



# 2023 ANNUAL REPORT

**"YOU"**  
**BEFORE ANYTHING**  
**ELSE**

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The page features several decorative elements: a semi-circular pattern of thin grey lines at the top center; a large, complex pattern of thin grey lines on the left side, resembling a stylized 'P' or a series of overlapping loops; a small semi-circular pattern at the bottom center; and a wavy pattern of thin grey lines at the bottom right.

# **CORPORATE POLICY**



## **A. CORPORATE POLICY**

### **I. Vision, Mission and Core Values**

#### **Vision:**

As a partner in nation-building, to be recognized as among the leading rural banks of value to customers, shareholders and employees, continuously striving to create more valued products, achieve greater results and make a positive contribution to the life of every individual.

#### **Mission:**

- To encourage the people to practice the habit of savings and thrift and the judicious use of credit in the communities that it serves;
- To help eradicate usurious practices in the communities it serves;
- To provide quality service to the people of the communities it serves whether they are depositors or borrowers so that they can improve their economic standing;
- To enhance the knowledge, skills and community relations of the employees, so they can become good citizens and uplift their economic well-being;
- To encourage the people to be proactive in banking activities so as to spur economic activity in the community, as partners in nation-building.

#### **Core Values:**

- Respect
- Excellence
- Responsibility
- Teamwork
- Concern for People

## **II. About us**

### **BRIEF HISTORY OF PANGASINAN BANK (A RURAL BANK), INC. *Formerly Pangasinan Savings and Loan Bank***

In the early part of 1976, a closely-knit circle of friends from San Fabian, Pangasinan informally gathered together and decided to organize the second thrift bank in Pangasinan. The group was composed of Dr. Gregorio T. de Guzman, Jr., a private medical practitioner, Atty. Conrado P. Gubatan, at that time Mayor of San Fabian, Mr. Daniel P. Calimlim, an insurance underwriter also engaged in the poultry business, and Mr. Mauro S. Abalos, an accountant and businessman. They invited Msgr. Oscar A. Aquino, who was then parish priest of San Fabian and a native of Mangaldan to join them. With the support of some relatives, namely, Dr. Letecia L. Quinto and Mr. Alfredo B. Quinto, related by affinity to Dr. Gregorio T. de Guzman, Jr. and Dr. Loreto J. Gubatan, a dentist and brother of Atty. Conrado P. Gubatan, the group managed to deposit Five Hundred Thousand Pesos (P 500,000.00) with the Central Bank and this amount was the minimum paid-up capital required of a thrift bank at that time.

In August of 1976, the first staff of the bank led by Dr. and Mrs. Gregorio T. de Guzman, Jr. underwent a 15-day training at the Central Bank Training Institute. The basic training course was especially designed for employees of savings and loan associations, one of three categories of thrift banks.

With a fully trained staff, the Bank opened on October 3, 1976 on a rented building in Mangaldan, right at the center of business of the town. The Bank's name back then was PANGASINAN SAVINGS AND LOAN ASSOCIATION, INC. The blessing was officiated by the late Msgr. Federico Limon, Archbishop of Lingayen-Dagupan with prospective depositors, hundreds of them, in attendance. The guest of honor was the late Mr. Manuel Santos, the Central Bank Director in charge of savings and loan associations.

At the end of 1976, after three months of operation, the Association has exceeded break even and realized a profit of P 137.00. Since then, the Corporation has been profiting except for the troublesome years that followed the assassination of Ninoy Aquino.

One year after the bank's establishment, due to profitable operation, the Central Bank granted rediscounting privileges and availment of cheap special time deposits (STD) for supervised and non-supervised credit. These privileges expanded the resources of the Bank although most of the time, the Bank did not need loans from the Central Bank due to the rapid increase of deposits from the general public. The Bank has been a pioneer in the financing of cotton industry which flourished in San Fabian and neighboring towns in the eighties. It was in fact one of the biggest financiers of cotton planting in the entire country.

After exactly two years of operation, on October 3, 1978, the Bank opened a Savings Agency, its first branch unit, in San Fabian (which was converted into a full branch in 1990). Then came a rapid succession of branches which were also approved by the Central Bank because of profitable operation and efficient management and strict adherence to all rules and regulations prescribed by the Central Bank. The Malasiqui branch was opened on April

22, 1979, followed by Binmaley branch on June 17, 1979 and the Alaminos Branch on March 3, 1980.

From December 31, 1977 to June 30, 1980, the Bank's stockholders gradually increased the paid-up capital of the Bank using their hard-earned savings, from P 500,000.00 to P 2 Million to comply with the minimum capital requirement prescribed by the Central Bank. When the Bank had attained the P 2 Million mark, it earned the right to change its corporate name to PANGASINAN SAVINGS AND LOAN BANK, INC. and its new name was registered with the Securities and Exchange Commission.

In 1981, the Central Bank required another round of capital build-up with P 5 Million as the target for savings and loan associations outside of Metro Manila. But due to the economic crisis that started in 1983, the stockholders were not able to comply immediately with the increase in capital. To remedy the situation, the stockholders channeled all available dividends from the undivided profits to stock dividends and the members of the Board of Directors infused back all their per diem and honoraria.

Despite the economic debacle during the martial law years, Pangasinan Savings and Loan Bank, Inc. maintained a consistent growth in resources and total deposits. In 1980, it was adjudged the First runner-up as Best Savings and Loan Association in the country by the Philippine League of Savings and Loan Associations, with the Central Bank acting as the judge of the contests.

In 1983, Pangasinan Savings and Loan Bank was accredited as a participating or originating bank by the National Home Mortgage Finance Corporation to grant PAG-IBIG housing loans, the only accredited bank in Pangasinan. It was given a continuous automatic revolving line of P 1.5 Million. Since then, Pangasinan Savings and Loan Bank Inc. has released about 150 housing loans amounting to about P 15 Million. On December 22, 1984, the National Home Mortgage Finance Corporation granted Pangasinan Savings and Loan Bank, Inc. a P 7.4 Million new credit line, one of the only 38 banks given accreditation.

From P 500,000, the Bank's resources had reached P 143 Million at the end of 1996. The original stockholders had managed to increase the Bank's capital to P 10 Million in 1992. But because the Central Bank in 1992 had required all thrift banks operating outside Metro Manila to have a P 20 Million capital, the original stockholders invited S & F Realty Corporation owned by Mr. & Mrs. Romualdo C. Siapno to infuse additional capital.

Finally, the P 20 Million capital requirement was complied with in 1996 only to be increased by the Central Bank (now the Bangko Sentral ng Pilipinas) to P 40 Million. The latest minimum capital requirement for thrift banks is P 52 Million at the end of 2000 and P 64 Million at the end of year 2001.

The present total capital accounts of Pangasinan Savings and Loan Bank, Inc. is P 44 Million, or P 20 Million short of the required capital. Knowing their limited capability, the present stockholders decided to downgrade the Bank's category to a rural bank. The group had also in mind the greater privileges now being enjoyed by rural banks like lower reserve requirements and easier branching requirements. The Bank will then be able to open branches in Rosario, La Union where it owns a prime lot and in other towns of Pangasinan, and will be eligible also to offer current accounts to its clients. The new name of the Bank as approved by the Bangko Sentral ng Pilipinas last January 2001 and by the Securities and

Exchange Commission in August 27, 2001 is now PANGASINAN BANK (A RURAL BANK), INC.

In August 2011, the capitalization of the Bank reached P50 million. Since the bank is over capitalized when it downgraded to rural bank, the bank decided to expand its operation to the north, and in March 26, 2007 the bank opened its first branch outside of Pangasinan located at Rosario, La Union.

### **EARLY YEARS:**

1976 - The bank was organized as the second thrift bank in Pangasinan with a minimum paid up capital of P500, 000.00 as a requirement for a thrift bank that time.

August of 1976 - when the first staff of the bank led by Dr. and Mrs. Gregorio T. de Guzman, Jr. underwent a 15-day training at the Central Bank Training Institute.

October 3, 1976 - when the bank first opened and was then was named PANGASINAN SAVINGS AND LOAN ASSOCIATION, INC.

### **GROWTH YEARS:**

December 31, 1977- the Bank's stockholders gradually increased the paid-up capital of the Bank using their hard-earned savings, from P 500,000.00 to P 2 Million to comply with the minimum capital requirement prescribed by the Central Bank.

October 3, 1978 - the Bank opened a Savings Agency, its first branch unit, in San Fabian.

April 22, 1979 - opening of Malasiqui branch.

June 17, 1979 - when Binmaley branch was opened.

March 3, 1980 - when Alaminos branch was opened.

1980- it was adjudged the First runner-up as Best Savings and Loan Association in the country by the Philippine League of Savings and Loan Associations, with the Central Bank acting as the judge of the contests.

1981- the Central Bank required another round of capital build-up with P 5 Million as the target for savings and loan associations outside of Metro Manila.

1983- as economic crisis was going on, the stockholders were not able to comply immediately with the increase in capital. To remedy the situation, the stockholders channeled all available dividends from the undivided profits to stock dividends and the members of the Board of Directors infused back all their per diem and honoraria.

