision of the Bangko Sentral ng Pilipinas (BSP). The Bank was registered with the BSP on May 25, 1998 to operate as a rural bank.

In 2023, the Bank changed its registered office address and principal place of business from PJ Lhuillier Inc. Bldg., 160 Zapote Road, Zapote I, Bacoor City, Cavite to PJ Lhuillier Inc. Bldg., Gen. Evangelista St., cor. Emilio Aguinaldo Highway, Zapote I, Bacoor City, Cavite.

In August 1, 2023, one of the Bank's extension office which is located in Nasugbu, Batangas was converted into a full branch. In 2024, the Bank opened two new additional branches located in General Santos City, South Cotabato and Angeles City, Pampanga. As of December 31, 2024 and 2023, the Bank has seven and five branches, respectively. Other branches of the Bank are located at Cebu City, Davao City, Calatagan, Batangas, and Jupiter Street, Makati City. The Bank also has one extension office located at Imus, Cavite.

1.2 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as at and for the year ended December 31, 2023) were authorized for issue by the Bank's Board of Directors (BOD) on April 30, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Bank presents all items of income and expenses in a single statement of comprehensive income.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos (PHP), the Bank's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency, the currency of the primary economic environment in which the Bank operates.

2.2 Adoption of Amended PFRS Accounting Standards

(a) Effective in 2024 that are Relevant to the Bank

The Bank adopted for the first time the following amendment to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments) : Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants

PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PAS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Bank's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Bank's financial statements.

(iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Bank's financial statements.

(iv) PAS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Bank's financial statements.

(b) Effective Subsequent to 2024 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

2.3 Financial Instruments

(a) Classification, Measurement and Reclassification of Financial Assets

(i) Classification and Measurement of Financial Assets

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent amount solely for payment of principal and interest (SPPI). The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables, and Refundable deposits under Other Resources.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise of accounts with original maturities of three months or less, including Cash and Other Cash items and non-restricted balances of Due from BSP and Due from Other Banks. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to financial asset at fair value through profit or loss (FVTPL), if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Bank's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(ii) Recognition of Interest Income Using Effective Interest Rate Method

Interest income on financial assets at amortized cost is recognized using the effective interest rate (EIR) method. The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate.

The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves. The interest earned is recognized in the statements of comprehensive income as Interest Income.

(iii) Impairment of Financial Assets

At the end of the reporting period, the Bank recognizes allowances for expected credit loss (ECL) on a forward-looking basis associated with its financial assets at amortized cost.

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. The Bank recognizes lifetime ECL when there has been a significant increase in credit risk (SICR) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Bank's ECL model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements.

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, and industry type of the borrowers or counterparties.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.5.

(iv) Modification of Loans

The Bank derecognizes a financial asset through renegotiation or modification of contractual cash flows of loans to customers.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a SICR has occurred.

However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

(b) Financial Liabilities

Financial liabilities include deposit liabilities and other liabilities (excluding tax-related payables and post-employment benefit obligation).

2.4 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Bank premises	20 years
Transportation equipment	5 years
Furniture, fixtures and equipment	3 to 5 years

Leasehold improvements, presented as part of Bank premises, are amortized using the estimated useful lives or the remaining term of the lease whichever is shorter.

2.5 Investment Properties

Investment properties pertain to parcels of land and buildings acquired by the Bank in settlement of loans from defaulting borrowers through foreclosure or dacion in payment which are held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

The Bank adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value, if any.

Investment properties except land are depreciated on a straight-line basis over a period of five years.

2.6 Intangible Assets

Intangible assets include acquired computer software and branch licenses which are accounted for under the cost model. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of three to five years as the lives of these intangible assets are considered finite.

2.7 Other Operating Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such a case, the Bank applies PFRS 9 first to separate and measure the part of the contract that is covered by PFRS 9, and then applies PFRS 15 to the residual part of the contract.

The Bank's other operating income arises from rendering of services such as processing fees, and service charges, gain on sale of investment properties and other assets and other fees. These revenues are accounted for by the Bank in accordance with PFRS 15. On the other hand, the Bank's revenue from lending activities are measured in accordance with the requirements of PFRS 9 [see Note 2.3(a)(ii)].

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements.

For other income arising from these various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies, such as Service charges and fees.

Service charges and fees are generally recognized when the service has been provided. These include commissions and fees arising from loans, deposits and other banking transactions, such as online banking fees and debit card fees, and are taken up as income based on agreed terms and conditions. This is included in profit or loss as part of Other Operating Income.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

(a) *Gain on Sale of Non-financial Assets* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Other Operating Income account in the statements of comprehensive income.

(b) *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in profit or loss as part of Miscellaneous income under Other Operating Income account in the statements of comprehensive income.

2.8 Leases – Bank as a Lessee

Subsequent to initial recognition, the Bank depreciates the right-of-use asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients allowed under PFRS 16. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from all other assets and other liabilities, respectively.

2.9 Impairment of Non-financial Assets

The Bank's bank premises, furniture, fixture and equipment, investment properties, right-of-use assets, other intangible assets and other non-financial assets are subject to impairment testing. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.10 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee bank.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Bank's financial statements prepared in accordance with PFRS Accounting Standards require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 *Critical Management Judgment in Applying Accounting Policies*

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The factors that are normally the most relevant are (a) if there are significant penalties should the Bank pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Bank is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Bank did not include the renewal period as part of the lease term for leases of offices as they are deemed unenforceable due to the provision in its contracts that requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(b) Application of ECL to Financial Assets at Amortized Cost

The Bank uses general impairment approach to calculate ECL for loans and other receivables, while for investment securities at amortized cost, external benchmarking approach was used. The allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a SICR since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

(c) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect (HTC) business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in Bank's objective for the business model.

In 2024 and 2023, certain HTC investments of the Bank have matured amounting to P2.09 billion and P1.89 billion, respectively. In 2023, the Bank disposed certain HTC investments amounting to P1.31 billion (see Note 9). Management believes that the disposals were brought by non-recurring, isolated events beyond the Bank's control and could not have been reasonably anticipated. Hence, there was no change in the Bank's business model and the portfolio of HTC investments was not reclassified to financial asset at fair value through other comprehensive income (FVOCI). There were no similar transactions in 2024.

(d) Distinction Between Investment Properties or Other Foreclosed Asset and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by the Bank. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other resources used in the supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Other foreclosed assets presented under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.

(e) *Determination of Branch Licenses Having Indefinite Useful Lives*

The Bank's branch licenses, which are recognized under Intangible Assets - net, were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(f) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. Judgement is exercised by management to distinguish between provisions and contingiencies. Disclosure on relevant contingencies are presented in Note 23.

In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

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

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Bank would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behaviour of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses). The computation of the ECL also considers the use of reasonable and supportable forward-looking information (FLI), which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- criteria for assessing if there has been an SICR and when a financial asset will be transferred between the three stages; and,
- the Bank's definition of default for different segments of credit exposures that considers the regulatory requirements.

The computation of credit-impairment provision also involves expert judgement to be applied based upon counterparty information received from various sources including external market information.

Explanation of the inputs, assumptions and estimation used in measuring ECL, and the analysis of the allowance for ECL on various groups of financial instruments is further detailed in Note 4.

The analysis of the allowance for impairment and the ECL assessed on financial assets are shown in Notes 9 and 10.

(c) Fair Value Measurement for Financial Instruments

Fair value measurements for financial assets are generally based on listed or quoted market prices. Where active market quotes are not available, management applies valuation techniques to determine the fair value of financial instruments. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

(d) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Intangible Assets, Investment Properties, Right-of-use Assets, and Other Foreclosed Assets

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets,other intangible assets, investment properties, and other foreclosed assets (included in Other Resources) based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, other intangible assets, investment properties, right-of-use assets, and other foreclosed 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.

The carrying amounts of bank premises, furniture, fixtures and equipment, right-of-use assets, intangible assets, investment properties, and, other foreclosed assets are analyzed in Notes 11, 12, 13, 14 and 15, respectively. Based on management's assessment as at December 31, 2024 and 2023, there is no change in estimated useful lives of bank premises, furniture, fixtures and equipment, other intangible assets, investment properties, right-of-use assets, and other foreclosed assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Determination of Fair Value of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 6 to the financial statements as determined using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value. The Bank engages services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 6.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(f) *Determination of Realizable Amount of Deferred Tax Assets*

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2024 and 2023 will be fully utilized within the coming years. The carrying value of deferred tax assets as of December 31, 2024 and 2023 are disclosed in Note 21.

(g) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

As of December 31, 2024 and 2023, the Bank has not recognized any impairment losses on its bank premises, furniture, fixtures and equipment, investment properties, other intangible assets, and right-of-use assets. Impairment losses recognized by the Bank on its other foreclosed assets, on the other hand, are discussed in Note 15.

(h) *Valuation of Post-employment Defined Benefit Plan*

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 salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post employment benefit obligation in the next reporting period.

The amount of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation are presented in Note 20.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Bank's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

4.1 Bank's Strategy in Using Financial Instruments

It is the Bank's intent to generate returns mainly from the traditional financial intermediation and service-provision activities, augmented by returns from positions based on views on the financial markets. The main source of risk, therefore, remains to be that arising from credit risk exposures. Nevertheless, within BSP regulatory constraints, and subject to limits and parameters established by the BOD, the Bank is exposed to liquidity risk and interest rate risk inherent in the Bank's operations, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Bank accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, such as fixed-income securities. While, in doing so, the Bank maintains liquidity at prudent levels to meet all claims that fall due, the Bank fully recognizes the consequent interest rate risk exposure.

4.2 Integrated Risk Management Framework

The risk management framework aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the BOD for approval.

4.3 Risk Responsibilities

The Bank's over-all risk management strategy and oversight function is handled by the:

(i) Board of Directors

The BOD has the ultimate responsibility for approving and periodically reviewing the risk strategies and significant policies of the Bank. It adopts policies and guidelines to govern the safe and prudent functioning of the Bank with the end in view of effectively managing all risks in its activities. The policies to be formulated include, but not limited to, lending, investing, fund sourcing, liquidity management, personnel administration, and internal control.

(ii) President

The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

(iii) Risk Management Committee

Risk Management Committee is the board level committee responsible for the development and oversight of the risk management program of the Bank. It oversees the system of limits to discretionary authority that the BOD delegates to management, ensures that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

(iv) Loan Committee

The Loan Committee is the board level committee responsible in analyzing and subsequently performs approval or rejection of loans which are beyond the limit of Credit Committee, typically those of large sizes or of higher risk. The Committee ensures that the loan meets the Banks's standard lending policy.

(v) Management Committee

Management Committee is responsible for the implementation of the strategies on risk control and makes adjustments to overall business strategy. It also ensures compliance with laws and regulations and creates systems to measure and monitor performance.

(vi) Credit Committee

Credit Committee is responsible to oversee the credit risk-taking activities, quality and profitability of the credit portfolio, and credit evaluation process. All credit proposals beyond the credit approving limit of the Credit Operations Head and the President passes through this committee for final approval. Credit proposals beyond its limits are escalated to the Loan Committee for endorsement to the BOD for final approval.

(vii) Compliance Management Division

This division is responsible for reviewing any legal or regulatory matters that could have a significant impact on the Bank's financial statements and compliance with laws and regulations. It reviews the effectiveness and adequacy of the system for monitoring compliance with laws and regulations. The Chief Compliance Officer regularly reports to the BOD.

(viii) Internal Audit Division

Internal Audit Division (IAD) provides an independent assessment of the Bank's management and effectiveness of existing internal control systems through adherence testing of processes and controls across the organization. The IAD audits risk management processes throughout the Bank. It employs a risk-based audit approach that examines both the adequacy of the procedures and the Bank's compliance with the procedures. It discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee of the BOD.

The Bank does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Bank is exposed to are described in the succeeding pages.

4.4 Market Risk

The Bank's exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss of market value, primarily of its holdings of debt securities and derivatives, due to price fluctuation.

The market risk relevant to the Bank is interest rate risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank's cash flow interest rate risk relates primarily to the possible changes in the prevailing interest rates on due from BSP and other banks, and deposit liabilities that are subject to variable interest rates (see Notes 7, 8, and 16). The volatility in the interest rates of these financial instruments will result in an increase or decrease in the Bank's interest spread, and consequently will affect its financial performance.

The table below illustrates the sensitivity of the Bank's profit before tax and equity to a reasonably possible change in interest rates of +/- 0.04% basis points (bps) in 2024 and +/- 0.09% bps in 2023. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2024		2023	
(Amounts in PHP)	**+0.04% bps**	**-0.04% bps**	+0.09% bps	-0.09% bps
Profit before tax	**2,677,623**	**(2,677,623)**	5,594,043	(5,594,043)
Equity	**2,142,098**	**(2,142,098)**	4,475,234	(4,475,234)

The Bank follows a prudent policy on managing its resources and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. As a result, the Bank's exposure to interest rate fluctuations, and other market risks, is significantly reduced.

As of December 31, 2024 and 2023, the Bank's loans and other receivables have fixed interest rates.

4.5 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default.

This is inherent in the Bank's lending and investing and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the BOD. Account officers and credit officers directly handle credit risk as guided by BOD approved policies and limits. Credit Committee, as guided by the Loan Committee, performs an independent portfolio oversight of credit risks and reports regularly to the Loan Committee and the BOD.

On the transactional level, exposure to credit risk is managed through a credit review process wherein a regular analysis of the ability of the obligors and potential obligors to meet interest and capital repayment obligations is performed. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Moreover, in accordance with best practices, the Bank also adopts an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible and uses this information as a tool for business and financial decision-making.

(a) Credit Risk Measurement

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the probability of default (PD) occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, exposure at default (EAD), and loss given default (LGD), for purposes of measuring ECL as required by PFRS 9.

The initial recognition of credit risk by individual or group of related counterparties is done via its ICRRS. The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is established by the Bank in congruence with and with reference to the credit risk rating methodology used by an established rating agency in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular.

Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between risk ratings). Past due, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated under Especially Mentioned, Substandard, Doubtful or Loss, and the loan loss provision of which are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) Retail or Consumer Loans

Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. The ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) Corporate and Commercial Loans

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager incorporates any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This determines the internal credit rating and the PD.

(iii) Debt Securities at Amortized Cost and at FVOCI

For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and conservative balance sheet leverage.
Strong	Borrower normally has a comfortable degree of stability, substance and diversity.
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market.
Satisfactory	Borrowers where clear risk elements exist and the probability of default is somewhat greater.
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected.
Watch list	Borrowers for which unfavorable industry or company specific risk factors represent a concern.

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Risk Rating	Rating Description/Criteria
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless.

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal loan loss methodology.

(b) *Expected Credit Loss Measurement*

The Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition, through assessments of the change in risks of default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and FLI, as appropriate. A '3-stage' impairment model has been adopted by the Bank based on changes in credit quality since initial recognition of the financial asset. The Bank considers the quantitative criteria based on the BSP Manual of Regulations for Banks (MORB) Section 143 (Appendix 15), as amended by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9*, in classifying the status of loan. As a general rule, especially mentioned and substandard-underperforming (e.g., substandard accounts that are unpaid or with missed payment of less than 90 days) shall be considered Stage 2 accounts, while substandard non-performing, doubtful and loss accounts shall be considered as Stage 3 accounts.