PSLB was accredited as a participating or originating bank by the National Home Mortgage Finance Corporation to grant PAG-IBIG housing loans, the only accredited bank in Pangasinan. It was given a continuous automatic revolving line of P 1.5 Million.

December 22, 1984 - the NHMFC granted PSLB a P 7.4 Million new credit line, one of the only 38 banks given accreditation.

1996- the Bank's resources had reached P 143 Million from its original resources of P500, 000.00.

January 2001- the BSP approved the new name of the bank.

August 27, 2001- the new name of bank is now PANGASINAN BANK, (A RURAL BANK) INC. approved by BSP and SEC.

2005 – The bank computerized its loan and deposit operations.

March 26, 2007- opening of the first branch outside Pangasinan which is located at Rosario, La Union.

2008 - Pangasinan Bank released its first radio advertisement.

August 19, 2011- the total capitalization reached P50 million

January 30, 2015 – an agreement was entered into between the bank and Gate Distribution Enterprise, Inc. regarding the services of ECPAY for the provision of an electronic system infrastructure which includes electronic loading and payment facility. Additional product of the bank.

March 17, 2015 marked the first release of Auto Loan Product of the bank. Its loan concentration rise up to 85% to date.

August 24, 2022 – Amendments of the BSP as to the Minimum Capitalization or Rural Banks from 50 million to 120 million for Rural Banks with 6 to 10 branches including Head Office.

March 16, 2023 – Bank's application with the Bangko Sentral ng Pilipinas regarding the downgrade of Rosario Branch into Branch Lite Unit.

### **INTERVENING YEARS:**

- Recognition of Bank Employees labor union and several completed cycles of CBA negotiations/implementation of DWL increases per DOLE mandate.
- Restructuring of Bank Operations Set-Up and Organizational Plantilla:
  - COO\*/General Manager/\*Security Officer
  - Sales Manager\*
  - Remedial Officer/Pollution Officer
  - Centralized Loan Processing Unit\*\*
  - Credit Risk and Review Unit
  - MIS-IT Section

\*Position now vacant

\*\*Loan Bookkeeper/Processors reverted back to branches.

### **III. Bank's Business Model and Brand**

Pangasinan Bank (A Rural Bank), Inc. is a six-unit bank with Head office located in the agricultural town of Mangaldan, a 1<sup>st</sup> class municipality in the province of Pangasinan. It has four branches in Pangasinan located in City of Alaminos, Binmaley, Malasiqui, and San Fabian, and one branch in Rosario, La Union. It offers traditional loan and deposit products. Revenues are primarily driven by interest income from loans and supplemented by gains from disposal of ROPA. Funding is sourced mainly from deposits, which account for 80.58 percent of total resources.

These are channeled to loans and due from BSP and other banks comprising 48.17% and 36.79% respectively of total resources. Lending activities are mostly for motor vehicle (84.36%), and trading and commercial (7.06%) loans. Other loans are granted to agricultural (3.03%), agrarian (00.02%), real estate (3.09%) sectors and the rest for salary and consumption (2.44%) loans.

The bank faces stiff competition from the increasing number of commercial banks in the area. Further, competition from non-bank financial institutions is also intensifying as the latter offer similar loan products with minimal documentary requirements. To date, the bank has gradually shifted to risk-based lending wherein credit decisions are based primarily on the capacity to pay of the borrowers.





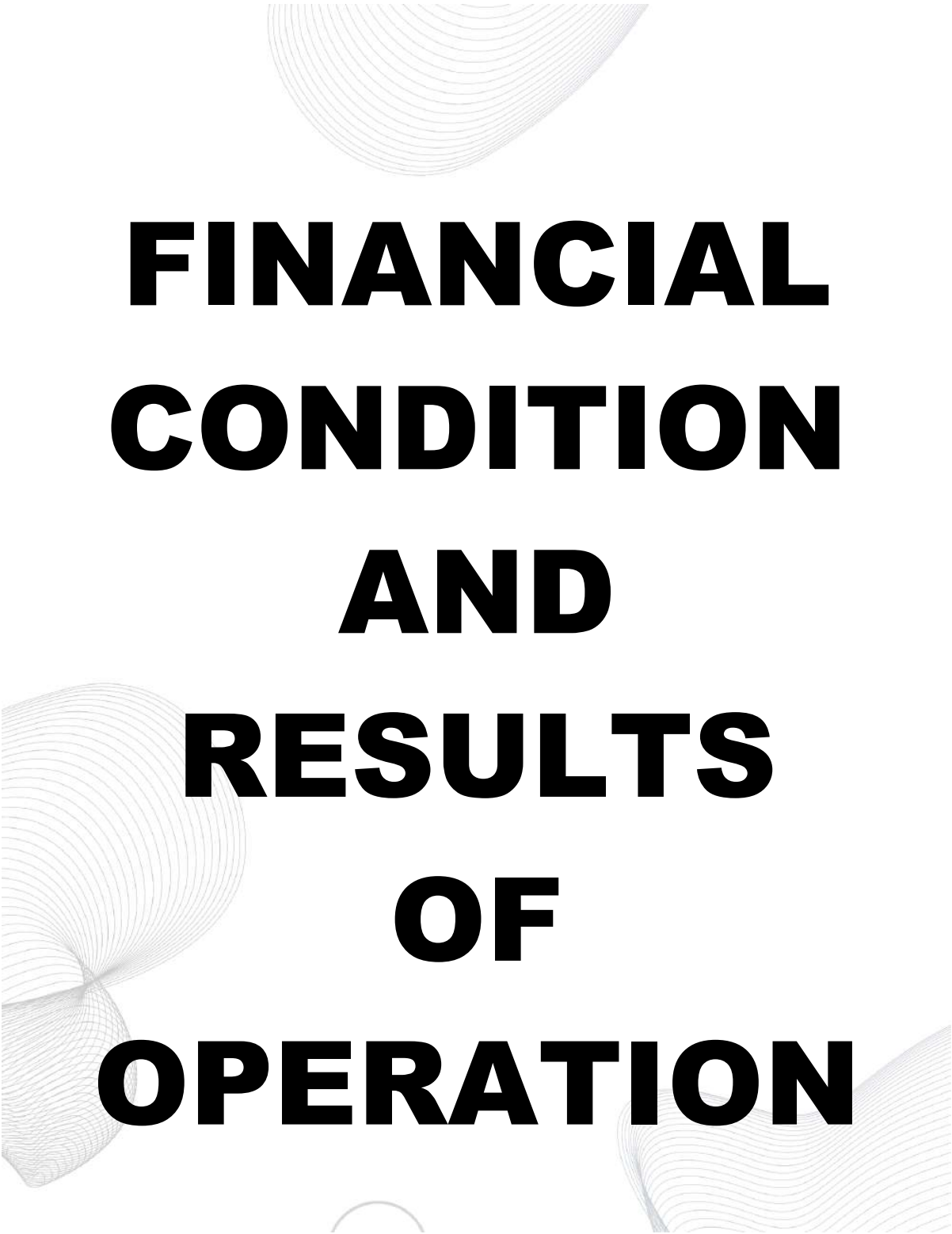
# **FINANCIAL SUMMARY/ FINANCIAL HIGHLIGHTS**

## **B. FINANCIAL HIGHLIGHTS**

**PANGASINAN BANK (A Rural Bank), INC.**  
**Mangaldan, Pangasinan**

	<b>CONSOLIDATED</b>	
	<b>2023</b>	<b>2022</b>
<b>Minimum Required Data</b>		
<b>Profitability</b>		
Total Net Interest Income	26,204,051	27,566,246
Total Non-Interest Income	6,292,087	7,670,688
Total Non-Interest Expenses	28,225,753	31,329,806
Pre-Provision Profit	4,270,385	3,484,196
Allowance for Credit Losses	6,780,144	8,289,974
Net Income	3,827,438	3,484,196
<b>Selected Balance Sheet Data</b>		
Liquid Assets	150,791,796	173,146,318
Gross Loans	197,435,450	190,013,215
Total Assets	409,862,844	427,465,854
Deposits	330,257,122	342,521,876
Total Equity	74,690,719	72,385,631
<b>Selected Ratios</b>		
Return on Equity	5.19%	4.35%
Return on Assets	0.92%	0.76%
Capital Adequacy Ratio	17.75%	16.91%
<b>Others</b>		
Cash Dividends Declared	2,750,000	2,750,000
Headcount	45	48
Officers	14	14
Staff	31	34





# **FINANCIAL CONDITION AND RESULTS OF OPERATION**

## **C. FINANCIAL CONDITION AND RESULTS OF OPERATION**

### **PRESIDENT'S ANNUAL REPORT FOR 2023**

This year marks the end of the COVID-19 pandemic and luckily we have passed and survived the crisis and I'm happy to see everyone alive and healthy.