The computation of the ECL also considers the use of reasonable and supportable FLI, which is based on the BSP's requirement to look beyond the quantitative considerations (days past due or missed amortizations) in assessing borrower's capacity to pay.

In accordance with PFRS 9, the ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, EAD, and LGD, which are defined in Note 2.3(a) (iii).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and lifetime EADs are determined based on the expected payment profiles, which would vary by loan product/portfolio.

The incorporation of FLI in the assessment of SICR and calculation of ECL requires historical analysis and identification of key macroeconomic variables (MEVs) impacting credit risk associated with the Bank's borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

The MEVs and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank formulates forecasts of MEVs (one base economic scenario, and two less likely scenarios – one upside and one downside) and are performed by the Bank's Loan Management Department under Credit Operations and Management Division (COMD), hand-in-hand with the Risk Management Division (RMD), on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

The base scenario is aligned with information used by the Bank for strategic planning and budgeting. The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio, which include gross domestic product and interest rates. The analysis of these scenarios take into account the range of possible outcomes that each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the scenario, multiplied by the associated scenario weight, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3, hence, whether a 12-month or lifetime ECL should be recorded.

Following this assessment, the Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weights.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the nonlinearities and asymmetries within the Bank's different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL.

PFRS 9 also requires modeling ECL parameters, which should be carried out on a collective basis. The financial instruments should be grouped on the basis of shared credit risk characteristics, such as instrument type, credit risk rating, collateral type, repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties. The groupings are subject to the regular review by the Bank's COMD and RMD in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(c) Credit Quality Analysis

The tables below and in the succeeding page sets out information about the credit quality of loans and other receivables, and investment in securities at amortized cost. As of December 31, 2024 and 2023, there are no purchased or originated credit-impaired (POCI) financial assets in the Bank's financial statements.

	2024			
(Amounts in PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and other receivables				
Performing:				
Current	5,778,656,475	-	-	5,778,656,475
Past due	-	193,756,774	-	193,756,774
Non-performing:				
Past due	-	-	363,354,604	363,354,604
Items in litigation	-	-	29,373,715	29,373,715
Other receivables	121,801,881	-	-	121,801,881
	5,900,458,356	193,756,774	392,728,319	6,486,943,449
Expected credit loss allowance	(22,508,471)	(5,317,601)	(97,466,830)	(125,292,902)
Carrying amount	**5,877,949,885**	**188,439,173**	**295,261,489**	**6,361,650,547**
Investment securities at amortized cost				
Grade AA+ to BBB: Current	**1,070,911,143**	**-**	**-**	**1,070,911,143**

	2023			
(Amounts in PHP)	Stage 1	Stage 2	Stage 3	Total
Loans and other receivables				
Performing:				
Current	3,196,048,663	-	-	3,196,048,663
Past due	133,550,287	191,527,669	-	325,077,956
Non-performing:				
Past due	-	23,436,549	146,065,094	169,501,643
Items in litigation	-	-	28,550,121	28,550,121
Other receivables	109,746,171	-	-	109,746,171
	3,439,345,121	214,964,218	174,615,215	3,828,924,554
Expected credit loss allowance	(47,131,681)	(3,290,944)	(23,836,329)	(74,258,954)
Carrying amount	3,392,213,440	211,673,274	150,778,886	3,754,665,600

(Amounts in PHP)	2023 Stage 1	Stage 2	Stage 3	Total
Investment securities at amortized cost				
Grade AA+ to BBB: Current	1,820,235,371	-	-	1,820,235,371

The Bank's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

(i) Due from BSP and Other Banks

The credit risk for Due from BSP and other banks is considered negligible, since the counterparties are reputable banks. Due from other banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P0.50 million per depositor per banking institution, as provided for under R.A. No. 9576, *Amendment to Charter of PDIC*. Effective March 15, 2025 per PDIC Memorandum 2025 -01, PDIC maximum coverage is increased to P1.00 million per depositor per banking institution.

(ii) Loans and Receivables

In respect of loans and receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Loans consist of a large number of customers in various geographical areas.

The carrying amount of loans and receivables as at December 31, 2024 and 2023, are presented under Note 10.

(iii) Investment securities at amortized cost

The Bank's investment securities, which are composed of debt securities issued by the Republic of the Philippines and reputable companies, are not deemed significant given that counterparties are rated between AA+ to BBB based on S&P ratings. The Bank's investment securities are considered to be at Stage 1.

(d) Concentration of Credit Risk

Excessive concentration of lending poses undue risk on the Bank's asset quality. The Bank believes that good diversification across economic sectors and kinds of borrowers will lessen this risk.

To maintain the quality of its loan portfolio, the Bank keeps its risk tolerance limits on asset quality lower than the industry ratio and enforce a stringent policy on credit evaluation, review and monitoring.

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance for impairment) as at December 31, 2024 and 2023 are shown below.

(Amounts in PHP)	Cash and Other Cash items	Due from BSP and Other Banks	Receivables from Customers	Investment Securities at Amortized Cost	Total
December 31, 2024:					
Financial and insurance activities	43,032,351	1,418,484,426	87,564,824	-	1,549,081,601
Personal consumption	-	-	3,435,129,562	-	3,435,129,562
Real estate activities	-	-	1,609,752,207	41,033,456	1,650,785,663
Wholesale and retail trade	-	-	450,768,831	-	450,768,831
Manufacturing	-	-	228,060,690	7,745,733	235,806,423
Agriculture, forestry, and fishing	-	-	200,822,660	-	200,822,660
Construction	-	-	139,514,111	-	139,514,111
Administrative and support service activities	-	-	97,149,692	-	97,149,692
Accommodation and food service activities	-	-	44,497,630	-	44,497,630
Professional, scientific and technical activities	-	-	25,640,426	-	25,640,426
Information and communication	-	-	24,774,404	-	24,774,404
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	-	-	5,949,630	-	5,949,630
Transportation and storage	-	-	2,719,637	-	2,719,637
Education	-	-	1,000,954	-	1,000,954
Human health and social service activities	-	-	5,351	-	5,351
Government	-	-	-	1,022,131,954	1,022,131,954
Other service activities	-	-	11,790,959	-	11,790,959
Carrying amount	**43,032,351**	**1,418,484,426**	**6,365,141,568**	**1,070,911,143**	**8,897,569,488**
December 31, 2023:					
Financial and insurance activities	26,583,604	1,878,411,584	87,633,963	-	1,992,629,151
Personal consumption	-	-	2,127,466,931	-	2,127,466,931
Real estate activities	-	-	1,125,274,142	40,354,290	1,165,628,432
Construction	-	-	99,891,682	-	99,891,682
Agriculture, forestry, and fishing	-	-	24,665,660	-	24,665,660
Electricity, gas, steam, and water	-	-	72,000,000	88,923,164	160,923,164
Administrative and support service activities	-	-	63,567,594	-	63,567,594
Wholesale and retail trade	-	-	62,397,759	-	62,397,759
Professional, scientific, and technical services	-	-	21,815,745	-	21,815,745
Accommodation and food service activities	-	-	11,595,175	-	11,595,175
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	-	-	11,159,547	-	11,159,547
Manufacturing	-	-	5,046,412	46,600,855	51,647,267
Transporation and storage	-	-	2,366,090	10,573,489	12,939,579
Human health and social service activities	-	-	5,351	-	5,351
Government	-	-	954	-	954
Education	-	-	-	1,633,783,573	1,633,783,573
Other service activities	-	-	4,291,378	-	4,291,378
Carrying amount	26,583,604	1,878,411,584	3,719,178,383	1,820,235,371	7,444,408,942

(e) Modifications of Financial Assets

(i) Financial Reliefs Provided by the Bank

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary.

The outstanding balance of restructured loans amounted to P2.38 million and P5.16 million as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P0.03 million and P0.12 million as of December 31, 2024 and 2023, respectively.

(ii) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset [see Note 2.3(a)(iv)]. The Bank monitors the performance of the financial asset subsequent to its modification.

The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms), so that the assets are expected to move from Stage 3 or Stage 2 (wherein lifetime ECL is recognized) to Stage 1 (12-month ECL).

The Bank further incorporates an "ever bad adjustment." This adjustment is incorporated in the monthly status of the accounts to make sure that an account that experiences a default within the next 12 months (performance window) will be tagged as default. This ensures that default experiences will be recognized even if the accounts improve before the end of the performance period.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets throught the use of specific models for modified assets.

(f) Credit Risk Exposures

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, except for certain secured loans and receivables from customers, as shown below.

(Amounts in PHP)	**Gross Maximum Exposure**	**Fair Value of Collaterals**	**Net Exposure**	**Financial Effect of Collaterals**
2024				
Loans and discounts:				
Corporate	1,092,849,145	829,848,941	263,000,204	829,848,941
Consumer	5,272,292,423	2,162,585,114	3,109,707,309	2,162,585,114
Sales contracts receivables	1,346,913	5,500,000	-	5,500,000
	6,366,488,481	**2,997,934,055**	**3,372,707,513**	**2,997,934,055**

(Amounts in PHP)	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2023				
Loans and discounts:				
Corporate	602,230,642	33,274,696	568,955,946	33,274,696
Consumer	3,116,947,741	1,045,096,792	1,711,850,949	1,045,096,792
Sales contracts receivables	2,225,623	5,500,000	-	5,500,000
	3,721,404,006	1,083,871,488	2,280,806,895	1,083,871,488

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2024 and 2023 is shown below.

(Amounts in PHP)	**Gross Maximum Exposure**	**Fair Value of Collaterals**	**Net Exposure**	**Financial Effect of Collaterals**
2024				
Loans and discounts:				
Corporate	88,938,805	75,892,951	13,045,854	75,892,951
Consumer	303,789,514	110,007,495	193,782,019	110,007,495
	392,728,319	**185,900,446**	**206,827,873**	**185,900,446**
2023				
Loans and discounts:				
Corporate	7,307,942	10,237,071	-	10,237,071
Consumer	167,307,273	64,925,204	102,382,069	64,925,204
	174,615,215	75,162,275	102,382,069	75,162,275

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized as of December 31:

(Amounts in PHP)	Notes	**2024**	2023
Cash and cash equivalents	7, 8	**1,461,516,777**	1,904,995,188
Investment securities at amortized cost	9	**1,070,911,143**	1,820,235,371
		2,532,427,920	3,725,230,559

Cash and cash equivalents includes cash and other cash items and loans and advances to banks (i.e., Due from BSP and Due from Other Banks). Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

(g) *Allowance for Expected Credit Losses*

The following table shows the reconciliation of the loss allowance for ECL on loans and receivables at the beginning and end of 2024 and 2023.

	2024			
(Amounts in PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from customers				
Balance at January 1	47,131,681	3,290,944	23,836,329	74,258,954
Transfer to:				
Stage 2	(3,980,449)	3,980,449	-	-
Stage 3	(41,814,264)	(1,990,224)	43,804,488	-
Net remeasurement of loss allowance	10,149,827	708,707	5,133,163	15,991,697
New financial assets originated	19,552,001	3,700,052	32,149,668	55,401,721
Derecognition of financial assets	(8,530,325)	(4,372,327)	(7,456,818)	(20,359,470)
Balance at December 31	**22,508,471**	**5,317,601**	**97,466,830**	**125,292,902**

	2023			
(Amounts in PHP)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Balance at January 1	27,471,767	6,874,537	14,196,452	48,542,756
Transfer to:				
Stage 1	4,427,691	(4,427,691)	-	-
Stage 2	-	5,547,246	(5,547,246)	-
Net remeasurement of loss allowance	49,427,950	(5,113,991)	20,766,460	65,080,419
New financial assets originated	7,382,669	2,494,018	4,833,546	14,710,233
Derecognition of financial assets	(41,578,396)	(2,083,175)	(10,412,883)	(54,074,454)
Balance at December 31	47,131,681	3,290,944	23,836,329	74,258,954

(h) *Significant Changes in Gross Carrying Amount Affecting Allowance for ECL*

The tables below and in the succeeding page provide information how the significant changes in the gross carrying amount of loans and receivables in 2024 and 2023 contributed to the changes in the allowance for ECL.

	2024			
(Amounts in PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from customers				
Balance at January 1	3,329,598,950	214,964,218	174,615,215	3,719,178,383
Transfer to:				
Stage 2	(164,009,191)	164,009,191	-	-
Stage 3	(321,032,036)	(15,280,089)	336,312,125	-
New financial assets originated	3,833,373,144	126,617,616	123,367,784	4,083,358,544
Derecognition of financial assets	(899,274,392)	(296,554,162)	(241,566,805)	(1,437,395,359)
Balance at December 31	**5,778,656,475**	**193,756,774**	**392,728,319**	**6,365,141,568**
Other receivables				
Balance at January 1	109,746,171	-	-	109,746,171
New financial assets originated	120,454,968	-	-	120,454,968
Derecognition of financial assets	(108,399,258)	-	-	(108,399,258)
Balance at December 31	**121,801,881**	**-**	**-**	**121,801,881**

(Amounts in PHP)	**2024** Stage 1	Stage 2	Stage 3	Total
Investment securities at amortized cost				
Balance at January 1	1,820,235,371	-	-	1,820,235,371
New financial assets originated	1,311,188,864	-	-	1,311,188,864
Derecognition of financial assets	(2,074,381,746)	-	-	(2,074,381,746)
Amortization of premiums and discounts	13,868,654	-	-	13,868,654
Balance at December 31	**1,070,911,143**	**-**	**-**	**1,070,911,143**

(Amounts in PHP)	2023 Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Balance at January 1	1,335,824,042	169,203,815	89,775,106	1,594,802,963
Transfer to:				
Stage 2	(169,754,232)	169,754,232	-	-
Stage 3	-	(103,731,320)	103,731,320	-
New financial assets originated	3,646,018,355	167,478,923	80,780,650	3,894,277,928
Derecognition of financial assets	(1,482,489,215)	(187,741,432)	(99,671,861)	(1,769,902,508)
Balance at December 31	3,329,598,950	214,964,218	174,615,215	3,719,178,383
Other receivables				
Balance at January 1	146,036,873	-	-	146,036,873
New financial assets originated	39,584,729	-	-	39,584,729
Derecognition of financial assets	(75,875,431)	-	-	(75,875,431)
Balance at December 31	109,746,171	-	-	109,746,171
Investment securities at amortized cost				
Balance at January 1	3,202,656,825	-	-	3,202,656,825
New financial assets originated	1,824,448,275	-	-	1,824,448,275
Derecognition of financial assets	(3,192,045,100)	-	-	(3,192,045,100)
Amortization of premiums and discounts	(14,824,629)	-	-	(14,824,629)
Balance at December 31	1,820,235,371	-	-	1,820,235,371

(i) *Collateral Held as Security and Other Credit Enhancements*

The Bank holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, chattel mortgage and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally reviewed and updated annually.

Collateral is not usually held against investment securities and no such collateral was held as of December 31, 2024 and 2023.

In 2024 and 2023, the Bank has no significant changes as to its policies in obtaining collateral, and there has been no significant change in the overall quality of the collaterals held by the Bank since the prior period.

An estimate of the fair value of collateral and other security enhancements held against the following credit exposures as of December 31, 2024 and 2023 is shown below.

(Amounts in PHP)	**2024**	2023
Secured:		
Real estate mortgage	**2,926,329,650**	1,045,822,914
Chattel mortgage	**60,828,839**	26,487,667
Deposit hold-out	**4,220,453**	6,060,907
	2,991,378,942	1,078,371,488
Unsecured	**3,971,194,326**	2,403,534,809
	6,962,573,268	3,481,906,297

The Bank's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place.

(j) *Write-off*

Similar with prior years, the Bank writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank has written-off loans receivable amounting to P5.97 million in 2024. There were no write-off of loans made in 2023 (see Note 10).

4.6 Liquidity Risk

Liquidity risk is the risk that funds available may not be adequate to meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a loan portfolio with evenly-spaced maturities and cash flows. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

The tables below presents an analysis of the maturity groupings of financial assets and financial liabilities as of December 31, 2024 and 2023 in accordance with BSP account classifications.

(Amounts in PHP)	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
December 31, 2024:					
Resources:					
Cash and other cash items	43,032,351	-	-	-	43,032,351
Due from BSP	355,064,925	-	-	-	355,064,925
Due from other banks	863,419,501	200,000,000	-	-	1,063,419,501
Investment securities at amortized cost	-	255,516,171	566,849,810	248,545,162	1,070,911,143
Loans and other receivables - net	159,478,202	504,136,168	680,096,799	5,017,939,378	6,361,650,547
Other resources	8,745,951	-	-	-	8,745,951
	1,429,740,930	**959,652,339**	**1,246,946,609**	**5,266,484,540**	**8,902,824,418**
Liabilities:					
Deposit liabilities	7,906,489,614	-	-	71,101,568	7,977,591,182
Lease liabilities	-	-	11,222,051	31,148,247	42,370,298
Accrued expenses and other liabilities	7,184,294	10,061,143	402,721,003	-	419,966,440
	7,913,673,908	10,061,143	413,943,054	102,249,815	8,439,927,920
Net periodic surplus (gap)	(6,483,932,978)	949,591,196	833,003,555	5,164,234,725	462,896,498
Cumulative total surplus (gap)	**(6,483,932,978)**	**(5,534,341,782)**	**(4,701,338,227)**	**462,896,498**	**-**
December 31, 2023:					
Resources:					
Cash and other cash items	26,583,604	-	-	-	26,583,604
Due from BSP	751,728,842	-	-	-	751,728,842
Due from other banks	526,682,742	600,000,000	-	-	1,126,682,742
Investment securities at amortized cost	186,683,573	378,535,936	527,018,618	727,997,244	1,820,235,371
Loans and other receivables - net	226,487,359	193,967,854	828,978,827	2,505,231,560	3,754,665,600
Other resources	6,850,014	-	-	-	6,850,014
	1,725,016,134	1,172,503,790	1,355,997,445	3,233,228,804	7,486,746,173
Liabilities:					
Deposit liabilities	6,675,201,277	-	-	83,001,568	6,758,202,845
Lease liabilities	-	-	7,253,125	10,774,525	18,027,650
Accrued expenses and other liabilities	-	-	161,943,811	-	161,943,811
	6,675,201,277	-	169,196,936	93,776,093	6,938,174,306
Net periodic surplus (gap)	(4,950,185,143)	1,172,503,790	1,186,800,509	3,139,452,711	548,571,867
Cumulative total surplus (gap)	(4,950,185,143)	(3,777,681,353)	(2,590,880)	548,571,867	-

4.7 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or R.A. No. 9160 was passed in September 2001 and was amended by R.A. No. 9194, R.A. No. 10167, and R.A. No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council(AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day. The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in R.A. No. 10168.

In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, Credit Committee approval is necessary. The Bank's procedures for compliance with the AMLA are set out in its MLPP. The Bank's Chief Compliance Officer, through the Anti-Money Laundering Department (AMLD), monitors AMLA compliance and conducts regular compliance testing of business units.

The AMLD requires all banking units to submit to the Chief Compliance Office certificates of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis. The Chief Compliance Officer regularly reports to the Audit Committee and to the BOD the results of their monitoring of AMLA compliance.

4.8 Maturity Analysis of Resources and Liabilities

The table below and in the succeeding page shows an analysis of resources and liabilities analyzed according to when they are expected to be recovered or settled:

	2024			2023		
(Amounts in PHP)	**Within One Year**	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Resources:						
Cash and other cash items	**43,032,351**	**-**	**43,032,351**	26,583,604	-	26,583,604
Due from BSP	**355,064,925**	**-**	**355,064,925**	751,728,842	-	751,728,842
Due from other banks	**1,063,419,501**	**-**	**1,063,419,501**	1,126,682,742	-	1,126,682,742
Investment securities at amortized cost	**822,365,981**	**248,545,162**	**1,070,911,143**	1,092,238,126	727,997,245	1,820,235,371
Loans and other receivables - net	**1,343,711,169**	**5,017,939,378**	**6,361,650,547**	1,249,434,040	2,505,231,560	3,754,665,600
Bank premises, furniture, fixtures, and equipment - net	**-**	**113,202,838**	**113,202,838**	-	119,773,342	119,773,342
Investment properties - net	**-**	**21,744,328**	**21,744,328**	-	15,856,120	15,856,120
Right-of-use assets - net	**11,369,340**	**28,330,898**	**39,700,238**	3,215,395	14,142,244	17,357,639
Intangible assets - net	**-**	**163,058,002**	**163,058,002**	-	138,588,176	138,588,176
Deferred tax assets - net	**-**	**36,613,172**	**36,613,172**	-	28,605,101	28,605,101
Other resources - net	**226,394,809**	**1,946,801**	**228,341,610**	123,041,264	1,137,067	124,178,331
Total Resources	**3,865,358,076**	**5,631,380,579**	**9,496,738,655**	4,372,924,013	3,551,330,855	7,924,254,868

(Amounts in PHP)	2024 Within One Year	2024 Beyond One Year	2024 Total	2023 Within One Year	2023 Beyond One Year	2023 Total
Liabilities:						
Deposit liabilities	**7,906,489,614**	**71,101,568**	**7,977,591,182**	6,675,201,277	83,001,568	6,758,202,845
Accrued expenses and other liabilities	**441,246,922**	**-**	**441,246,922**	179,382,159	-	179,382,159
Lease liabilities	**11,222,051**	**31,148,247**	**42,370,298**	7,253,125	10,774,525	18,027,650
Retirement benefit obligation	**-**	**16,475,373**	**16,475,373**	-	15,327,877	15,327,877
Total Liabilities	**8,358,958,587**	**118,725,188**	**8,477,683,775**	6,861,836,561	109,103,970	6,970,940,531

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statement of financial position are shown below.

(Amounts in PHP)	2024 Carrying Amounts	2024 Fair Values	2023 Carrying Amounts	2023 Fair Values
Financial assets				
At amortized cost:				
Cash and other cash items	**43,032,351**	**43,032,351**	26,583,604	26,583,604
Due from BSP	**355,064,925**	**355,064,925**	751,728,842	751,728,842
Due from other banks	**1,063,419,501**	**1,063,419,501**	1,126,682,742	1,126,682,742
Investment securities	**1,070,911,143**	**1,014,885,996**	1,820,235,371	1,712,855,701
Loans and other receivables - net	**6,361,650,547**	**8,541,214,384**	3,754,665,600	5,032,866,239
Other resources	**8,745,951**	**8,745,951**	6,850,014	6,850,014
Net carrying amount	**8,902,824,418**	**11,026,363,108**	7,486,746,173	8,657,567,142
Financial liabilities				
At amortized cost:				
Deposit liabilities	**7,977,591,182**	**7,959,374,918**	6,758,202,845	6,737,404,824
Lease liabilities	**42,370,298**	**42,370,298**	18,027,650	18,027,650
Accrued expenses and other liabilities	**419,966,440**	**419,966,440**	163,576,820	163,576,820
Net carrying amount	**8,439,927,920**	**8,421,711,656**	6,939,807,315	6,919,009,294

A description of the Bank's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Offsetting of Financial Asssets and Financial Liabilities

Certain financial assets and financial liabilities of the Bank with amounts presented in the statements of financial position as at December 31, 2024 and 2023 are subject to offsetting, enforceable master netting arrangements and similar agreements. However, there were no financial assets and financial liabilities presented at net in the statement of financial position.

Presented below is the financial assets and financial liabilities subject to offsetting but the related amounts are not set-off in the statements of financial position.

	December 31, 2024			December 31, 2023		
	Related amounts not set off in the statement of financial position			Related amounts not set off in the statement of financial position		
(Amounts in PHP)	**Financial instruments**	**Collateral received**	**Net amount**	Financial instruments	Collateral received	Net amount
Financial assets –						
Loans and other Receivables - net	**6,361,650,547**	**(4,220,453)**	**6,357,430,094**	3,754,755,303	(4,793,371)	3,749,961,932
Financial liabilities –						
Deposit liabilities	**7,977,591,185**	**(4,220,453)**	**7,973,370,732**	6,758,202,845	(4,793,371)	6,753,409,474

For purposes of presenting the information, the related amounts not set-off in the statements of financial position pertains to hold-out deposit which serves as the Bank's collateral enhancement for certain loans and receivables. The financial instruments that can be set-off are only disclosed to the extent of the amounts of the Bank's counterparties.

For financial assets subject to enforceable master netting arrangements or similar arrangements between the Bank and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

6.2 Financial Instruments Measured at Fair Value

The Bank has no financial assets and financial liabilities measured at fair value as of December 31, 2024 and 2023. However, the Bank has financial instruments measured at amortized cost for which fair value is required to be disclosed. Management considers that the carrying amounts of those short-term financial instruments approximate or equal to their fair values.

6.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statement of financial position but for which fair value is disclosed.

(Amounts in PHP)	Level 1	Level 2	Level 3	Total
December 31, 2024				
Financial assets:				
Cash and other cash items	43,032,351	-	-	43,032,351
Due from BSP	355,064,925	-	-	355,064,925
Due from other banks	1,063,419,501	-	-	1,063,419,501
Investment securities at amortized cost	-	1,014,885,996	-	1,014,885,996
Loans and other receivables - net	-	-	8,541,214,384	8,541,214,384
Other resources	-	-	8,745,951	8,745,951
	1,461,516,777	**1,014,885,996**	**8,549,960,335**	**11,026,363,108**
Financial liabilities:				
Deposit liabilities	-	-	7,959,374,918	7,959,374,918
Lease liabilities	-	-	42,370,298	42,370,298
Other liabilities	-	-	419,966,440	419,966,440
	-	**-**	**8,421,711,656**	**8,421,711,656**

(Amounts in PHP)	Level 1	Level 2	Level 3	Total
December 31, 2023				
Financial assets:				
Cash and other cash items	26,583,604	-	-	26,583,604
Due from BSP	751,728,842	-	-	751,728,842
Due from other banks	1,126,682,742	-	-	1,126,682,742
Investment securities at amortized cost	-	1,712,855,701	-	1,712,855,701
Loans and other receivables - net	-	-	5,032,866,239	5,032,866,239
Other resources	-	-	6,850,014	6,850,014
	1,904,995,188	1,712,855,701	5,039,716,253	8,657,567,142
Financial liabilities:				
Deposit liabilities	-	-	6,737,404,824	6,737,404,824
Lease liabilities	-	-	18,027,650	18,027,650
Other liabilities	-	-	163,576,820	163,576,820
	-	-	6,919,009,294	6,919,009,294

For financial assets and financial liabilities, other than investment securities at amortized cost, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. Investment securities at amortized cost consist of government securities issued by the Philippine government with fair value determined based on prices published in Bloomberg Valuation (BVAL), which represent the bid prices at the end of the reporting period.

6.4 Carrying Amounts and Fair Values by Category

The Bank's non-financial assets for which fair value is disclosed pertains to its land and building classified as Investment Properties (see Note 14). The fair value of the land as of December 31, 2024 and 2023 amounted to P34.4 million and P18.35 million, respectively, while the building is valued at P9.73 million as of December 31, 2024, both of which are categorized under Level 3 of the fair value hierarchy.

The fair value of the Bank's land and building are determined on the basis of the appraisals performed by internal appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations (see Note 14). To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age and condition of the land and building and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use.

Based on management assessment, the best use of the Bank's non-financial assets indicated above is their current use.

The fair values above, as determined by the appraisers, were used by the Bank in determining the fair value of investment properties.

The Level 3 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

There has been no change to the valuation techniques used by the Bank for its non-financial assets for the years ended December 31, 2024 and 2023. Also, there were no transfers into or out of Level 3 fair value hierarchy in both 2024 and 2023.

7. CASH AND OTHER CASH ITEMS AND DUE FROM BANGKO SENTRAL NG PILIPINAS

This account is composed of the following:

(Amounts in PHP)	**2024**	2023
Cash and other cash items	**43,032,351**	26,583,604
Due from BSP	**355,064,925**	751,728,842
	398,097,276	778,312,446

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the balance of the deposit account maintained with the BSP to meet reserve requirements, to serve as clearing account for interbank claims and to comply with existing trust regulations. No interest income was recognized in 2024 and 2023 as the Due from BSP no longer bears interest.

8. DUE FROM OTHER BANKS

The balance of Due from Other Banks consists of the following:

(Amounts in PHP)	**2024**	2023
Time	**454,201,391**	600,000,000
Demand	**552,948,656**	481,161,096
Savings	**56,269,454**	45,521,646
	1,063,419,501	1,126,682,742

Due from other banks includes Philippine peso denominated regular and time deposits with local banks. Annual interest rates on these deposits range from 1.63% to 6.20% in 2024 and from 1.63% to 6.25% in 2023. Total interest income earned, which amounts to P35.38 million and P9.85 million in 2024 and 2023, respectively, are presented as Interest Income on Due from Other Banks in the statements of comprehensive income.

9. INVESTMENT SECURITIES AT AMORTIZED COST

As of December 31, the account consists of:

(Amounts in PHP)	**2024**	2023
Government debt securities	**1,022,131,954**	1,633,783,573
Corporate debt securities	**48,779,189**	186,451,798
	1,070,911,143	1,820,235,371

Investments in government debt securities earn coupon interest that ranges from 2.53% to 5.95% in 2024 and from 2.38% to 6.25% in 2023, while investment in corporate debt securities earn coupon interest that ranges from 4.82% to 7.82% in 2024 and 2023.

Effective interest rates on these investments ranges from 1.91% to 4.70% in 2024 and from 1.70% to 4.70% in 2023. The Bank's interest income from these investments amounted to P69.09 million and P118.22 million in 2024 and 2023, respectively, and is shown as Interest Income on Investment Securities at Amortized Cost in the statements of comprehensive income.

Accrued interest receivable as of December 31, 2024 and 2023 amounted to P12.87 million and P11.18 million, respectively, and is recorded as part of Accrued interest receivable under Loans and Other Receivables account in the statements of financial position (see Note 10).