Now that everything is back to normal, there is stiff competition among financial institutions in the marketing of loans. During the pandemic other banks were not too keen on offering their auto loan product especially with overseas workers and health workers. Our bank took advantage of this situation by offering our auto loan product to these sectors who are very much in need of this product. Likewise, there is also stiff competition in the marketing of deposits. Almost all deposit interest rates went up beginning the second semester and our bank followed suit increasing our interest on deposits so as to be competitive and to give our depositors higher yield for their savings.

Last March 2023, the bank formally applied for the conversion of the Rosario Branch into a branch-lite unit (BLU) which the BSP is yet to approve. This is in compliance with BSP's Rural Bank Strengthening Program (RBSP) wherein the minimum capitalization was increased to P120 Million for our bank with 6 branches including head office. The RBSP was introduced to enhance the operation, capacity, and competitiveness of the industry. Our bank chose to convert one branch into a branch-lite unit in order to retain the present minimum capitalization of P 50 Million. If approved, all transactions of Rosario BLU will be recorded in its mother branch, which is the San Fabian Branch. Other rural banks opted to merge with other rural banks. There is one rural bank in Pangasinan who availed of this option of merger.

On a sad note, this year, a total of seven problematic rural banks including one in Pangasinan, were ordered closed by the BSP Monetary Board. As of December 2022, there were about 3,303 rural bank branches and branch-lite units across the country.

With regards the bank's plan for digitalization, the bank is still looking for a suitable digital banking solution provider that is affordable, reliable and secure.

Lastly, I am happy to report that although the total income decreased, the bank managed to lower its total expenses thereby resulting in net income for the year. The decrease in total deposits is the main reason for the decline in our total assets. As always, I enjoin everyone to market for deposits and new loans and also to seriously take into consideration, increasing our authorized capital in preparation for future increases in capital requirement in order for the bank to remain strong and stable.

Finally, the Board has declared a 5% cash dividends to all common shares and 10% cash dividends to all preferred shares that are on record as of December 31, 2023 which was released on January 19, 2024. Likewise, the BOD has approved the distribution of net profits as provided under Article XI of the Amended By-Laws as follows: 5% equally to the Board of Directors, 5% to the Executive Officers and 5% as profit sharing to all employees as provided for in the CBA.

We owe all these blessings to Almighty God and to the support of all our employees, stockholders, borrowers, depositors, friends and benefactors.

On behalf of the Board of directors, thank you for your presence during this annual stockholder's meeting and for your continued trust in our management.

**ANNE Q. DE GUZMAN**  
President

**FINANCIAL HIGHLIGHTS (5-YEAR COMPARATIVE)**

	<b>% of Increase</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>(Decrease)</b>					
<b>FOR THE YEAR (In Millions)</b>						
<b>TOTAL INCOME</b>	<b>-6.21%</b>	<b>33.999</b>	<b>36.251</b>	<b>37.876</b>	<b>37.363</b>	<b>39.753</b>
<b>TOTAL EXPENSES</b>	<b>-7.92%</b>	<b>30.172</b>	<b>32.767</b>	<b>33.598</b>	<b>33.005</b>	<b>41.804</b>
<b>NET INCOME</b>	<b>9.84%</b>	<b>3.827</b>	<b>3.484</b>	<b>4.278</b>	<b>4.358</b>	<b>-2.051</b>
<b>AT YEAR END (In Thousand Pesos)</b>						
<b>RESOURCES</b>	<b>-3.00%</b>	<b>409.862</b>	<b>422.565</b>	<b>427.759</b>	<b>423.247</b>	<b>397.042</b>
<b>LOANS</b>	<b>3.91%</b>	<b>197.435</b>	<b>190.013</b>	<b>181.599</b>	<b>156.764</b>	<b>168.517</b>
<b>DEPOSITS</b>	<b>-3.58%</b>	<b>330.257</b>	<b>342.522</b>	<b>345.929</b>	<b>338.325</b>	<b>315.974</b>
<b>CAPITAL FUNDS</b>	<b>1.83%</b>	<b>74.164</b>	<b>72.832</b>	<b>73.738</b>	<b>72.599</b>	<b>68.693</b>
<b>LIQUID ASSETS (Cash and Other Cash Items, Due From BSP, Due from Other Banks)</b>	<b>-12.91%</b>	<b>150.792</b>	<b>173.146</b>	<b>183.249</b>	<b>202.007</b>	<b>179.815</b>
<b>RATIOS</b>						
<b>EARNINGS PER SHARE</b>	<b>9.76%</b>	<b>7.65</b>	<b>6.97</b>	<b>8.55</b>	<b>8.72</b>	<b>-4.1</b>
<b>PAST DUE RATIO</b>	<b>-19.56%</b>	<b>8.76%</b>	<b>10.89%</b>	<b>11.22%</b>	<b>16.77%</b>	<b>24.26%</b>
<b>CAPITAL ADEQUACY RATIO (CAR)</b>	<b>3.49%</b>	<b>17.50%</b>	<b>16.91%</b>	<b>17.06%</b>	<b>18.39%</b>	<b>17.66%</b>

**Total Income** decreased by 6.21% or P 33.999 Million compared to prior year's P 36.251 Million. Admin Department contributed the highest gross income of P 8.164 Million coming from sale of acquired assets followed by the Malasiqui branch with P 7.504 Million coming from their auto loan product.

**Total Expenses** decreased by 7.92% or P 30.172 Million compared to P 32.767 Million the year before. The decrease was a result of the cost cutting measures being implemented by the bank.

**Net Income** increased by 9.84% or P 3.827 Million compared to the preceding year's P 3.484 Million. Alaminos, Malasiqui, Mangaldan, San Fabian and Rosario contributed a combined total of P 7.872 Million in net earnings while Binmaley and Admin Department contributed a net loss of P 4.045 Million to account for the 2023 figures.

**Total Assets/Resources** decreased by 3% or P 409.862 Million compared to the previous year's P 422.565 Million. This was due to the decrease in deposits.

**Total Loans** significantly increased by 3.91% or P 197.435 Million compared to the previous year's P 190.013 Million. The bank released a total of P 77.241 Million in new loans of which P 63.680 Million or 82.44% is the motor vehicle loans. The bank cater mostly to borrowers whose guarantors and/or co-borrowers are OFW's and US based residents.

**Total Deposits** decreased by 3.58% or P 330.257 Million compared to last year's P 342.522 Million. The decrease is attributable to the low deposit interest rate of the bank. In July, the Board approved the increase in the bank's interest rates to keep up with other banks.

**Capital Funds** increased by 1.83% or P 74.164 Million compared to prior years' P 72.832 Million. The Net Income generated this year of P 3.827 Million is higher than the Net income last year of P 3.484 Million.

**Liquid Assets** decreased by 12.91% or P 150.792 Million compared to P 173.146 Million the year before. The decrease was the result of the Bank's aggressive auto loan lending.

**Earnings per Share** increased by 9.76% or P 7.65 per share compared to last years' P 6.97 per share due to the higher Net Income.

**Past Due Ratio** decreased by 19.56% or 8.76% by the year-end compared to previous year's 10.89%. The decrease was brought about by the collection of past due accounts and boosted by the new auto loan bookings.

**Capital Adequacy Ratio** increased by 3.49% or 17.50 % compared to 16.91% the year before. The industry level is at 10% which means that the bank's capital structure is still very much adequate.

**SUMMARY OF  
BALANCE SHEET ACCOUNTS  
As of DECEMBER 31, 2023  
(in millions)**

<b>CASH AND DUE FROM OTHER BANKS</b>	<b>:</b>	<b>P 150.792</b>	
<b>TOTAL LOANS</b>	<b>:</b>	<b>P 208.717</b>	<b>(393 accts)</b>
<b>(Net of Allowance for Probable Losses of <u>P 6.6 Million</u>)</b>			
<b>PAST DUE RATIO</b>	<b>:</b>	<b>8.68%</b>	
<b>INVESTMENT IN BONDS &amp; OTHER DEBT INSTRUMENTS</b>	<b>:</b>	<b>P 26.830</b>	
<b>BANK PREMISES (Net of Depreciation)</b>	<b>:</b>	<b>P 8.958</b>	
<b>REAL &amp; OTHR PROPERTIES ACQUIRED (ROPA) AND SALES CONTRACT RECEIVABLE, Net</b>	<b>:</b>	<b>P 11.080</b>	
<b>OTHER ASSETS(Net)</b>	<b>:</b>	<b>P 3.858</b>	
<b>TOTAL ASSETS</b>	<b>:</b>	<b>P 410.235</b>	
<b>DEPOSIT LIABILITIES (5,326accts)</b>	<b>:</b>	<b>P 330.257</b>	
<b>OTHER LIABILITIES</b>	<b>:</b>	<b>P 5.288</b>	
<b>CAPITAL ACCOUNTS</b>	<b>:</b>	<b>P 74.690</b>	
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</b>	<b>:</b>	<b>P 410.235</b>	
<b>CAPITAL ADEQUACY RATIO (CAR) As of September 30, 2023</b>	<b>:</b>	<b>17.75</b>	