Changes in the Bank's investment securities at amortized cost in 2024 and 2023 are summarized below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**1,820,235,371**	3,202,656,825
Additions	**1,311,188,864**	1,824,448,275
Maturities	**(2,074,381,746)**	(1,887,045,100)
Amortization of premiums (discounts)	**13,868,654**	(14,824,629)
Disposal	**-**	(1,305,000,000)
Balance at end of year	**1,070,911,143**	1,820,235,371

In 2024 and 2023, the Bank has not recognized any impairment loss on its investment securities at amortized cost as management believes in the probability of its recovery.

In 2023, the Bank disposed certain HTC investments amounting to P1.31 billion in response to the rising interest rates. The gain on sale of HTC investments amounted to P1.03 million under Other operating income account in the 2023 statement of comprehensive income (see Note 19). No similar disposal transpired in 2024.

Fair values of investment securities at amortized cost are disclosed in Note 6.3.

10. LOANS AND OTHER RECEIVABLES

This account consists of the following:

(Amounts in PHP)	Note	**2024**	2023
Receivables from customers -			
Loans and discounts		**6,365,141,568**	3,719,178,383
Other receivables:			
Accrued interest receivable	9	**75,716,220**	92,105,909
Accounts receivable		**33,723,861**	1,516,140
Accrued fees receivable		**11,014,887**	13,898,499
Sales contract receivable (SCR)		**1,346,913**	2,225,623
		121,801,881	109,746,171
		6,486,943,449	3,828,924,554
Allowance for impairment		**(125,292,902)**	(74,258,954)
		6,361,650,547	3,754,665,600

Interest rates on receivables from customers range from 5.50% to 68.81% in 2024 and in 2023. Interest rates on SCR is 12.00% both in 2024 and 2023. All other receivables are noninterest-bearing, unsecured and are generally payable on demand.

Total interest income earned from loans and other receivables amounted to P427.67 million and P205.96 million in 2024 and 2023, respectively. These are presented as Interest Income on Loans and Other Receivables in the statements of comprehensive income.

All of the Bank's loans and other receivables have been assessed for impairment based on the ECL methodology adopted by the Bank. Certain loans and receivables were found to be impaired and provisions have been recorded accordingly. A reconciliation of allowance for impairment at the beginning and end of 2024 and 2023 is shown below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**74,258,954**	48,542,756
Impairment losses	**56,999,402**	25,716,198
Write-offs	**(5,965,454)**	-
Balance at end of year	**125,292,902**	74,258,954

Impairment losses on loans and other receivable are presented as part of Impairment Losses in the statements of comprehensive income.

In 2024, the Bank has written off certain loans amounting to P5.97 million. There were no write-off of loans made in 2023.

11. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 are shown below.

(Amounts in PHP)	Furnitures, Fixtures, and Equipment	Transportation Equipment	Bank Premises	Total
December 31, 2024				
Cost	162,302,785	11,995,732	66,790,527	241,089,044
Accumulated depreciation and amortization	(98,990,067)	(4,534,604)	(24,361,535)	(127,886,206)
Net carrying amount	**63,312,718**	**7,461,128**	**42,428,992**	**113,202,838**
December 31, 2023				
Cost	145,317,978	10,295,246	49,781,071	205,394,295
Accumulated depreciation and amortization	(68,613,744)	(2,602,927)	(14,404,282)	(85,620,953)
Net carrying amount	76,704,234	7,692,319	35,376,789	119,773,342
January 1, 2023				
Cost	108,488,587	4,213,755	21,577,751	134,280,093
Accumulated depreciation and amortization	(44,032,026)	(1,484,147)	(8,243,136)	(53,759,309)
Net carrying amount	64,456,561	2,729,608	13,334,615	80,520,784

A reconciliation of the carrying amounts at the beginning and end of 2024 and 2023 is shown below.

(Amounts in PHP)	Furnitures, Fixtures, and Equipment	Transportation Equipment	Bank Premises	Total
Balance at January 1, 2024, net of accumulated depreciation and amortization	76,704,234	7,692,319	35,376,789	119,773,342
Additions	17,029,308	1,458,207	17,009,456	35,496,971
Reclassification	-	242,278	-	242,278
Disposals	(14,833)	-	-	(14,833)
Depreciation and amortization charges during the year	(30,405,991)	(1,931,676)	(9,957,253)	(42,294,920)
Balance at December 31, 2024, net of accumulated depreciation and amortization	**63,312,718**	**7,461,128**	**42,428,992**	**113,202,838**
Balance at January 1, 2023, net of accumulated depreciation and amortization	64,456,561	2,729,608	13,334,615	80,520,784
Additions	36,829,392	6,081,491	28,203,321	71,114,204
Depreciation and amortization charges during the year	(24,581,719)	(1,118,780)	(6,161,147)	(31,861,646)
Balance at December 31, 2023, net of accumulated depreciation and amortization	76,704,234	7,692,319	35,376,789	119,773,342

Depreciation and amortization on bank premises, furniture, fixtures and equipment are presented as part of Depreciation and amortization under Other Operating Expenses in the statements of comprehensive income (see Note 19.2).

The gross carrying amount of fully depreciated property and equipment that are still in use as of December 31, 2024 and 2023 amounted to P24.61 million and P11.80 million, respectively.

The BSP requires that investment in bank premises, furniture, fixtures and equipment does not exceed 50% of the Bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this requirement.

12. LEASES

The Bank has leases on office space for its branches. Except for short-term leases, each lease is reflected on the statements of financial position as a right-of-use assets and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Bank's leasing activities recognized in the statements of financial position.

	2024	2023
Number of right-of-use assets leased	**12**	11
Range of remaining lease term	**2 - 6 years**	1 - 5 years
Average remaining lease term	**3.8 years**	3 years

These leased assets do not have any enforceable extension options, option to purchase, and termination options.

12.1 Right-of-use Assets

The gross carrying amounts and accumulated amortization of right-of-use assets at the beginning and end of 2024 and 2023 are shown below:

(Amounts in PHP)	Note	**2024**	2023
Balance at beginning of year		**17,357,639**	9,263,980
Additions		**35,640,385**	18,848,814
Lease modification	12.2	**6,386,896**	(1,812,557)
Amortization during the year		**(19,684,682)**	(8,942,598)
Balance at end of year		**39,700,238**	17,357,639

Amortization on right-of-use assets are presented as part of Depreciation and amortization under Other Operating Expenses in the statements of comprehensive income (see Note 19.2).

12.2 Lease Liabilities

The movements in the lease liabilities recognized in the statements of financial position in 2024 and 2023 are as follows:

(Amounts in PHP)	Note	**2024**	2023
Balance at beginning of year		**18,027,650**	9,969,678
Cash flows from financing activity –			
Repayment of lease liabilities including interest		**(21,630,396)**	(9,657,914)
Non-cash financing activities:			
Additional lease obligation		**35,640,385**	18,848,814
Lease modification	12.1	**7,150,708**	(1,812,557)
Interest amortization on lease liabilities		**3,181,951**	1,166,118
Reclassification		**-**	(486,489)
Balance at end of year		**42,370,298**	18,027,650

As at December 31, 2024 and 2023, the Bank has no lease commitments which had not commenced.

In 2024, the Bank recognized additional right-use-asset and lease liabilities amounting to P6.39 million and P7.15 million as a result of modifications to lease terms. Accordingly, the Bank recognized loss on lease modification amounting to P0.76 million and is presented as part of Others under Other Operating Expenses account in the 2024 statement of comprehensive income (see Note 19.2). The lease modification in 2023 did not result to any gain or loss.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities at December 31, 2024 and 2023 are as follows:

(Amounts in PHP)	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Total**
December 31, 2024						
Lease payments	13,530,110	12,771,027	10,864,110	9,199,798	1,282,129	47,647,174
Interest expense	(2,308,059)	(1,606,876)	(962,892)	(365,650)	(33,399)	(5,276,876)
Net present value	**11,222,051**	**11,164,151**	**9,901,218**	**8,834,148**	**1,248,730**	**42,370,298**
December 31, 2023						
Lease payments	8,238,197	3,500,312	3,448,112	2,938,030	2,284,684	20,409,335
Interest expense	(985,072)	(602,466)	(420,581)	(234,189)	(139,377)	(2,381,685)
Net present value	7,253,125	2,897,846	3,027,531	2,703,841	2,145,307	18,027,650

12.3 Lease Payments Not Recognized as Liabilities

The Bank has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating short-term leases amounted to P5.63 million and P4.37 million in 2024 and 2023, respectively, and is presented as Rentals under Other Operating Expenses in the statements of comprehensive income (see Note 19.2).

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P27.26 million and P14.03 million in 2024 and 2023, respectively. Interest expense in relation to lease liabilities amounted to P3.18 million and P1.17 million, respectively, and is presented as part of Interest Expense in the statements of comprehensive income.

13. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2024 and 2023 are shown below.

(Amounts in PHP)	**December 31, 2024**	December 31, 2023	January 31, 2023
Cost	**373,908,615**	281,624,057	191,284,068
Accumulated amortization	**(210,850,613)**	(143,035,881)	(62,587,213)
	163,058,002	138,588,176	128,696,855

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2024 and 2023 is shown below.

(Amounts in PHP)	Note	**2024**	2023
Balance at January 1, net of accumulated amortization		**138,588,176**	128,696,855
Additions		**92,284,558**	90,339,989
Amortization during the year	19.2	**(67,814,732)**	(80,448,668)
Balance at December 31, net of accumulated amortization		**163,058,002**	138,588,176

The amount of amortization expense is presented as part of Depreciation and amortization under Other Operating Expenses in the statements of comprehensive income (see Note 19.2).

14. INVESTMENT PROPERTIES

Investment properties include land and building held for capital appreciation and those that were acquired through foreclosures.

(Amounts in PHP)	**2024**	2023
Cost	**22,000,682**	15,856,120
Accumulated depreciation and amortization	**(256,354)**	-
Net carrying amount	**21,744,328**	15,856,120

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2024 and 2023 is shown below.

(Amounts in PHP)	**Land**	**Building**	**Total**
Balance at January 1, 2024, net of accumulated depreciation	15,856,120	-	15,856,120
Additions	636,455	5,508,107	6,144,562
Depreciation and amortization charges during the year	-	(256,354)	(256,354)
Balance at December 31, 2024, net of accumulated depreciation	**16,492,575**	**5,251,753**	**21,744,328**
Balance at January 1, 2023, net of accumulated depreciation	14,628,376	-	14,628,376
Additions	6,589,777	-	6,589,777
Disposals	(5,362,033)	-	(5,362,033)
Balance at December 31, 2023, net of accumulated depreciation	15,856,120	-	15,856,120

Depreciation on investment properties are presented as part of Depreciation and amortization under Other Operating Expenses in the statements of comprehensive income (see Note 19.2).

The recoverable amounts of the Bank's investment properties used in determining the impairment losses to be recognized as of December 31, 2024 and 2023 were based on the appraised values of such properties. The information on the fair value measurements and disclosures related to investment properties are presented in Notes 3.2 (e) and 6.4.

Gains on disposal of investment properties in 2024 and 2023 amounted to nil and P2.63 million, respectively, and are presented under Other Operating Income, in the statements of comprehensive income (see Note 19.1).

In 2024 and 2023, the Bank did not recognize allowance for impairment of investment properties since no additional impairment is required.

15. OTHER RESOURCES

This account consists of the following as of December 31:

(Amounts in PHP)	**2024**	2023
Advances to suppliers	**92,990,158**	47,958,038
Stationery and supplies	**74,930,264**	48,559,696
Prepaid expenses	**49,846,427**	10,970,916
Refundable deposits	**8,745,951**	6,850,014
Other foreclosed assets - net	**1,620,274**	944,473
Tax credits	**-**	8,880,797
Other resources	**208,536**	14,397
	228,341,610	124,178,331

Stationery and supplies are stated at cost which is lower than its net realizable values as of December 31, 2024 and 2023.

Advances to suppliers are advance payments to various suppliers for Bank's expansion projects which will be completed in 2025.

Prepaid expense consists of advance payment for rent, insurance, and utilities.

Other foreclosed assets include personal and movable properties acquired through foreclosures. The gross carrying amounts, accumulated amortization and allowance for impairment of other foreclosed assets at the beginning and end of 2024 and 2023 are shown below.

(Amounts in PHP)	**2024**	2023
Cost	**1,848,750**	1,658,356
Accumulated amortization and impairment	**(228,476)**	(713,883)
	1,620,274	944,473

A reconciliation of the carrying amounts of other foreclosed assets at beginning and end of 2024 and 2023 is shown below.

(Amounts in PHP)	Notes	**2024**	2023
Balance at January 1, net of accumulated amortization and impairment		**944,473**	48,367
Additions		**1,841,686**	1,078,930
Disposals		**(695,131)**	-
Reclassifications	11	**(242,278)**	-
Amortization during the year	19.2	**(228,476)**	(182,824)
Balance at December 31, net of accumulated amortization and impairment		**1,620,274**	944,473

In 2024, certain foreclosed assets with net book value of P0.70 million and P0.24 million were sold and reclassified to bank asset, respectively. There were no similar transactions in 2023.

The gain on sale of foreclosed assets amounted to P0.12 million and is presented as part of Miscellaneous under the Other Operating Income account in the 2024 statement of comprehensive income (see Note 19.1). Meanwhile, there was no gain or loss recognized on the reclassified foreclosed assets as they are carried at net carrying amount.

Depreciation on other foreclosed assets are presented as part of Depreciation and amortization under Other Operating Expenses in the statements of comprehensive income (see Note 19.2).

16. DEPOSIT LIABILITIES

The breakdown of deposit liabilities per classification follows:

(Amounts in PHP)	**2024**	2023
Savings	**7,842,506,461**	6,668,524,283
Time	**71,101,568**	83,001,568
Demand and Negotiable Order of Withdrawal (NOW) accounts	**63,983,153**	6,676,994
	7,977,591,182	6,758,202,845

Deposit liabilities are in the form of savings, time, and demand and NOW deposits. Savings deposits have annual interest rates ranging from 0.20% to 6.50% in 2024 and from 0.20% to 6.50% in 2023. Time deposits have annual interest rates ranging from 0.75% to 6.75 in 2024 and from 0.75% to 6.50% 2023. Demand deposits, on the other hand, do not bear interest. Interest expense incurred on deposit liabilities amounted to P39.39 million and P26.98 million in 2024 and 2023, respectively, and are presented as Interest Expense on Deposit Liabilities in the statements of comprehensive income. Interest payable, which amounts to P4.74 million and P0.73 million as of December 31, 2024 and 2023, respectively, is presented as Accrued interest payable under Accrued Expenses and Other Liabilities in the statements of financial position (see Note 17).

Under existing BSP regulations, deposit liabilities for demand and savings deposits are subject to regular and liquidity reserve of 2.00% in 2022 until June 29, 2023. Effective June 30, 2023, the BSP issued Circular No. 1175, reducing the required reserve requirement to 1.00%. In October 25, 2024, BSP further reduced the required reserve requirement to 0.00% for rural and cooperative banks. The Bank is in compliance with these BSP regulations as of the end of each reporting period.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of:

(Amounts in PHP)	Notes	**2024**	2023
Payable to subscribers		**127,831,487**	27,659,736
Payable to clearing house		**114,502,637**	912,577
Payable to cash agents	22.2	**99,503,112**	22,807,806
Accounts payable		**62,395,069**	46,722,805
Due to government agencies		**21,280,482**	11,963,992
Accrued expenses		**10,994,439**	68,587,109
Accrued interest payable	16	**4,739,696**	728,134
		441,246,922	179,382,159

Payable to subscribers represents the unused loads credits of the subscribers of the Bank's online payment and remittance system.

The Bank's customers use ATM and instapay to transfer funds real-time. These transactions generate net payable to clearing house, which are usually settled within the next banking day.

Accounts payable consist of amounts due to suppliers and contractors, which are usually settled within 30 to 90 days.

18. EQUITY

18.1 Capital Management Objectives, Policies and Procedures

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is regularly accounted for and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing, and the advantages and security afforded through a sound capital position.

(a) Unimpaired Capital

Under current banking regulations, the qualifying capital accounts of the Bank should not be less than the amount equal to ten percent (10.00%) of its risk-weighted assets. The qualifying capital of the Bank (for purposes of determining the capital-to-risk assets ratio) is total capital funds excluding:

- Unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- Total outstanding unsecured credit accommodations to directors, officers, stockholders, and related interest (DOSRI);
- Deferred tax assets;
- Goodwill, if any;
- Sinking fund for redemption of redeemable preferred shares; and,
- Other regulatory deductions.

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

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under the relevant BSP regulations, the regulatory capital is analyzed into two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the total of Tier 1 and Tier 2 capital.

Tier 1 Capital and Tier 2 Capital are defined as follows:

(a) Tier 1 Capital includes the following:
a. paid-up common stock;
b. surplus and surplus reserves; and,
c. undivided profits (for domestic banks only).

Subject to deductions for:
a. treasury shares (if any);
b. unrealized losses on underwritten listed equity securities purchased;
c. unbooked valuation reserves, and other capital adjustments based on the latest BSP report of examination;
d. outstanding unsecured credit accommodations, both direct and indirect, to DOSRI;
e. goodwill; and,
f. deferred income tax

(b) Tier 2 Capital includes:
a. appraisal increment reserve – bank premises if any, as authorized by the Monetary Board of the BSP; and,
b. general loan loss provision, limited to a maximum of 1.00% of credit risk-weighted assets.

The Bank's regulatory capital position is presented as follows:

(Amounts in PHP)	**2024**	2023
Tier 1 Capital	**785,078,472**	788,006,420
Tier 2 Capital	**82,537,706**	25,655,778
Total regulatory qualifying capital	**867,616,178**	813,662,198
Total risk-weighted assets	**7,458,442,843**	5,157,842,156
Capital ratios:		
Total regulatory capital expressed as percentage of total risk-weighted assets	**11.63%**	15.78%
Total Tier 1 expressed as percentage of total risk-weighted assets	**10.53%**	15.28%

As of December 31, 2024 and 2023, the Bank's capital adequacy ratios (CAR) is 11.63% and 15.78% respectively, which are higher than the BSP minimum requirement of 10.00% on the ratio of capital accounts against the risk-weighted assets.

(b) Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degrees of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles subject to the overall level of capital to support a particular operation or activity. The process of allocation of capital to specific operations and activities is undertaken independently of those responsible for the operation, and is subject to review by the Bank's BOD.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account profitability is also taken, and synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

(c) Minimum Capital Requirement

Under 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" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS Accounting Standards in some aspects (mainly in the recognition of deferred tax assets). The Bank is compliant with the P30.00 million minimum capital requirement of the BSP as of December 31, 2020.

In September 2022, the BSP raised the minimum capital requirement for rural banks. Rural banks with six to 10 branches are required to have a minimum capital of P120 million, while those with more than 10 branches should have capital of at least P200 million. As of December 31, 2024, the Bank have a total of seven branches and head office, and compliant with the P120.00 million minimum capital requirement.

(d) Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 16.00% effective January 1, 2021 was implemented as a temporary measure during the period of financial stress brought by COVID-19 pandemic.

On BSP Memorandum No. M-2022-24 which was approved by the Monetary Board in January 13, 2022, it has further extended the effectivity of the MLR of 16.00% for thrift, rural and cooperative banks until December 31, 2022. Starting January 01, 2023, MLR of 20.00% was reinstituted.

The Bank's MLR as of December 31, 2024 and 2023 are analyzed below.

(Amounts in PHP)	**2024**	2023
Eligible stock of liquid assets	**2,532,427,920**	3,538,778,761
Total qualifying liabilities	**4,984,964,114**	3,886,168,068
MLR	**50.80%**	91.06%

18.2 Capital Stock

Capital stock consists of:

(Amounts in PHP)	Shares		Amount	
	2024	2023	**2024**	2023
Common shares – P100 par value				
Authorized – 10,000,000 shares				
Issued:				
Balance at beginning of year	**7,000,000**	1,000,000	**700,000,000**	100,000,000
Issued during the year	**-**	6,000,000	**-**	600,000,000
Balance at end of year	**7,000,000**	7,000,000	**700,000,000**	700,000,000
Subscribed:				
Balance at beginning of year	-	2,250,000	-	225,000,000
Issued during the year	-	(2,250,000)	-	(225,000,000)
Balance at end of year	**-**	-	**-**	-
Subscription receivable:				
Balance at beginning of year			-	(125,000,000)
Deposit applied during the year			-	125,000,000
Balance at end of year			**-**	-
Total outstanding capital stock			**700,000,000**	700,000,000

As of December 31, 2024 and 2023, the Bank has three stockholders owning 100 or more shares each of the Bank's capital stock.

In the first quarter of 2023, the Bank received cash deposit from its stockholders amounting to P200.00 million as capital infusion. Consequently, in December 2023, additional cash deposit of P300.00 million was made by its stockholders as additional capital infusion for the year. The series of capital infusion were classified under the equity section in the 2023 statement of financial position.

18.3 Appropriation of General Loan Loss Reserves

Pursuant to the requirements of the BSP under Circular No. 1011, the Bank shall recognize general loan loss provisions equivalent to one percent of all outstanding loans as of the end of the reporting period, except for accounts considered as credit risk-free under the existing BSP regulations. In cases when the computed allowance for ECL on those exposures is less than the required one percent general loan loss provisions required, the deficiency is recognized through appropriation from the Bank's available surplus. In 2024, the Bank made an additional appropriation to General Loan Loss Reserves for the general loan loss portfolio amounting to P33.19 million since there was deficiency between the computed ECL and BSP provision. No such appropriation was made in 2023.

18.4 Other Surplus Reserves

On November 21, 2018, the BOD approved the reservation of surplus amounting to P33.19 million for the intended management information upgrade, IT development, and purchase of bank premises, furniture, fixture, and equipment.

The appropriation was materialized in 2023 over the information upgrade, IT development and purchase of bank premises, furniture, fixtures and equipment for the continued office and branch expansion and IT development aligned with the Bank's projects and pipeline of digital products that were developed over the past five years since 2018.

19. OTHER OPERATING INCOME AND EXPENSES

19.1 Other Operating Income

(Amounts in PHP)	Notes	**2024**	2023
Service charges and fees:			
Processing fees		**149,259,671**	128,423,268
Debit card fees		**108,821,800**	131,680,388
Online banking fees		**92,901,533**	54,755,435
Gain on sale of investment securities at amortized cost	9	**-**	1,025,323
Miscellaneous	15	**10,363,721**	2,394,386
		361,346,725	318,278,800

19.2 Other Operating Expenses

(Amounts in PHP)	Notes	**2024**	2023
Salaries and other benefits	20.1	**239,569,893**	159,831,487
Depreciation and amortization	11, 12.1, 13, 14, 15	**130,279,164**	121,435,736
Cost of debit cards		**64,328,850**	67,424,959
Taxes and licenses		**58,940,579**	37,190,108
Membership dues		**38,570,935**	9,954,651
Advertising and promotion		**38,438,243**	19,548,661
Information technology		**26,414,464**	4,417,185
Commissions	22.2	**25,820,300**	31,749,883
Insurance		**18,679,791**	14,102,696
Utilities		**14,466,423**	11,215,179
Traveling		**7,954,062**	4,594,611
Security and other services		**6,795,655**	9,338,002
Management and professional fees		**6,783,841**	7,282,384
Rentals	12.3	**5,625,485**	4,372,819
Representation		**5,434,919**	3,136,129
Supplies		**4,191,025**	1,891,147
Repairs and maintenance		**814,906**	645,210
Fuel and lubricants		**805,682**	949,283
Litigation		**427,179**	899,919
Others	12.2	**6,669,157**	908,546
		701,010,553	510,888,595

20. EMPLOYEE BENEFITS

20.1 Salaries and Other Benefits

Details of this account are presented below.

(Amounts in PHP)	Notes	**2024**	2023
Short-term employee benefits		**232,775,145**	154,859,638
Post-employment benefit	20.2	**6,794,748**	4,971,849
	19.2	**239,569,893**	159,831,487

20.2 Post-employment Benefit Obligation

(a) Characteristics of the Defined Benefit Plan

The Bank has not yet established a formal post-employment plan. However, it accrues the estimated cost of post-employment benefits, actuarially determined, required by the provisions of R.A. No. 7641, *The Retirement Pay Law*, which is a noncontributory post-employment defined benefit plan covering all regular full-time employees.

Under R.A. No. 7641, the Bank is required to provide minimum post-employment benefits to qualified employees. The Bank contributes to a multi-employer retirement fund, which is administered by a trustee bank.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made regularly to update the retirement benefit costsand the amount of contributions. The amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

(Amounts in PHP)	**2024**	2023
Present value of the obligation	**28,862,101**	23,395,741
Fair value of plan assets	**(12,386,728)**	(8,067,864)
	16,475,373	15,327,877

The movements in the present value of the obligation are presented below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**23,395,741**	13,536,379
Current service cost	**6,794,748**	3,363,094
Interest expense	**1,450,536**	988,156
Remeasurements – actuarial losses (gains) arising from:		
Experience adjustments	**(3,180,881)**	(1,254,647)
Change in financial assumptions	**401,957**	5,632,732
Benefits paid	**-**	(478,728)
Net transferred liabilities	**-**	1,608,755
Balance at end of year	**28,862,101**	23,395,741

The movements in the fair value of plan assets are presented below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**8,067,864**	954,995
Contributions to the plan assets	**3,744,887**	7,489,774
Interest income	**500,208**	69,715
Actuarial gains on plan assets	**73,769**	32,108
Benefits paid	**-**	(478,728)
Balance at end of year	**12,386,728**	8,067,864

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

(Amounts in PHP)	**2024**	2023
Cash and cash equivalents	**495,469**	37,677
Debt securities:		
Government bonds	**5,243,401**	3,836,053
Corporate bonds	**826,096**	604,369
Equity securities	**4,211,488**	1,634,606
Unit investment trust funds	**1,114,806**	1,952,782
Others	**495,468**	2,377
Balance at end of year	**12,386,728**	8,067,864

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The fair value of commercial properties does not have quoted prices and have been determined based on professional appraisals that would be classified as Level 3 of the fair value hierarchy.

The actual return on plan assets amounted to P0.50 million and P0.07 million in 2024 and 2023, respectively.

Plan assets do not comprise any of the Bank's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the post-employment benefit obligation are as follows:

(Amounts in PHP)	**2024**	2023
Reported in profit or loss:		
Current service cost	**6,794,748**	3,363,094
Net interest expense	**950,328**	918,441
Net transferred liabilities	**-**	1,608,755
	7,745,076	5,890,290
Reported in other comprehensive income (loss):		
Actuarial gains (losses) arising from:		
Experience adjustments	**3,180,881**	1,254,647
Change in financial assumptions	**(401,957)**	(5,632,732)
Actuarial gain on plan assets	**73,769**	32,108
	2,852,693	(4,345,977)

Current service costs form part of the Salaries and other benefits under Other Operating Expenses account, while net interest expense is presented as part of Interest Expense in the statements of comprehensive income.

Amounts recognized in other comprehensive income or loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2024	2023
Discount rates	**6.10%**	6.20%
Expected rate of salary increase	**5.00%**	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 14 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities, and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the participants will result in an increase in the post-employment benefit obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment benefit obligation:

(Amounts in PHP)	**Impact on post-employment benefit obligation**		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
December 31, 2024:			
Discount rate	**+1.0%/-1.0%**	**(3,704,030)**	**4,468,217**
Salary growth rate	**+1.0%/-1.0%**	**4,280,467**	**(3,622,434)**
December 31, 2023:			
Discount rate	+1.0%/-1.0%	(2,960,272)	3,547,025
Salary growth rate	+1.0%/-1.0%	3,393,526	(2,891,435)

The sensitivity analysis in the preceding page is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Bank and trustee bank have no specific matching strategy between the plan assets and the plan obligation

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P16.48 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk when a significant number of employees is expected to retire.

The Bank expects to make contribution of P16.48 million to the plan during the next reporting period.

The weighted average duration of the post-employment benefit obligation at the end of the reporting period is 14 years.

21. TAXES

The components of tax expense reported in the statements of comprehensive income is as follows:

(Amounts in PHP)	**2024**	2023
Reported in profit or loss:		
Regular corporate income tax (RCIT) at 25%	**21,841,695**	-
Final tax at 20%	**20,893,800**	25,764,083
Application of minimum corporate income tax (MCIT)	**(5,662,227)**	-
MCIT at 2% in 2024 and 1.5% in 2023	**-**	5,662,227
	37,073,268	31,426,310
Deferred tax income relating to origination and reversal of temporary differences	**(8,721,244)**	(10,525,764)
	28,352,024	20,900,546
Reported in other comprehensive income –		
Deferred tax income (expense) relating to origination and reversal of temporary differences	**(713,173)**	1,086,494

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss follows:

(Amounts in PHP)	**2024**	2023
Tax on pretax profit	**22,988,262**	21,660,458
Adjustment for income subjected to lower tax rates	**(5,223,450)**	(6,252,890)
Tax effect of:		
Non-deductible expense	**10,775,084**	7,944,746
Recognition of previously unrecognized DTA	**(187,872)**	(2,451,768)
Tax expense	**28,352,024**	20,900,546

The net deferred taxes as of December 31, 2024 and 2023 relates to the following:

	Statements of Financial Position		Statements of Comprehensive Income			
			Profit or Loss		Other Comprehensive Income	
(Amounts in PHP)	**2024**	2023	**2024**	2023	**2024**	2023
Impairment allowance for:						
Loans and other receivables	**31,323,226**	18,564,739	**12,758,487**	6,429,049	**-**	-
Other resources	**-**	-	**-**	(38,725)	**-**	-
Unamortized past service cost	**503,586**	566,534	**(62,948)**	566,534	**-**	-
Retirement benefit obligation	**4,118,843**	3,831,969	**1,000,047**	(399,871)	**(713,173)**	1,086,494
Lease liabilities	**10,592,576**	4,506,913	**6,085,663**	2,014,493	**-**	-
Right-of-use assets	**(9,925,059)**	(4,339,410)	**(5,585,649)**	(2,023,415)	**-**	-
MCIT	**-**	5,474,356	**(5,474,356)**	3,977,699	**-**	-
Total deferred tax assets - net	**36,613,172**	28,605,101				
Deferred tax income (expense) - net			**8,721,244**	10,525,764	**(713,173)**	1,086,494

The Bank is subject to MCIT which is computed at 1% from July 30, 2020 until June 30, 2023, after which it was reverted back to 2% of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. In 2024 and 2023, the Bank recognized RCIT and MCIT, respectively.