**SUMMARY**  
**INCOME STATEMENT ACCOUNTS**  
**As of DECEMBER 31, 2023**  
**(in millions)**

<b>INTEREST INCOME</b>	<b>:</b>	<b>P 28.115</b>
<b>OTHER INCOME</b>	<b>:</b>	<b>P 6.292</b>
<b>TOTAL INCOME</b>	<b>:</b>	<b>P 34.407</b>
<b>INTEREST EXPENSES</b>	<b>:</b>	<b>P 1.911</b>
<b>COMPENSATION/FRINGE BENEFITS</b>	<b>:</b>	<b>P 16.251</b>
<b>DIRECTORS' FEES</b>	<b>:</b>	<b>P 0.291</b>
<b>TAXES &amp; LICENSES</b>	<b>:</b>	<b>P 2.956</b>
<b>OTHER ADMIN EXPENSES</b>	<b>:</b>	<b>P 7.520</b>
<b>DEPRECIATION</b>	<b>:</b>	<b>P 2.034</b>
<b>LOSS/RECOVERIES OF FINANCIAL ASSETS</b>	<b>:</b>	<b>P ( 0.827)</b>
<b>TOTAL EXPENSES</b>	<b>:</b>	<b>P 30.136</b>
<b>NET OPERATING INCOME</b>	<b>:</b>	<b>P 4.270</b>
<b>LESS PROVISION FOR CORPORATE INCOME TAX</b>	<b>:</b>	<b>P ( 0.435)</b>
<b>NET INCOME</b>	<b>:</b>	<b>P 3.835</b>



The page features several decorative elements: a semi-circular pattern of thin, concentric lines at the top center; a large, bold, black text block in the center; and three abstract, wireframe-like shapes at the bottom, one on the left, one at the bottom center, and one on the right, all composed of thin, curved lines.

# **RISK MANAGEMENT FRAMEWORK**

## **D. RISK MANAGEMENT FRAMEWORK ADOPTED**

### **RISK MANAGEMENT OBJECTIVES & PROCESSES**

1. **IDENTIFY:** to search for and locate the various risks before they become problems.
2. **ASSESS/MEASURE:** evaluate its impact or consequence and the probability of the risks happening or taking place
3. **MONITOR:** observe/study/keep an eye on the risk marker/risk indicator as well as the risk limits set and the mitigation plans set in place
4. **CONTROL:** check for and make the correction for deviations versus the internal control systems and the risk-mitigating plans
5. **REPORT:** Supply or furnish information and feedback on the various risk activities, current/existing risks, and emerging risks.

In addition to the above, there is a need to:

- a.) Define and disseminate risk orientation/familiarization training and policies set in writing
- b.) Develop the risk management system and its control foundations
- c.) Institutionalize the risk management process. To make it as the code of practice/a habit, a fixture in the company.

#### **FOUR GUIDING QUESTIONS IN RISK MANAGEMENT:**

**R – Return.** Are we gaining an appropriate return for the risk we are taking?

**I – Immunization.** Do we have the necessary controls in place, to lessen the risk losses?

**S – Systems.** Do we have the actual system to measure and manage the various risks we face?

**K – Knowledge.** Do we have the right people, sufficient skills, suitable culture, and proper values for an effective risk management?

#### **RISK as DEFINED:**

It is the uncertainty of whether events expected or otherwise, will have an adverse impact on the bank's capital or earnings. It is an inevitable part of the business of Banking.

#### **The Bank Risk Spectrum:**

The wide range of risks faced by a Bank is generally grouped into:

- a.) **Credit risk** – estimated to be 54% of the risk range:
- b.) **Operations risk** - approximately 27% of the risk band;
- c.) **Market risk** - composing the remainder of the 19% portion.

**Market and Credit risks** are faced and experienced primarily in the hope of ample rewards or good returns. A portion of the bank's capital addresses the potential losses resulting from these risks.

**Operational risk** is taken unintentionally and it is a cost of doing business.

#### **VARIOUS RISKS THAT BANKS FACE:**

1. **Market Risk** – the risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the bank’s overall portfolio-whether On or Off the Balance sheet.

It is influenced by:

- a.) **Interest Rate Risk** – the bank’s financial condition is exposed to adverse movements in interest rate. It means that changes in interest rate may reduce the current or future earnings and/or the economic value of capital of a Financial Institution.
- b.) **Foreign Exchange Risk** – possibility that movements in exchange rates may adversely affect the value of the company’s holdings, thus, its financial condition.

Areas of market risk may include the following:

- a.) Risk of decline in value of trading accounts and investments due to fluctuations in market prices
  - b.) Risk that the issuer may not be able to meet its obligations promptly
  - c.) Risk of decline in value of investments due to investment decisions which fail to take into account:
    - marketability of investment instrument. If the bank cannot wait to hold on to the investment until maturity, there must be many buyers in the market willing to pay at a price that is close to the bank’s acquisition cost so that the bank will not incur a loss
    - diversification of investment outlets
    - maturity and rate of return
    - type of issuer (to ensure payment on maturity)
    - BSP regulations on limits and ceilings
2. **Credit Risk** – the risk arising from the borrower’s failure to honor to pay his obligations (interest and/or loan principal) on the due or maturity date. It is the most recognizable risk in relation to the banking business.

Credit risk events that will burden on a bank’s bottom-line:

- the need for loan loss provisioning
- a dramatic increase in NPLs
- a rapid rise in ROPA

Areas of credit risk may include the following:

1. Risk of poor or non-collection of loans
  - borrower does not have the capacity to pay as shown by financial statements, income tax returns, statements of assets and liabilities, credit investigation, or such other credit basis.
  - borrower belongs to a distressed industry
  - borrower’s loan grant is beyond his approved credit limit
  - corporate borrower has doubtful paying capacity because its capitalization is minimal in relation to loan or project to be financed

- borrower's co-makers, endorsers, sureties and/or guarantors in case of unsecured loans, do not possess good credit standing and are not financially capable of fulfilling their commitments to the bank in case borrower fails to do so.
- Borrower's loan is in excess of loan value of his submitted collaterals.
- Borrower's loan repayment plan does not jibe with his cash flows
- Borrower's loan was approved and released without proper approval or beyond the lending authority of officers or with incomplete signatories on loan documents or with incomplete documentation or with collateral deficiency such as unregistered REM and chattel mortgage.
- Borrower was able to renew his loan without 20% reduction in his principal obligation or without submitting updated financial statements/income tax returns

Deficiencies associated with operations risks such as

- lack of or inadequate review of loan portfolio to assess quality and adequacy of loan loss provisioning
  - absence of early warning system to detect/recognize symptoms/indicators of problem accounts
  - absence of or inadequate loan supervision – monitoring of maturing or matured loans, periodic visitation of the borrower or borrower's place of business; updating of credit information
  - absence of reminders to borrowers to pay maturing and past due obligations
  - ineffective monitoring of insufficient post-dated checks to cover monthly amortizations of borrowers
  - poor monitoring of status and value of collateral
  - lack of equipment supports to keep track of collectibles and actual collections
  - absence of collateral valuation and review, collection, credit review, and loan loss provisioning
  - lack of periodic review to determine if existing policies are still compatible with the changing market conditions
2. Risk of excessive credit to a single borrower/group of borrowers vis-à-vis the single borrower's limit (SBL).
- In order to mitigate the risk, the bank observes a lower internal single borrower's limit than the prescribed limit of twenty-five (25%) of the bank's qualifying capital. But if ever it exceeds the limit the portion of the exposure above the limit must be secured by cash, acceptable government securities (with conditions and settlement endorsed in favor of the bank), or a combination of both.
  - Monthly reporting of SBL and Large exposure to the BOD for monitoring and implementation of regular reportorial monitoring (Monthly Loan Release, Monthly Past Due Loan Report and Credit Stress Testing and Scenario).
3. Risk of concentration of credit to a single industry



Grant of loans by type/industry i.e., consumer loans, real estate loans, auto loan and other is not diversified and exceeds the 30% benchmark or limit allocated.

- Conduct regular review of concentration limit in different types of products offered and monthly reporting for monitoring of limit. As per recent approved concentration limit, basis will be the total loanable funds of the bank.
- In breach of limit the bank shall prepare segmentation of its portfolio for awareness of the breaches and implementing mitigating measures to avoid future risks.
- Quarterly preparation of Stress Testing in product where the bank breaches the concentration limit in order to monitor the possible risk that may affect the bank performance.

4. Risk of overexposure to DOSRI and self-dealing practices

- Disregard of aggregate and individual ceilings prescribed by Bangko Sentral ng Pilipinas
- Indiscriminate granting of loans to corporations and individuals identified with DOSRI, although not falling within the technical description of DOSRI

3. **Operations Risk** – the risk to earnings or capital arising from problems with service or product delivery.