The details of the Bank's MCIT are as follows:

(Amounts in PHP)

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2023	5,662,227	(5,662,227)	-	-	2026

In 2024 and 2023, the Bank opted to claim itemized deductions in computing for its income tax due.

22. RELATED PARTY TRANSACTIONS

The summary of the Bank's transactions with its related parties as of December 31, 2024 and 2023 is presented below.

(Amounts in PHP)		2024		2023	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding balance**	Amount of Transaction	Outstanding balance
DOSRI:					
Grant and payment of loans	22.1	**23,590,158**	**21,353,222**	4,833,852	6,993,578
Deposit liabilities	22.1	**7,000,000**	**(21,201,272)**	100,304,083	(28,484,622)
Other related parties:					
Cash agent transactions	10, 17, 22.2	**5,359,301,437**	**(99,503,112)**	8,108,513,088	(22,807,806)
Commission expense	22.2	**25,820,300**	**-**	31,749,883	-
Key management personnel –					
Compensation	22.3	**65,433,100**	**-**	61,245,887	-

22.1 Transactions with Directors, Officers, Stockholders and Related Interest

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 same terms as with other individuals and businesses of comparable risk.

The General Banking Law limits the amount of direct credit accommodation to DOSRI, 70% of which must be secured and should not exceed the total of their respective deposits and book value of their respective investment in the Bank. In the aggregate, loans to DOSRI generally should not exceed the lower of the respective total capital funds or 15% of the Bank's total loan portfolio.

BSP Circular No. 423 dated March 15, 2004, amended the definition of DOSRI accounts. As of December 31, 2024 and 2023, the Bank is in compliance with these regulations.

22.2 Cash Agent Transactions

The Bank has executed cash agency agreements with its various affiliated companies under P.J. Lhuillier Group of Companies (PJLI or Cash Agents), wherein PJLI is authorized to accept deposits and facilitate withdrawals and other services as may be allowed under BSP Circular No. 940, *Guidelines on Deposit and Cash Servicing Outside of Bank Premises*. In 2024 and 2023, total remittances from Cash Agents amounted to P5.36 billion and P8.11 billion, respectively.

The Bank entered into an agreement with the Cash Agents, wherein the Cash Agents would facilitate debit card services on behalf of the Bank. In relation to the facilitation of debit card services, the Bank paid commission to Cash Agents amounting to P25.82 million and P31.75 million in 2024 and 2023, respectively, and is presented as Commissions under Other Operating Expenses in the statements of comprehensive income (see Note 19.2).

Cash agent transactions resulted to a net payable to Cash Agents amounting to P99.50 million and P22.81 million as of December 31, 2024 and 2023, respectively, and is presented as Payable to cash agents under Accrued Expenses and Other Liabilities account in the statements of financial position (see Note 17).

22.3 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

(Amounts in PHP)	**2024**	2023
Short-term employee benefits	**59,132,352**	56,274,038
Post-employment benefit	**6,300,748**	4,971,849
	65,433,100	61,245,887

Short-term benefits paid to key management employees are presented as part of Salaries and other benefits under Other Operating Expenses in the statements of comprehensive income (see Notes 19.2 and 20.1).

22.4 Retirement Plan

The Bank's retirement fund is a multi-employer retirement plan, which is administered by a trustee bank. The retirement fund includes investments in government and corporate bonds, equity securities, and cash and cash equivalents with fair value totaling P12.39 million and P8.07 million as of December 31, 2024 and 2023, respectively. The retirement fund has no outstanding deposits or investment in the Bank as of December 31, 2024 and 2023.

The details of the contributions of the Bank are presented in Note 20.2(b).

23. COMMITMENTS AND CONTINGENCIES

There are other commitments and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. As of December 31, 2024 and 2023, management is of the opinion that losses, if any, from these items will not have a material effect on the Bank's financial statements.

24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BANGKO SENTRAL NG PILIPINAS

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements.

a) Selected Financial Performance Indicators

The following are some of the financial performance indicators of the Bank:

	2024	2023
Return on average equity:		
Net profit after income tax / Average total equity	**6.45%**	9.56%
Return on average resources:		
Net profit after income tax / Average total resources	**0.73%**	0.90%
Net interest margin:		
Net interest income / Average interest earning resources	**6.43%**	4.58%

b) *Capital Instruments Issued*

The capital instrument issued by the Bank comprises only of common shares. Moreover, the Bank has 7,000,000 common shares which were issued and outstanding as at December 31, 2024 and 2023.

c) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL follows:

	2024		2023	
(Amounts in PHP)	**Amount**	**Percentage**	Amount	Percentage
Personal consumption	**3,435,129,562**	**53.97%**	2,127,466,931	57.20%
Real estate activities	**1,609,752,207**	**25.29%**	1,125,274,142	30.26%
Wholesale and retail trade	**450,768,831**	**7.08%**	62,397,759	1.68%
Manufacturing	**228,060,690**	**3.58%**	5,046,412	0.14%
Agriculture, forestry, and fishing	**200,822,660**	**3.16%**	24,665,660	0.66%
Construction	**139,514,111**	**2.19%**	99,891,682	2.69%
Administrative and support service activities	**97,149,692**	**1.53%**	63,567,594	1.71%
Financial and insurance activities	**87,564,824**	**1.38%**	87,633,963	2.36%
Accommodation and food service activities	**44,497,630**	**0.70%**	11,595,175	0.31%
Professional, scientific and technical activities	**25,640,426**	**0.40%**	21,815,745	0.59%
Information and communication	**24,774,404**	**0.39%**	-	0.00%
Activities of household as employers and undifferentiated goods-and-services-producing activities of households for own use	**5,949,630**	**0.09%**	11,159,547	0.30%
Transportation and storage	**2,719,637**	**0.04%**	2,366,090	0.05%
Education	**1,000,954**	**0.02%**	954	0.00%
Human health and social service activities	**5,351**	**0.00%**	5,351	0.00%
Electricity, gas, steam, and air-conditioning supply	**-**	**0.00%**	72,000,000	1.93%
Other service activities	**11,790,959**	**0.18%**	4,291,378	0.12%
	6,365,141,568	**100.00%**	3,719,178,383	100.00%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital. In 2024 and 2023, the Bank has significant credit exposures to certain industries.

As of December 31, 2024 and 2023, 10% of Tier 1 capital amounted to P78.51 million and P78.80 million, respectively, and the table below shows the two industry groups exceeding this level.

(Amounts in PHP)	**2024**	2023
Personal consumption	**3,435,129,567**	-
Real estate activities	**1,609,752,207**	1,140,573,159
Wholesale and retail trade	**450,768,831**	-
Manufacturing	**228,060,690**	-
Agriculture, forestry, and fishing	**200,822,660**	-
Construction	**139,514,110**	99,891,682
Administrative and support service activities	**97,149,692**	-
Financial intermediaries	**87,564,824**	87,633,963
Other service activities	**-**	2,148,847,688

d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below.

	2024		
(Amounts in PHP)	**Performing**	**Non-performing**	**Total**
Gross Carrying Amount:			
Salary loans	3,157,343,625	172,013,946	3,329,357,571
Housing loans	983,597,417	95,929,728	1,079,527,145
Commercial loans	1,012,410,340	80,438,805	1,092,849,145
Small and medium-sized entities	663,340,917	3,744,211	667,085,128
Consumer loans	56,173,520	2,547,336	58,720,856
Agra and other agri credits	42,479,130	3,947,712	46,426,842
Under litigation	-	29,373,715	29,373,715
Motorcycle loans	43,086,491	3,093,407	46,179,898
Loans for other purposes	13,369,801	-	13,369,801
Microfinance loans	-	1,639,459	1,639,459
Auto loans	612,008	-	612,008
	5,972,413,249	392,728,319	6,365,141,568
Allowance for ECL	(27,826,072)	(97,466,830)	(125,292,902)
Net Carrying Amount	**5,944,587,177**	**295,261,489**	**6,239,848,666**

	2023		
(Amounts in PHP)	Performing	Non-performing	Total
Gross Carrying Amount:			
Salary loans	2,061,076,622	90,925,149	2,152,001,771
Housing loans	872,990,600	32,895,878	905,886,478
Commercial loans	535,229,469	-	535,229,469
Small and medium-sized entities	62,052,210	11,789,219	73,841,429
Consumer loans	61,859,861	141,901	62,001,762
Agra and other agri credits	26,500,530	5,516,380	32,016,910
Loans for other purposes	17,247,910	816,051	18,063,961
Motorcycle loans	16,362,369	2,467,729	18,830,098
Auto loans	792,604	-	792,604
Microfinance loans	197,164	1,512,787	1,709,951
Under litigation	-	28,550,121	28,550,121
	3,654,309,339	174,615,215	3,828,924,554
Allowance for ECL	(50,422,625)	(23,836,329)	(74,258,954)
Net Carrying Amount	3,603,886,714	150,778,886	3,754,665,600

As at December 31, 2024 and 2023, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow:

(Amounts in PHP)	**2024**	2023
Gross NPLs	**392,265,294**	198,051,764
NPLs fully covered by allowance for impairment	**(83,313,560)**	(24,195,192)
	308,951,734	173,856,572

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

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written-off.

Restructured loans amount to P2.38 million and P5.16 million as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P0.03 million and P0.12 million as of December 31, 2024 and 2023, respectively.

Interest income recognized on impaired loans and receivables amounted to P0.80 million and P0.19 million in 2024 and 2023, respectively.

e) *Analysis of Loan Portfolio as to Type of Security*

The breakdown of loans as to secured and unsecured (gross of unearned discounts and allowance for impairment) follows:

(Amounts in PHP)	**2024**	2023
Secured	**2,393,947,244**	1,315,643,574
Unsecured	**3,971,194,324**	2,403,534,809
	6,365,141,568	3,719,178,383

f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with certain related parties, including DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as at December 31 in accordance with BSP reporting guidelines:

	DOSRI Loans		**Related Party Loans (inclusive of DOSRI)**	
(Amounts in PHP)	**2024**	2023	**2024**	2023
Total outstanding loans	**21,533,222**	6,993,578	**21,533,222**	6,993,578
% of DOSRI / related party loans to total loan portfolio	**0.34%**	0.19%	**0.34%**	0.19%
% of unsecured DOSRI / related party loans to total DOSRI / related party loans	**0.0%**	0.0%	**0.0%**	0.0%
% of past due loans to DOSRI / related party loans to total DOSRI / related party loans	**0.0%**	0.0%	**0.0%**	0.0%
% of non-performing DOSRI / related party loans to total DOSRI / related party loans	**0.0%**	0.0%	**0.0%**	0.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

g) *Secured Liabilities and Assets Pledged as Security*

The Bank does not have any secured liabilities nor assets pledged as security as at December 31, 2024 and 2023.

h) *Contingencies and Commitments Arising from Off-balance Sheet Items*

The Bank has no commitments and contingent accounts arising from transactions not given recognition in the statement of financial position, expressed at their equivalent peso contractual amounts as of the end of reporting period.

25. SUPPLEMENTAL INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding pages.

(a) Gross Receipt Tax

In lieu of value-added taxes, the Bank is subject to gross receipts tax (GRT) imposed on all banks and non-bank financial intermediaries performing quasi-banking transactions pursuant to Section 121 of the Tax Code, as amended.

In 2024, the Bank reported total GRT amounting to P33.22 million, which is shown as part of Taxes and licenses under Other Operating Expenses account in the 2024 statement of comprehensive income.

Details of the tax bases of GRT and their corresponding tax rate follow:

(Amounts in PHP)

Tax Rate	Tax Base	Amount
7%	324,476,793	22,713,376
5%	124,615,726	6,230,786
1%	427,672,229	4,276,722
	876,764,748	**33,220,884**

(b) Documentary Stamp Tax

In general, the Bank's documentary stamp tax (DST) transactions arise from the execution of debt instruments, security documents, certificates of deposits and bills of exchange.

For the year ended December 31, 2024, DST affixed amounted to P28.16 million representing documentary stamps imposed mainly on debt instruments issued during the year, of which were all charged to the Bank's clients, hence, not reported as part of the Bank's expenses. While DST amounting to P1.58 million was imposed for the issuance of shares and certificate of time deposits, and is presented as part of Taxes and licenses under Other Operating Expenses account in the 2024 statement of comprehensive income.

(c) Taxes on Importations

The Bank has not paid or accrued any tax on importation as it has no importation for the year ended December 31, 2024.

(d) Excise Tax

The Bank did not have any transaction in 2024, which is subject to excise tax.

(e) Taxes and Licenses

The details of this account presented under Other Operating Expenses in the 2024 statement of comprehensive income follow:

(Amounts in PHP)	
GRT	33,220,884
Deficiency taxes	20,555,034
Business permits and other licenses	3,361,505
DST	1,581,466
Miscellaneous	221,690
	58,940,579

(f) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2024 are shown below.

(Amounts in PHP)	
Compensation and employee benefits	20,727,203
Expanded	4,659,449
Final	5,767,871
	31,154,523

(g) Deficiency Tax Assessments and Tax Cases

In 2024, the Bank paid deficiency taxes amounting to P20.56 million for the taxable year 2021 covering certain withholding and documentary stamp taxes. The amounts paid are presented as part of Taxes and licenses under the Other Operating Expenses account in the 2024 statement of comprehensive income.

As of December 31, 2024, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.