Its occurrence is influenced by the following factors:

- internal control
- information system
- employee integrity
- operating processes

Sub-categories of Operations Risk are:

- a.) Transaction risk – risk of loss due to some failures in processing of transactions or problems in the delivery of bank services. This may consist of:
  - b.) Documentation risk – risk of loss arising from incomplete or incorrect documentation of the transaction.
  - c.) Exceeding limits – risk of loss arising as a result of limits being exceeded and the need to reduce the excess.
  - d.) Fraud – risk of loss arising from either internal or external fraud within the organization.
  - e.) Security risk – risk of loss from all manner of security breaches including allowing competitors access to confidential information
  - f.) Key personnel risk – risk of loss due to having only one person with vital risk management skills or knowledge
  - g.) Processing risk – risk of loss due to failings or errors in manual processes usually associated with the quality of back – office staff.
  - h.) Systems error – risk of loss due to a failure in any of the systems used within the bank.
  - i.) Management information risk – risk of loss arising from management making decisions based on inaccurate or incomplete information.

- j.) Information technology system failure – risk of loss arising from a failure in the computer systems

Areas of operations risk may include the following:

- a. organization that is not appropriate to the size and activities of the bank or not flexible to meet changes in business conditions
- b. duties and responsibilities of the board of directors, senior management, the officers and staff that are not clear and properly delineated
- c. reporting lines that are not clear
- d. responsibilities that are not segregated nor distinguished as to those committing the organization to a transaction, recording it, settling it, and controlling it
- e. appointed officers who are not qualified to manage the bank
- f. ineffective supervision of the bank's affairs
- g. BOD and senior management who are not generally informed of the bank's business environment and the legal and regulatory framework controlling the bank's activities or who do not devote enough time and attention in overseeing the bank
- h. Lack of or inadequate risk management system
- i. Non-compliance with minimum internal control standards particularly on
  - maintenance of proper accounting records and adoption of written accounting policies and procedures
  - independent balancing
  - division of duties and responsibilities
  - joint custody
  - signing authorities
  - dual control
  - number control
  - rotation of duties
  - independence of the internal auditor
  - direct verification
- j. Absence of internal audit personnel/department to make certain that controls to protect assets are maintained, or in the absence of controls, to propose adequate and effective control system and procedures
- k. Management reports that are not timely, inaccurate and incomplete as to information
- l. Lack of management reports to the board and senior management on the financial condition and performance of the bank which will be helpful in the formulation of policies and plans
- m. Absence of feedback mechanism on adherence to set policies, standards and procedures on major activities of the bank
- n. Lack of downward and upward flow of communication within the bank
- o. Non-utilization of external and internal audit reports as well as BSP recommendations on examination findings to improve performance

4. **Liquidity Risk** – the risk to earnings or capital arising from the Bank’s inability to make a timely payment/meet any of its currently maturing financial obligations to customers or counter parties in any currency.  
Such risk may arise as a result of:
  - a. Mismatches in cash flows
  - b. Borrowing short and lending long
  - c. No provision for reserves (primary reserves to meet anticipated cash needs while secondary reserves to meet contingent or extraordinary cash needs/withdrawals)
  - d. Absence of contingency plan to cover unexpected fund withdrawals during financial stress
  - e. Absence of or non-compliance with maturity gap limits
  - f. High incidence of past due loans which put pressure on the bank’s liquidity position (on-time loan collections, assure a steady source of funds/cashflows).
5. **Compliance Risk** – is the risk to earnings or capital arising from violations of or non-conformance to laws, rules, and regulations, prescribed practices or ethical standards. It exposes the Bank to fines, penalties, damages, and the voiding of contracts.
6. **Legal Risk** – is the risk to earnings or capital that may arise as a result of unenforceable contracts, lawsuits, or adverse judgment.  
Areas of legal risk may include:
  - a. Contracts that are not legally enforceable due to failure to carefully review all provisions therein.
  - b. Protracted legal/court case
7. **Reputational Risk** – is the risk to earnings or capital arising from the possibility that negative publicity regarding an entity’s business practices (whether true or not) will cause a decline in the customer base, increase cost of litigation or revenue reductions.
8. **Personnel Risk** – is the risk to earnings or capital arising from inadequate training, inexperience, or illegal activities of a risk-taking personnel. It highlights the human side of risk-taking and the important role and adequacy of institutional guidelines/manuals, codes of conduct, personnel policies and training and development programs.
9. **Strategic risk** – risk to earnings or capital arising from adverse business decisions or the improper implementation of these business decisions.
10. **Environment and Social Risk**- is a potential financial, legal, and or reputational negative effects in banks arising from:
  - a. Physical Risk- a potential loss or damage to tangible assets arising from climate change and/or weather-related conditions such floods, typhoons, droughts, earthquakes, extreme variability, and rising sea levels.  
Elements of Climate Change
    - Temperature



- Atmospheric pressure
  - Humidity
  - Precipitation or rain
  - Wind
  - Solar irradiance
  - Topography; soil erosion; landslides, sinkholes & fissures, river/water tributary siltation, presence of big water dams
- b. Transition Risk-** is a potential economic adjustment cost resulting from policy, legal, technology, and market changes to meet climate change mitigation and adaptation requirements.

### **Top Five (5) Environmental Problems**

- a.) Pollution
- b.) Deforestation
- c.) Landslide and Coastal Erosion
- d.) Wildlife extinction
- e.) Dynamite Fishing or use of poison in catching aqua-marine products

### **Unregulated Business/Industries Affecting the Environment**

1. Illegal Logging
2. Illegal Mining and Quarrying
3. Illegal Fishing and Poaching
4. Illegal Reclamation

To address and to mitigate possible impacts of climate change and the other environmental and social risks to the Bank, the following action plans will be observed:

- a. Constant and careful monitoring of the advises; issuances; pronouncements and similar announcements coming from various government agencies such as DENR, Department of Agriculture (DA); BFAR; PAGASA; PhilVolcs; National Power Corporation (NPC); NIA and others.
- b. Give importance and greater reliance on the “topography mapping projects” conducted/provided by the Mines and Geosciences Bureau (MGB) and its Geohazard and Engineering Geology Section.
- c. Revisit the existing protocols covering the observance/enforcement of the “Dam Water Release” that was put in place following the Typhoon Pepeng/San Roque Dam incident in 2009 which flooded a wide swath of Pangasinan and was recently replicated by the Typhoon Ulysses/Magat Dam event that inundated the Cagayan and Isabela provinces.
- d. Continued observance of the minimum health and safety protocols/standards during pandemic, for its prevalent effect to all levels of social strata and age brackets.
- e. Other Related Matter/Issues/Developments that could have Social/Societal Risks:



- Outcome of the investigation of the Phil Health controversial care programs during the Covid-19 pandemic, which could affect the servicing of the Universal Healthcare Program;
- Passage of the “Divorce Law” in the Philippines;
- Acceptance or Eventual recognition of the “Same-Sex Marriage” in the country.

## **FACTORS/EVENTS THAT CHALLENGE RISK MANAGEMENT**

1. Those that are brought about by Market Place or Economic change
2. Change that are due to Technology Improvements or due to Process Change
3. Change that come about because of New Strategies introduced
4. Change because of Competition bringing in
  - new products
  - new channels
5. Change within the company itself due to:
  - product change
  - new leadership or shift in organizational structure
6. Change to comply with new Regulation or Legislative enactments.
7. Changes to climate and other environmental and social risks that can threaten the financial condition of the bank.

## **LEVELS OF RISK APPETITE AND LIMITS/THRESHOLD OF BREACHES:**

- a. For Aqua-Culture/Fishponds and Related Fishing Industries:  
2% of Total Loan Type on
- b. For Poultry/Piggery and similarly classified Animal Industry businesses:  
4% % of Total Loan Type
- c. All Agricultural Production; Horticulture Industry and related cut flower business:  
4% of Total Loan Type
- d. Lumber/Timber and Logging Business and Related Forest cover Industry:  
2% of Total Loan Type
- e. Construction and Other Similar Resources Related Businesses:  
3% of Total Loan Type
- f. Auto/Car Loans (follow guidelines/policies of the latest revision of the Phil. Clean Air Act 40% of Total Loan Type

Measures to be taken in case of Breaches in Limits or Thresholds or the Non-Compliance of a Particular Industry or Sector:

- a. Temporary suspension of the grant of new loans
- b. Stoppage of new and/or additional loan releases in the areas affected

- c. Cancellation/Termination of the particular type of loan that is heavily affected/or is a “non-compliant” industry or sector.

**LIMITS SETTING FOR LENDING RATES; COLLATERAL; BORROWERS’ AGE AND TYPES**

Marketing Risk:

**A. REM Normal Rates**

- Loans P3M or Less:
- 1 year - 16% (over the term) interest for a one-year term
  - 2 years - 24% (over the term) interest for two years
  - 3 years - 32% (over the term) interest for three years
  - 4 years - 40% (over the term) interest for four years
  - 5 years - 48% (over the term) interest for five years

Note. With a 3% one-time Service Charge for all terms indicated in the Promissory Note

- Loans more than P3M:
- 1 year - 12% (over the term) interest for a one-year term
  - 2 years - 18% (over the term) interest for two years
  - 3 years - 24% (over the term) interest for three years
  - 4 years - 30% (over the term) interest for four years
  - 5 years - 36% (over the term) interest for five years

Note. With a 3% one-time Service Charge for all terms indicated in the Promissory Note

Special Rate: Case to case basis

- floor: 9.5% interest + 2% SC (one-time or continuing)
- ceiling 15% interest + 4% SC

Considerations:

- b. Class “A” or prime loan clients
- c. Prior/existing clients with proven track record of paying capacity or established proper loan account handling
- d. Very marketable; attractive; highly-priced loan collateral
- e. Readiness/willingness to submit the required/requested supporting documents/evidences

**B. AUTO LOAN RATES and COLLATERAL**

Regular Rate for Brand New Unit – 80% maximum loanable amount for cars and 60% maximum loanable amount based on official receipts for Trucks

	Walk-in w/o Insurance And Chattel Fee	Walk-in with Insurance and Chattel Fee	Walk-in with Dealer
12 months	12%	21%	
18 months	15%	24%	
24 months	18%	27%	

36 months	23%	32%	36%
48 months	31%	40%	44%
60 months	39%	48%	52%

i. Financing of Secondhand Units from Dealers

	2018-2022 model 70% maximum loanable amount	2015-2017 model 50% maximum loanable amount
12 months	18%	20%
18 months	25%	26%
24 months	32%	34%
36 months	46%	

ii. Chattel Mortgage – 50% maximum loanable amount based on the approved appraisal value (note: first owner w/official receipt)

12 months	15%
18 months	22%
24 months	29%
36 months	43%

iii. Dealer Generated “ALL-IN” Loans

36 months	36%
48 months	44%
60 months	52%

**REM COLLATERAL**

**Accept only:**

1. Collaterals covered by Transfer Certificate of Title (TCT) or Original Certificate of Title (OCT).
2. Commercial Lot (with or without building)
3. Residential Lots or Residential house and lot- situated in the Población area only (first lot) or along National or Provincial Highway of any town in Pangasinan and La Union.
4. Gated Subdivision Lots.
5. Agricultural lots situated along provincial road or national highways.

**Not to Accept:**

1. Fishponds particularly that are susceptible to storm surges/fish kills/siltation and flooding
2. Lots situated in Mountainous or Hilly areas(bundok)
3. Secondary lots even if with right of way
4. Lots situated in an area prone to natural calamities like floods, erosion, and earthquake.

5. Lots that are in low-lying areas; adjacent to a river, lagoon, lake, coastal areas and shorelines in danger to inundation /siltation and storm surges.

\*\*\* On a case to case basis, the bank may accept collateral situated in a Mountainous or Hilly areas (bundok) subject to Board approval for any amount.

**Loan Factors:**

- a. residential  
(Loan factor, is normally 70% x 60% or 42%)
- b. agricultural  
(Loan factor, is normally 70% x 50% or 35%)
- c. commercial/residential  
(Urban and rural areas: on a case-to-case basis and or a very special/noteworthy situation the loan factor could be upgraded to 70% x 70% or 49% (floor limit) or 70% x 80% or 56% (ceiling)
- d. if Sec. 4, Rule 74 appears on face of TCT or mentioned in Deed of Sale covering Tax Declarations, the corresponding Heir's Bond must be required; or if annotated for more than 2yrs, shall be cancelled.

**Lot with Improvement –**

- if the building is made of light or even semi-concrete materials and distinctly already old, do not assign a value
- other improvements not included above; loan factor shall be 50% of appraised value.
- insurance coverage against the fire of the building improvement/s must be implemented properly

**Note:**

Lots which are irregularly shaped/triangular, trapezoidal; or with numerous points or those with more than 10 boundary points as per the technical description appearing on the TCT shall not be acceptable.

Lots that are low-lying areas adjacent to rivers, lagoons, lakes, coastal areas, and shorelines and areas that are prone to flood, erosion, landslide, and fissures/sinkholes due to earthquakes are subject to the approval of the approving body.

**Eligible Borrowers:**

1. Must have no NFIS or CISA findings. If with NFIS or CISA findings, there should be:
  - a. Managers recommendation
  - b. Approval by the Credit Committee or Board of Directors whichever is applicable.
  - c. Must have settled his/her account at least one (1) year prior to application.

2. Must have the capacity to pay or if none, the co-borrower/guarantor must have the capacity to pay the obligation.
3. Must be the owner of the land/collateral.
4. Borrowers with Special Power of Attorney (SPA) with Red Ribbon from foreign consuls.
5. Senior Citizen Borrower aged 60 but not more than 70 years old with guarantor/co-borrower
  - 5.1 Must have the capacity to pay or if none, a co-borrower is required who is/are 1<sup>st</sup> degree (Parents, Spouse, Brother, Sister, and Children) related and aged between 21-59 years old. On a case-to-case basis, 2<sup>nd</sup>-degree (Niece, Nephew, Aunt, Uncle, and Grandchild) related co-borrower is subject to CreCom approval.
  - 5.2 A co-borrower residing abroad is sufficient to support the loan and no longer required to have a co-borrower who is/are residing in the Philippines as long as they have the capacity to pay the loan, is/are willing to submit the required documents, and is/are willing to sign the bank forms and Guaranty Letter.

### **Industries**

Industry classification is being considered in granting loans and sustainable financing.

- Low-Risk Industries are those businesses that are not strict and they have a higher probability of making money. They have the lowest competition like Affiliate marketing, Freelance, Consulting, drop shipping, Merchants that use products daily to earn consistent revenue, Apparel, Department Stores, and Antique Shops. Business duration is over ten (10) years already.
- Medium-Risk Industries are those businesses that have medium competition like gift and stationery shops, car dealers, small food shops, telecommunication services, schools/universities, and Utility payment centers. Established or existence for at least five (5) years.
- High-Risk Industries are those businesses with a low rate of potential success due to high/lot of competition, location the of business, their popularity in the area, strictly regulated, inconsistent revenue, or business trends. Some of the businesses are restaurants, online sellers, beauty salons, gyms, insurance, travel agencies, alcohol manufacturers, and oil business. Recently put up or have not yet reached three (3) years in actuality. The bank will not automatically reject high risk industries if they could show history of profitability and stability of their business.

### **Not Acceptable Industries:**

1. Online gaming and similar industries
2. Illegal logging, illegal mining, illegal fishing, illegal gambling, forced labor and child labor
3. Production or trade of dangerous drugs as defined in RA No. 9165

4. Power generation from non-renewable energy and nuclear power
5. Nuclear power fossil fuel power generation/transportation/technology/transmission, landfills, and hazardous waste management
6. All public passenger transportation not transitioning into a modernized version
7. Biomass energy production and supplementary infrastructure using biomass or feedstock derived from sources that compete with food production or grown in areas currently or previously with high biodiversity or will decrease carbon pools in the soil
8. Activities involving forced labor, violence against women, child labor, gambling, military contracting Production or trade of materials considered as health hazards (such as asbestos fibers), alcoholic beverages, tobacco products, lethal defense goods including small arms and weapons, and palm oil
9. Other businesses/industries deemed harmful by the bank

## **PROPER PROCEDURE AFTER LOAN RELEASE:**

- 1) Follow-up visit to Loan clients'/Loan collateral (within 1 month from loan release):

Under Section 304 of the Manual of Regulations for Banks (MORB), it states that: The proceeds of a loan shall be utilized only for the purpose/s stated in the loan contract/(PN); otherwise, the Bank may terminate the loan and demand immediate repayment of the loan obligation.

Conduct site visits and/or validation reviews on the actual use of loan proceeds to ensure that credit granted was used for the purpose applied for, and consistent with ESR assessment. Valued clients who re-availed with the purpose of additional capital may be exempt from the actual visit as long as there is proof that the business is existing and operating. There must be documents submitted like pictures of the business, permits and proof that the loan proceeds was properly utilized as per declared purpose.

- 2) Sending of Confirmation Letter to Loan Clients

The present/permanent address written on the Loan Application Form and Signature Card shall be used to send confirmation or thank you letter for opening an account with the bank. Returned letters due to an unlocated address or person shall have a note of restrictions in his/her account.

### Monitoring of Loan

The monitoring of loans is one of the effective ways to manage the risk by the constant update to borrowers through risk profiling and client calls. Regular review of the composition of the loan portfolio as this may have existing exposures in markets, sectors, or geographical areas vulnerable to material ESRs. Some tools for monitoring will be Internal Borrowers Risk Rating Report, Stress Scenario and Reports, and Loan Monitoring with aging and ACL provision.