BANK PRESIDENT'S OFFICE

Cebuana Lhuillier Rural Bank
Company: CLRB

Position Chart as of June 2024

Reviewed and Recommended by:

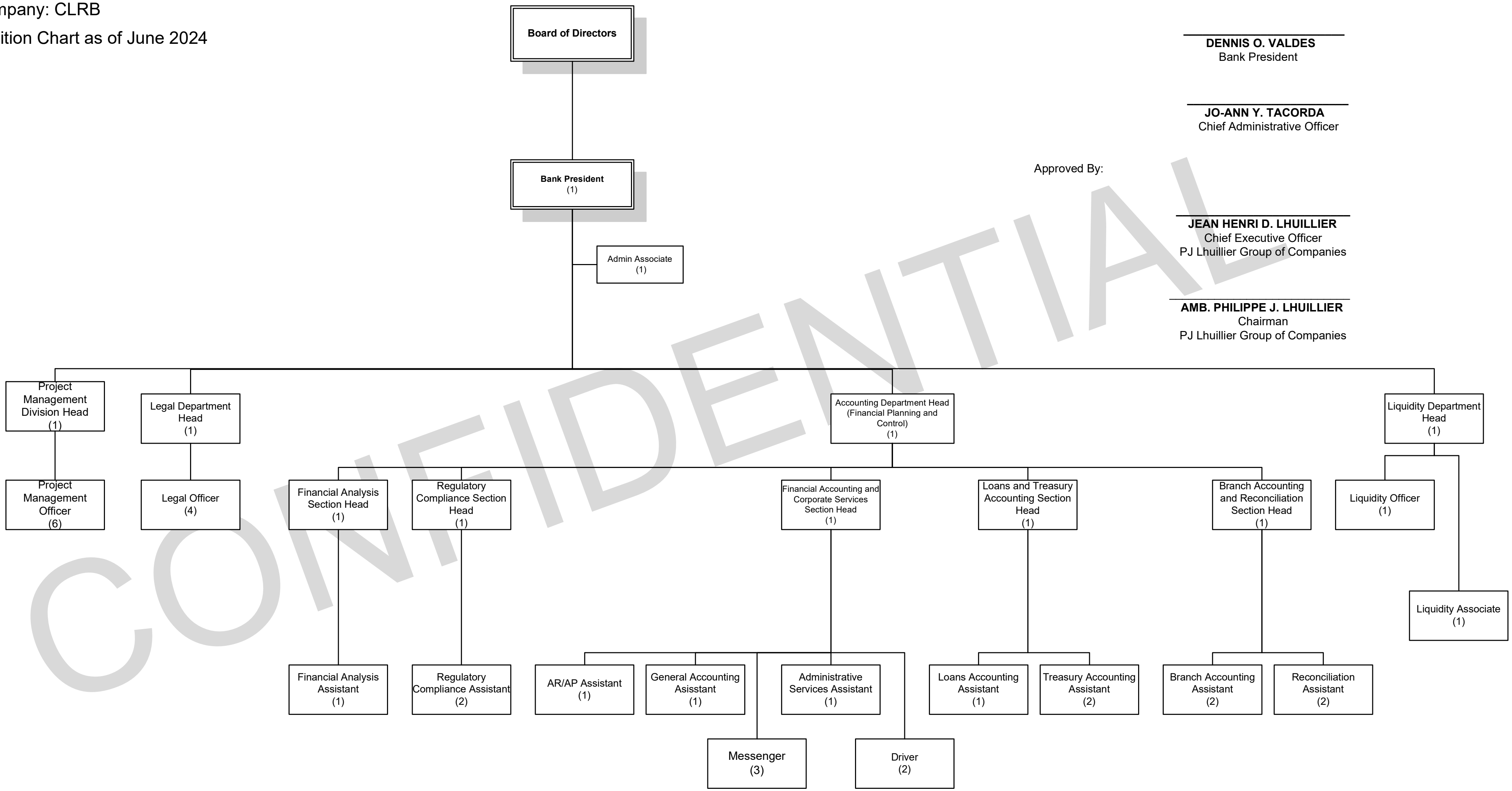
DENNIS O. VALDES
Bank President

JO-ANN Y. TACORDA
Chief Administrative Officer

Approved By:

JEAN HENRI D. LHUILLIER
Chief Executive Officer
PJ Lhuillier Group of Companies

AMB. PHILIPPE J. LHUILLIER
Chairman
PJ Lhuillier Group of Companies



Prepared by: NAFollero/CAGFriginal/MVAValientes
Effective Date: June 25, 2024

BOD LEVEL COMMITTEE

Cebuana Lhuillier Rural Bank
Company: CLRB

Position Chart as of September 2024

Reviewed and Recommended by:

DENNIS O. VALDES
Bank President

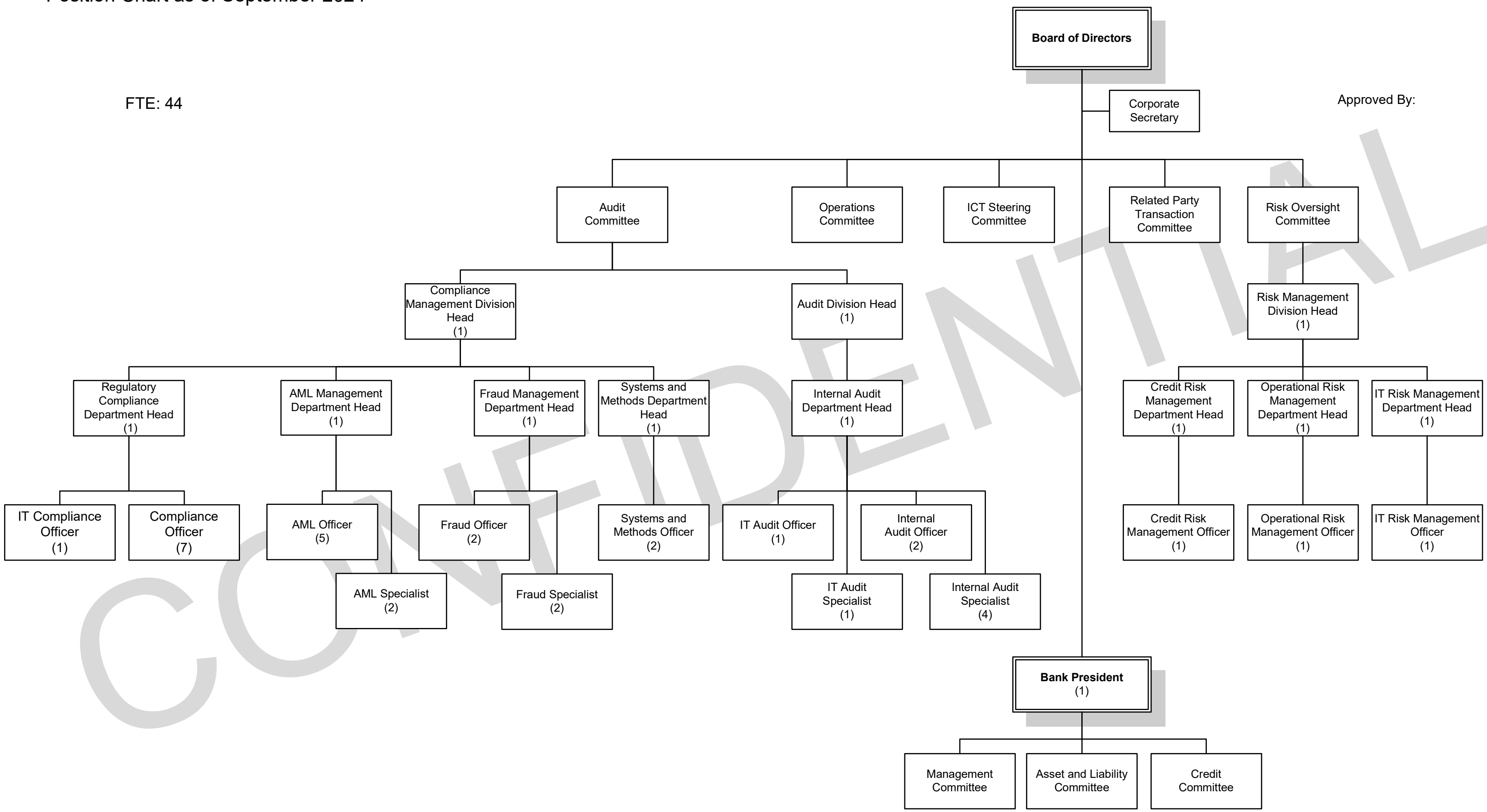
JO-ANN Y. TACORDA
Chief Administrative Officer

Approved By:

JEAN HENRI D. LHUILLIER
Chief Executive Officer
PJ Lhuillier Group of Companies

AMB. PHILIPPE J. LHUILLIER
Chairman
PJ Lhuillier Group of Companies

FTE: 44

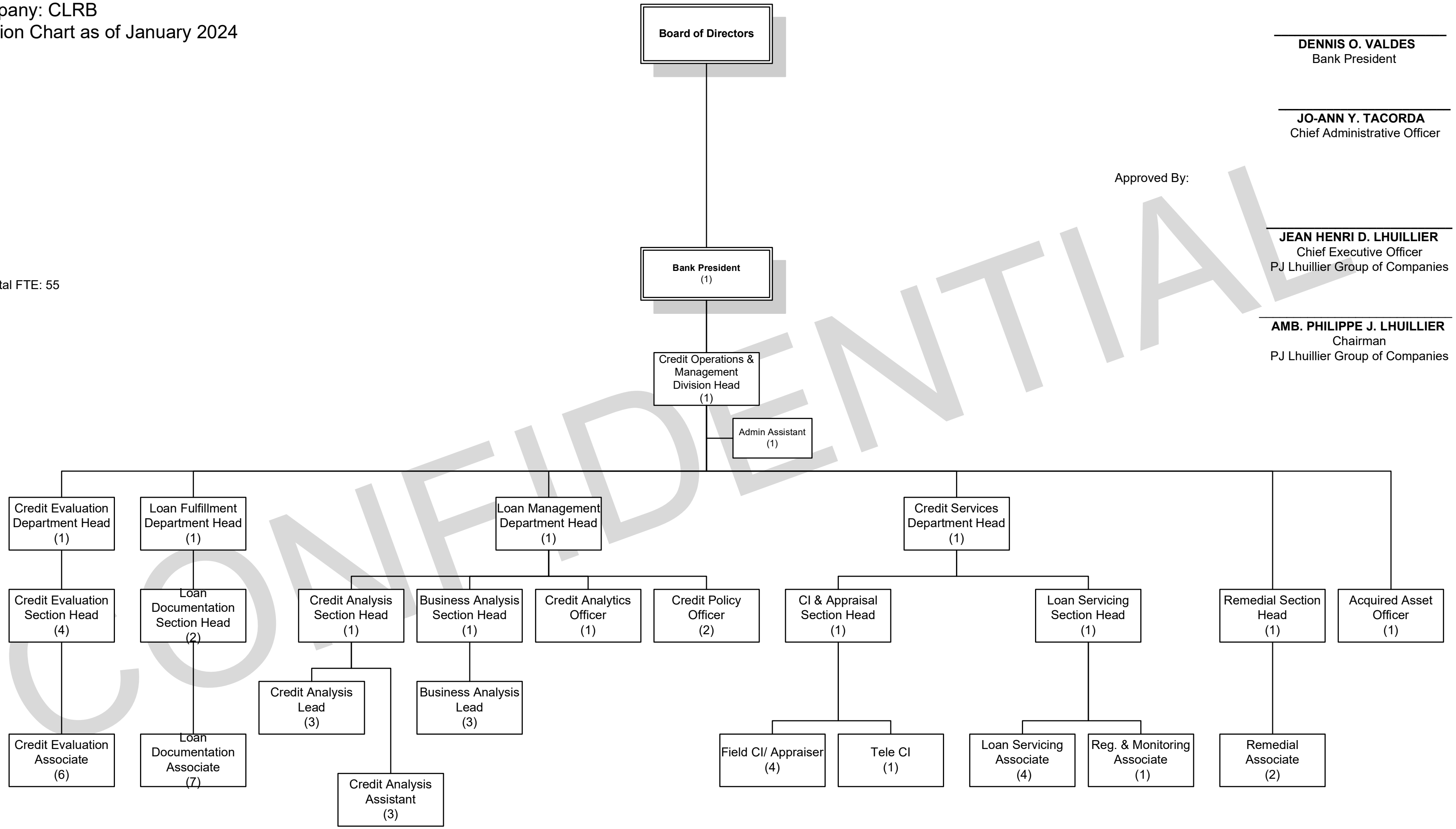


Prepared by: NAFollero/CAGFriginal/MVAValientes
Effective Date: September 10, 2024

CREDIT OPERATIONS & MANAGEMENT DIVISION

Cebuana Lhuillier Rural Bank
Company: CLRB
Position Chart as of January 2024

Total FTE: 55



Reviewed and Recommended by:

DENNIS O. VALDES
Bank President

JO-ANN Y. TACORDA
Chief Administrative Officer

Approved By:

JEAN HENRI D. LHUILLIER
Chief Executive Officer
PJ Lhuillier Group of Companies

AMB. PHILIPPE J. LHUILLIER
Chairman
PJ Lhuillier Group of Companies

Prepared by: NAFollero/BFNarvaez/MVAValientes
Effective Date: January 1, 2024

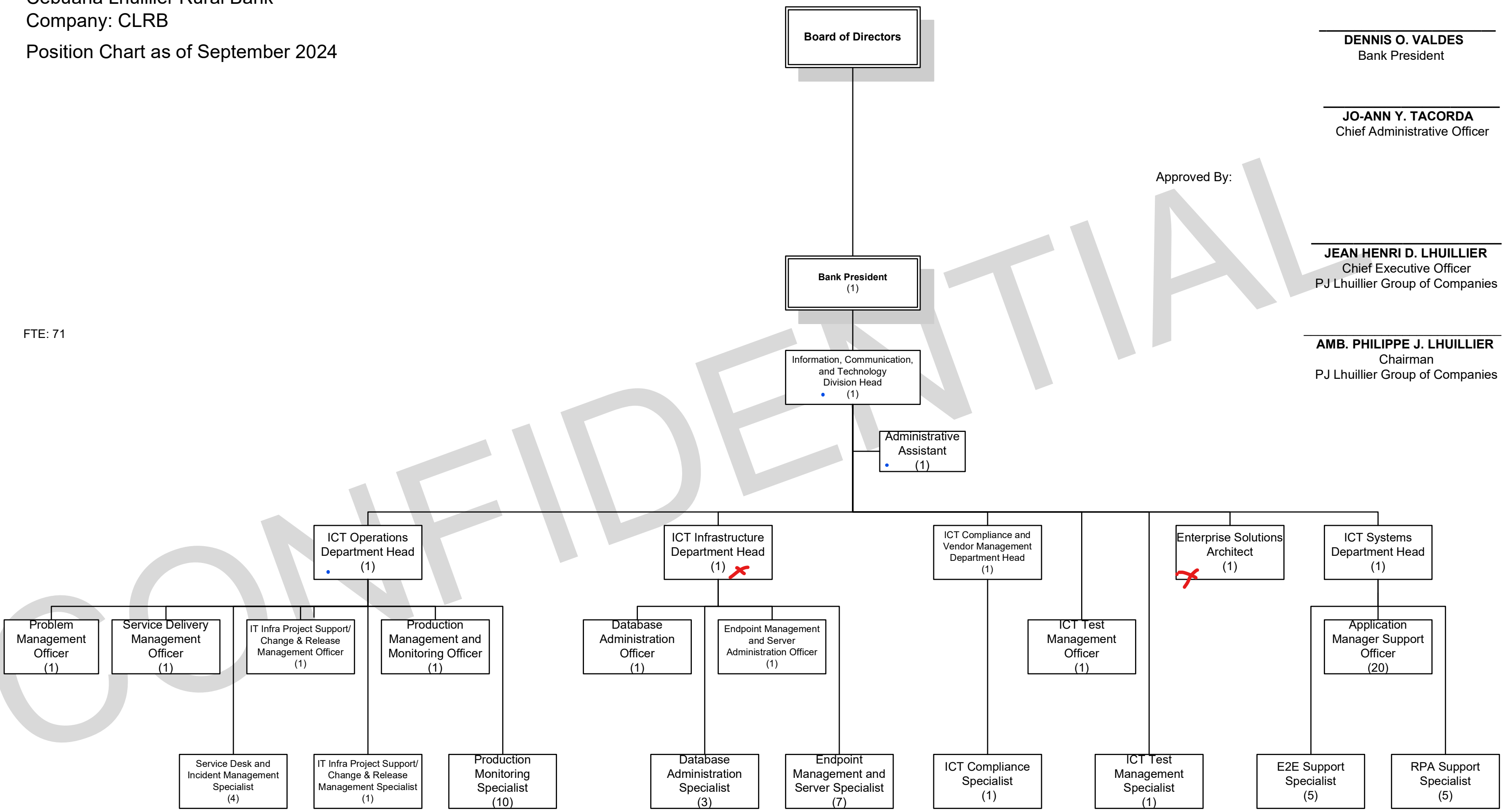
INFORMATION, COMMUNICATION & TECHNOLOGY DIVISION

Cebuana Lhuillier Rural Bank

Company: CLRB

Position Chart as of September 2024

FTE: 71



Reviewed and Recommended by:

DENNIS O. VALDES
Bank President

JO-ANN Y. TACORDA
Chief Administrative Officer

Approved By:

JEAN HENRI D. LHUILLIER
Chief Executive Officer
PJ Lhuillier Group of Companies

AMB. PHILIPPE J. LHUILLIER
Chairman
PJ Lhuillier Group of Companies

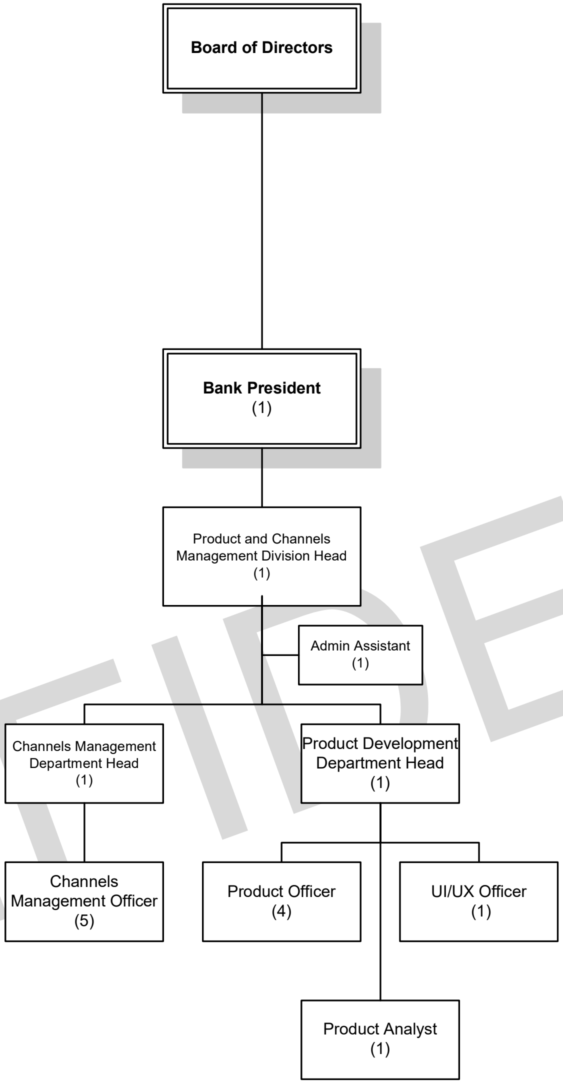
Prepared by: NAFollero/CAGFriginal/MVAValientes
Effective Date September 25, 2024

PRODUCT AND CHANNELS MANAGEMENT DIVISION

Cebuana Lhuillier Rural Bank
Company: CLRB

Position Chart as of January 2024

Total FTE: 15



Reviewed and Recommended by:

DENNIS O. VALDES
Bank President

JO-ANN Y. TACORDA
Chief Administrative Officer

Approved By:

JEAN HENRI D. LHUILLIER
Chief Executive Officer
PJ Lhuillier Group of Companies

AMB. PHILIPPE J. LHUILLIER
Chairman
PJ Lhuillier Group of Companies

Prepared by: NAFollero/CAFriginalMVAValientes
Effective Date: January 1, 2024

RETAIL BANKING DIVISION

Cebuana Lhuillier Rural Bank
Company: CLRB

Position Chart as of January 2024

Reviewed and Recommended by:

DENNIS O. VALDES
Bank President

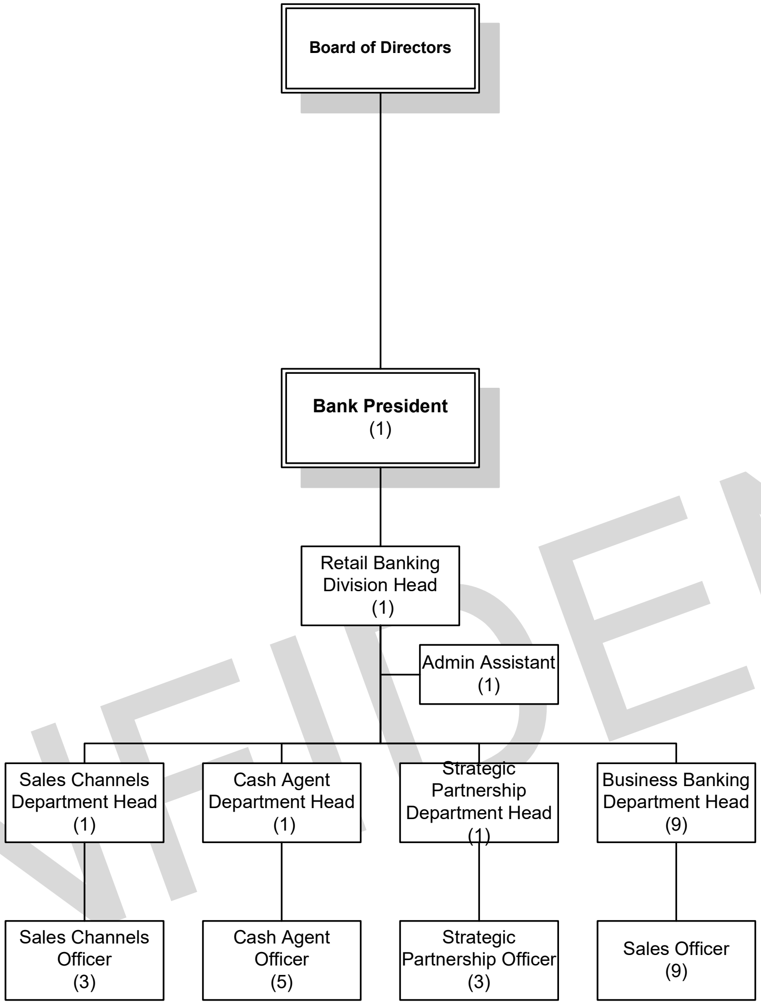
JO-ANN Y. TACORDA
Chief Administrative Officer

Approved By:

JEAN HENRI D. LHUILLIER
Chief Executive Officer
PJ Lhuillier Group of Companies

AMB. PHILIPPE J. LHUILLIER
Chairman
PJ Lhuillier Group of Companies

Total FTE: 34

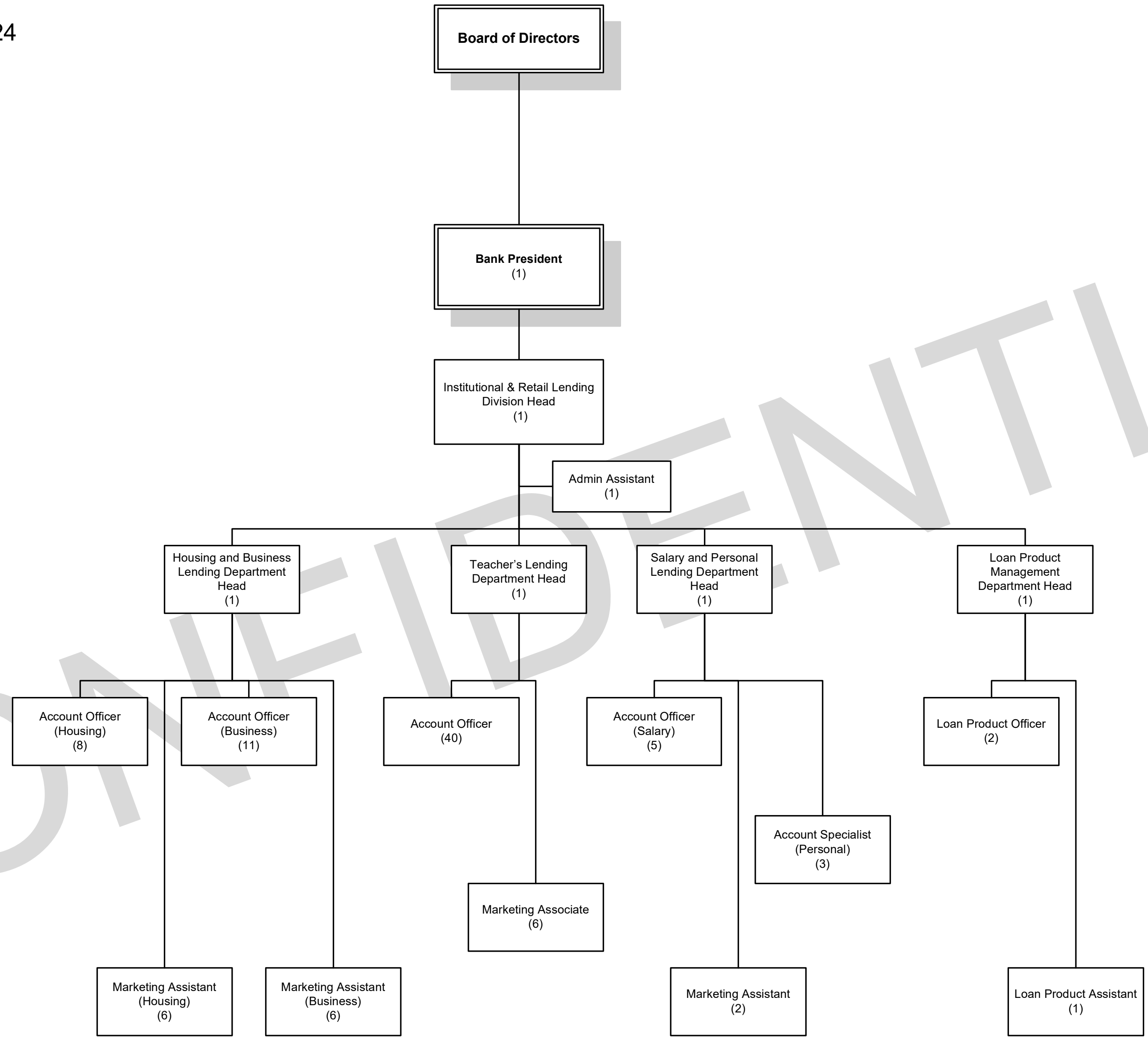


Prepared by: NAFollero/CAFriginalMVAValientes
Effective Date: January 1, 2024

INSTITUTIONAL & RETAIL LENDING DIVISION

Cebuana Lhuillier Rural Bank
Company: CLRB
Position Chart as of January 2024

Total FTE: 97



Prepared by: NAFollero/CAFriginal/MVAValientes
Effective Date: January 1, 2024

Central Operations Division

Cebuana Lhuillier Rural Bank
Company: CLRB
Position Chart as of January 2024

Total FTE: 112

Reviewed and Recommended by:

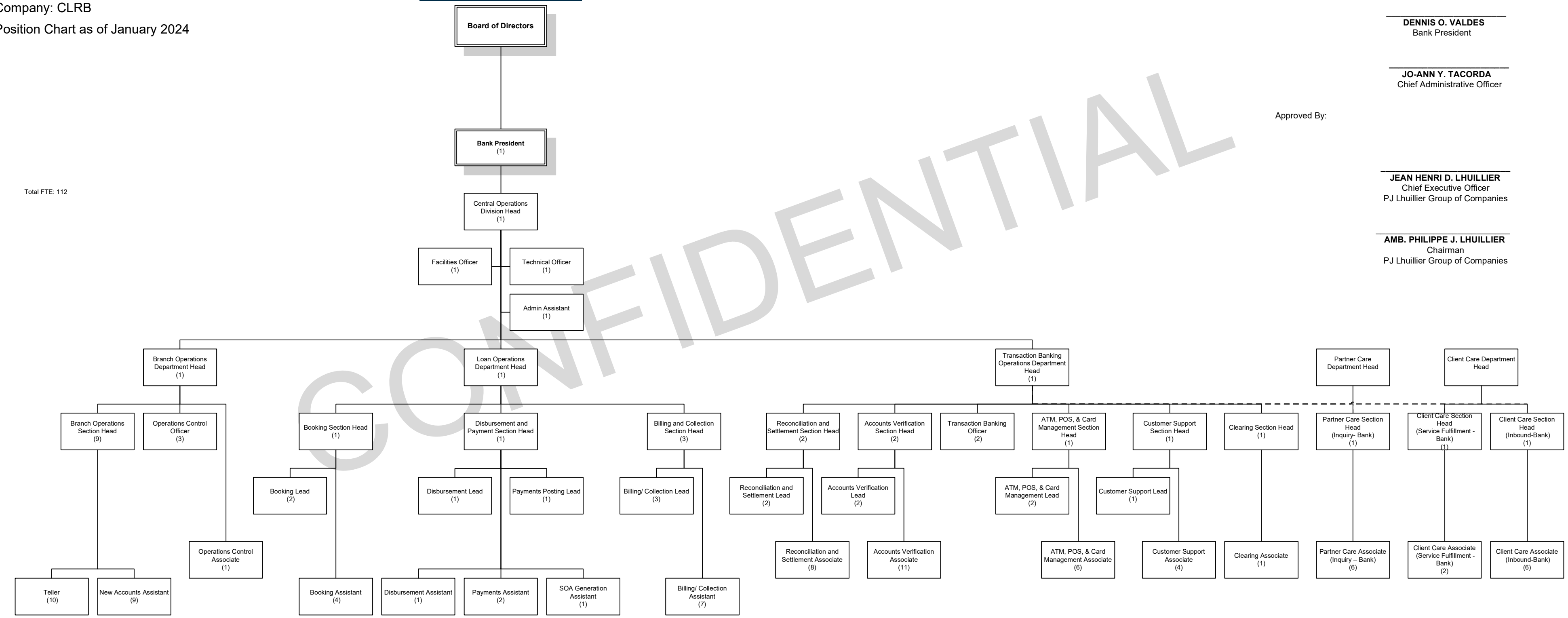
DENNIS O. VALDES
Bank President

JO-ANN Y. TACORDA
Chief Administrative Officer

Approved By:

JEAN HENRI D. LHUILLIER
Chief Executive Officer
PJ Lhuillier Group of Companies

AMB. PHILIPPE J. LHUILLIER
Chairman
PJ Lhuillier Group of Companies



Prepared by: NAFollero/MVAValientes
Effective Date: January 1, 2024