### Monitoring of Delinquent Loan

- Loans delinquent for 60 days in auto loan and 90 days in REM shall already be submitted to the Remedial Officer and ROPA Dept. for the initiation of restructuring or foreclosure proceedings (collection notices, follow-up letters and attorney's demand letter must be ready by then).
- Loans past due for less than 90 days may be restructured only once.
- Collection Letters and Update of BRR
  - 1<sup>st</sup> Letter-Reminder Letter – to be sent through e-mail, messenger, text message with screenshot at least 15 days before due date
  - 2<sup>nd</sup> Letter-1<sup>st</sup> Collection Letter- to be sent through mail (post office) or delivered personally to the client and properly acknowledged at least 7 days after due date.
  - 3<sup>rd</sup> Letter-Demand Letter- to be sent through mail with return card (post office) or delivered personally to the client and properly acknowledged at least 30 days from due date.
  - 4<sup>th</sup> Letter-Attorney's Demand Letter- to be sent through mail with return card (post office) at least 45 days after due date for Auto Loans, and 60 days from due date of REM Loans.
- For past due accounts of more than 30 days the Cash Flow Investigation Report (CFIR) shall be prepared by the Credit Investigation Officer by confirming collection updates from the proponent branch and conducting interviews with borrowers on their current cash flow status (including interview/checking with relatives, the immediate neighborhood, barangay and other sources of credit information as applicable).
- Update of BRR is required for past due loans of more than 30 days after due date for Auto Loans and REM Loans based on the result of the Cash Flow Investigation Report (CFIR) and missed repayments of borrowers.
- Review of the ROPA listing and also the current list of PDLs, would provide a certain degree of assistance in the decision of the grant of loan. Numerous ROPA items or numerous foreclosures or a greater number of clients with PDLs can show a pattern or the paying habits of the inhabitants in a certain location.  
Particular kinds or types of industry-financed, which indicate problematic loan handling, could also provide a sort of indication, of which businesses are strong and which are already waning/sunset industry.

## **INVESTMENTS in IBODI**

Cash outlay for investment in Bonds and Other Debt Instruments must be for the purpose of complying with regulations concerning:

- liquidity
- mandated reserve requirement
- Agrarian-Agricultural requirement
- SME requirement
- Investment (secured)

### **RELATIVE CONSIDERATIONS:**

#### A. Authorized Investment Instruments

1. Government Securities such as treasury bill, notes, and bonds;
2. Certificate of Time Deposit (CTD) from Universal and Commercial Banks.

#### B. Limitation on Investment Transactions

- The Bank's funds should not, in general, be invested in securities or CTDs maturing more than 1 year from date of purchase/placement. Except, as herein provided in the diversification provision of the policy.
- Limit of CTD placement
  - a. Universal Banks - up to 20 Million Pesos (for top five universal banks)
    - i. between 12 M up to 15M Pesos (for all other Universal banks)
    - ii. unlimited deposits for government banks namely: DBP and LBP
  - b. Commercial Banks – up to 10 Million Pesos
  - c. Thrift Banks – between 3 Million Pesos to 5 Million Pesos except Malayan and Producers Bank.
  - d. For Malayan & Producers Bank up to 10 Million Pesos

#### C. Diversification of the Bank's Investment

The Bank recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to market price changes or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the Bank's investment portfolio by type of investment instrument and term to maturity is the primary method to minimize investment risk.

To the extent possible, the Bank will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the Bank's fund should not, in general, be invested in securities maturing more than 1 year from the date of the



purchase. However, longer maturities of more than 1 year but not to exceed five (5) years are allowed if maturities of the investments are made to coincide as nearly as practical with the expected use of the funds.

**D. Authorized Financial Dealers and Institutions**

The Board shall maintain a list of financial institutions authorized to provide investment services to the Bank. All financial institutions who desire to provide investment service to the Bank shall supply the Board with information sufficient to adequately evaluate the institution and answer any and all inquiries posed by the Board, including the following information:

- a. Audited Financial Statements.
- b. Company Profile including Regulatory reports on financial condition.
- c. Written Memorandum of Agreement for the deposit of public funds or trading resolution, as appropriate.

The Board shall evaluate the financial capacity and credit worthiness of financial institutions prior to the placement of the Bank's funds. The Board shall conduct an annual review on financial condition and registrations of financial institutions and based on the review, make any recommendations regarding investment policy or program changes determined to be necessary.

**E. Safekeeping and Custody**

Investment assets shall be secured through third-party custody and safekeeping procedures. Any officer/employee of the bank authorized to engage in investment transactions shall be bonded in an amount established by the Board. The safekeeping procedures utilized in the Bank's investment program shall be reviewed annually by an independent auditor.

## **DEPOSIT TAKING ACTIVITIES**

In complying with the Know-your-Client (KYC) policy, the bank must endeavor to require all its clients opening a deposit account to provide/submit accepted/valid IDs, including two (2) copies of their latest picture.

### **LIST OF ACCEPTABLE IDENTIFICATION DOCUMENTS AND OTHER REQUIREMENTS FROM PROSPECTIVE DEPOSITORS**

#### **DOCUMENTARY REQUIREMENTS**

#### **A. PERSONAL ACCOUNT**

##### **A.1 Individual Account**

- Presentation of at least 1 valid ID
- Two (2) latest 1x1 or 2x2 picture

### **A.2 Joint Accounts**

- Presentation of at least 1 valid ID for each depositor
- Two (2) latest 1x1 or 2x2 picture for each depositor

### **A.3 Guardianship/Estate Accounts**

- At least one (1) valid ID of Guardian/Representative/Administrator
- Two (2) latest 1x1 or 2x2 picture of
- Birth Certificate (for In-Trust-For account)
- Death Certificate of deceased person
- Court order or testamentary will authenticated by its legal department

## **B. COMMERCIAL/CORPORATE ACCOUNT**

### **B.1 Single Proprietorship**

- Presentation of at least 1 valid ID
- Two (2) latest 1x1 or 2x2 picture of depositor
- Business/Mayor's Permit
- DTI/BIR Certificate of Registration
- Current and notarized Special Power of Attorney (SPA).

### **B.2 Partnership Account**

- At least 1 photo and signature bearing ID of authorized signatory/ies
- Two (2) latest 1x1 or 2x2 picture of authorized signatory/ies
- Certified True Copy of Articles of Co-Partnership
- Partnership Agreement
- Duly notarized Partnership Resolution/Authorization designating the Bank as depository bank and the authorized signatories

### **B.3 Corporate Account-Domestic Corp.**

- Presentation of at least 1 valid ID of authorized signatory/ies
- Two (2) latest 1x1 or 2x2 picture of authorized signatory/ies
- Certified True Copy of Articles of Incorporation
- Corporate By Laws with SEC Certificate of Filing.
- DTI/SEC Certificate of Registration
- Board Resolution certified by its Secretary stating the ff:
  - Authority to open an account or transact business with the bank; and
  - Officers authorized to sign checks and other instruments, their limits and combinations

### **B.4 Treasury-In-Trust**

- At least one (1) valid ID of Authorized Signatory/ies
- Two (2) latest 1x1 or 2x2 picture of Authorized Signatory/ies
- Proposed Articles of Incorporation and By-Laws which include the temporary appointment of Treasurer-in-Trust
- Letter from Treasurer-in-Trust addressed to Bank
- Treasurer's Affidavit

### **B.5 Fiduciary Account**

- At least one (1) valid ID of Authorized Signatory/ies
- Two (2) latest 1x1 or 2x2 picture of Authorized Signatory/ies
- Trust agreement indicating the trustee appointed or any court order designating the guardian, trustee or administrator

### **B.6 Associations, Club, Foundation, Cooperatives and Other Unincorporated Groups**

- At least one (1) valid ID of Authorized Signatory/ies
- Two (2) latest 1x1 or 2x2 picture of Authorized Signatory/ies
- Articles of Incorporation and By-Laws of Cooperative, Association or Unincorporated Organization
- Certificate of Registration (COR) with SEC and/or COR with the concern affiliation
- Board Resolution or notarized minutes of meeting of general membership and/or governing body certified by its Secretary stating the following:
  - Authority to open an account or transact business with the bank; and
  - Officers authorized to sign checks and other instruments, their limit and combinations.

### **Valid Identification Documents**

A. Customer and the authorized signatory/ies of a corporate juridical entity who engage in a financial transaction with the bank for the first time shall be required to present the original and submit a clear copy of at least one (1) valid photo-bearing ID document issued by the authority.

The following are accepted valid ID by the bank:

1. Passport including those issued by foreign governments
2. Driver's License
3. PRC ID
4. NBI Clearance
5. Police Clearance
6. Postal ID
7. Voter's ID
8. Tax Identification Number
9. Barangay Certification
10. GSIS e-card
11. SSS Card
12. Senior Citizen Card
13. OWW ID
14. OFW ID
15. Seaman's Book
16. Alien Certification of Registration/Immigrant Certificate of Registration
17. Government Office and GOCC (e.g. AFP, HDMF IDs)
18. Certification from the NCWDP

19. DSWD Certification
20. IBP IDF
21. MARINA ID
22. Company IDs issued by private entities or institutions registered with or supervised or supervised or regulated either by the BSP, SEC or IC

**NOTE:** The Philsys digital ID and the printed E. PhilID are added to this list, as per BSP Memo 2022-044

- B. Students who are beneficiaries of remittances/fund transfers and who are not yet voting age, may be allowed to present the original and submit a clear copy of one (1) valid photo- bearing school ID duly signed by the principal or head of the school.
- C. Where the customer or authorized signatory is a non-Philippine resident, similar ID's duly issued by the foreign government where the customer is a resident or a citizen may be presented.
- D. The bank shall require their customers or authorized signatory to submit a clear copy of at least two (2) valid ID's at the commencement of business relationship. They shall require their clients to submit an updated photo and other relevant information on the basis of risk and materiality.
- E. The bank may classify identification documents based on its reliability and ability to validate the information indicated in the identification document with that provided by the customer.
- F. Whenever it deems necessary, the bank may accept other IDs not enumerated above provided that it shall not be the sole means of identification.
- G. In case the identification documents mentioned above or other identification documents acceptable to the covered institution do not bear any photo of the customer or authorized signatory, or the photo bearing ID or copy thereof does not clearly show the face of the customer or authorized signatory, the bank may utilize its own technology to take photo of the customer or authorized signatory.

#### **IMPORTANCE OF DOINGS:**

##### Customer Identification/Know your Client (KYC)

The Bank maintains a system of verifying the true identity of its customers and, in case of corporate and juridical entities, a system of verifying their legal existence and organizational structure. The system of identification is embodied in its Manual for Record-Keeping of Deposit.

#### Customer Acceptance

Ensures that the financially or socially disadvantages are not denied access to financial services while at same time prevent suspicious individuals or entities from opening an account.

#### Sending Thank You Letter

As our computerized savings deposit system is capable of generating “Thank You” letters for all newly opened accounts, the same must be strictly mailed to check properly on the indicated address of the depositor/client.

“Thank You” letters that are returned to the Bank/returned undelivered by the Post Office must be properly investigated and “flagged” to corresponding deposit account, to trigger formal verification with particular bank client concerned. To properly ascertain the validity of the correct address, the clients must be required to submit the latest copy/copies of billing statements from various utility companies (electric, telephone, water, cable/cellphone/credit card) that is in the name of the client.

#### Customer Risk Rating Methodology

The bank uses a risk rating methodology to calculate a customer risk rating score (low, medium or high score) based on the verified information received during the opening of the account. The risk score shall determine if reduced due diligence (RDD), average due diligence (ADD) or enhance due diligence (EDD) shall be applied based on the following parameters.

#### Covered and Suspicious Transaction Reporting

All covered and suspicious transactions (CTR/STR) shall be prepared by the Frontline employee, verified by the Bank’s Compliance Officer and electronically reported by the Chief Accounting Head, in accordance with the reporting procedure, to the AMLC within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days from occurrence thereof.

#### Updating of Depositor Records

As a matter of policy, depositor records shall be updated every five (5) years, except when there is imminent need to update the record immediately.

## **AUTHORITIES and RESPONSIBILITIES**

### **1. Organizational Structure of the Risk Management Function**

The Risk Management Department is manned by the Credit Risk Review Officer. The independence and seniority of the position is ingrained in the organization. It has no line functions in the bank and functionally reports to the bank's board-level Audit Committee (AC).

### **Status of the Credit Risk Review Officer Functions**

The Credit Risk Review Officer is responsible for providing an independent evaluation of the credit quality and the management of credit risk. The primary task of a credit risk manager is to protect the bank from credit losses. He She will be with working closely with Credit Department, Audit Department and Credit Committee.

The position is responsible for conducting independent loan reviews and reporting policy and underwriting exceptions to the Credit Committee. The individual Credit Risk Review Officer will perform credit analysis, which will include analysis of financial statements, feasibility studies, ratios, cashflow, and loan decisions. Objectives of the review are to ensure individual credits are adequately underwritten, properly graded, appropriately priced and conformed to the bank policy. The review and analysis performed will help the bank manage risk in the loan portfolio by ensuring compliance with bank and regulatory requirements, as well as following up on trends identified so appropriate training can be developed and provided to lending staff.

- 2. Senior Management** for its part must develop and implement the risk management policies, procedures, and practices. There must be periodic review of the Bank's risk management policies and procedures to make sure that they remain appropriate and reliable. It must make certain that the lines of authority and responsibilities are being strictly followed.

It is the "implementor"; it shall be responsible for carrying out the risk management decisions, under a system of delegated authorities. In carrying out this mandated authority, it shall be subject to close monitoring and control that the BOD has set up.

Other related functions of senior management in risk handling are the following:

- maintenance of appropriate limits structures as well as the presence of adequate measurement systems;
- to oversee the implementation of the banks sustainability objectives and proper upkeep of management information system (MIS);
- the establishment of an effective internal controls;
- adoption of methodologies and tools that will effectively identify, and quantify/measure, monitor, and control ESRs.
- Clear and effective communication of policies, procedures, and processes across the bank
- Make sure that adequate resources are available.
- Facilitate the identification, assessment, monitoring and mitigation of E&S risk.
- Asses' consistency of operations and performance of personnel with bank's sustainability objectives.
- Apprise the BOD 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 clients that may have material impact on the bank's portfolio or reputation.

- 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. The results shall feed into bank's capital and liquidity planning and management exercises as well as in the business continuity and disaster recovery plan.

**3. Internal Auditor and Compliance Functions** shall incorporate in their respective programs the assessment of adherence to policies related to management of E&S risks and valuation of the appropriateness and continuing relevance of policies. The internal audit function shall also review the bank's adherence to international sustainability standards and principles as well as relevant laws and regulations.

**4. The Board of Directors** must define the policy structure and lay down the risk management framework. Towards this end, it must:

- approve the policies for the various key risks;
- set-up the risk management foundation
- identify who shall be responsible for carrying out the policies,
- originate controls to comply with the policies
- Integrate into the credit, market and liquidity, and operational risk management framework the environmental and social risks (ESRs).

Additionally, the BOD must establish and guide the Bank's strategic direction and tolerance toward risks. It must periodically review, discusses, and approve needed changes to address the overall objectives in relation to the acceptable level of liquidity and market risks

The BOD shall institutionalize the adoption of sustainability principles, including those covering 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 and operations taking into account the bank's risk appetite and ability to manage risk.

The BOD must ensure that policies and procedures include the extent of the bank's engagement with its counterparties, including partner agencies and outsource service providers, with regard to the adoption of sustainability principles in accordance with its strategy and clearly communicated across the institution, and to its investors, clients, and stakeholder.

The BOD shall ensure that adequate resources are available to attain the bank's sustainability objectives and its agenda is integrated in bank's performance appraisal system.

It must set limits, which indicate its maximum tolerance for each major risk. The limits structure is vital for interest rate risk; credit risk; liquidity and operational risks. Relatedly, there must be an exposure measurement mechanism in place to properly quantify the limit structure so established.



The BOD must also ensure that technical and human resources are allocated toward risk management. There must be personnel available who possess technical skills to evaluate and control risks. There must be continuous training of personnel and that the internal audit function is properly manned by a staff with competent background.

It must monitor risks, ascertaining that the levels of risk are maintained with the tolerance limits which is properly supported by adequate capital base.

The BOD shall exercise its oversight function in risk management by seeing that:

- set policies are being followed;
- set limits are being properly considered
- controls are in place
- approve risk appetite on specific risk areas the bank is willing and capable to manage
- approval of result of stress testing

There must be timely reporting and clear presentation when there are noted breaches to the established limits so that thoughtful, well-informed, and properly coordinated risk management decisions are formulated and timely actions are undertaken in a timely manner.

## **MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM**

### **I. RISK MANAGEMENT**

As a covered institution, the Bank has developed policies and procedures to ensure that risks associated with money-laundering such as counterparty, reputational, operational, and compliance risks are identified, assessed, monitored, mitigated and controlled, as well as to ensure effective implementation of these regulations. In this respect, the following areas of sound risk management practices shall be adequately and actively maintained by the Bank:

- **Active Board and Senior Management Oversight.** Senior management shall oversee the day-to-day management of the covered person, ensure effective implementation of AML/CFT policies approved by the board and alignment of activities with the strategic objectives, risk profile and corporate value set by the board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.



- AML Compliance System-Management of the implementation of the Bank's MLPP shall be the primary task of the Compliance Officer reporting directly to the Audit Committee.
- Acceptable policies and procedures-This program must be updated whenever there are new laws, rules, and regulation that will warrant for its revision
- Appropriate monitoring and Management Information System-A MIS that is commensurating to the size and complexity of the Bank's operation
- Comprehensive internal controls and audit-Internal controls which are imbued within the system and audit that is independently functioning.

## **II. CUSTOMER IDENTIFICATION PROCESS AND ACCEPTANCE POLICY**

- (A) **CUSTOMERS IDENTIFICATION/KNOW YOU CLIENT (KYC)** – The Bank maintains a system of verifying the true identity of its customers and, in case of corporate and juridical entities, a system of verifying their legal existence and organizational structure. The system of identification is embodied in its Manual for Record-Keeping of Deposit
- (B) **CUSTOMER ACCEPTANCE** – Ensures that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening an account.

Generally, customer acceptance shall be based on the following guidelines:

1. Those who can't be properly identified will NOT be accepted.
2. Customers who have been "watch listed" as engaged in illegal activities circularized by BSP, AMLC and other monitoring agencies shall NOT be accepted.
3. The Bank will NOT establish business relationships with "anonymous customers" or those who use fictitious names.
4. Those who hold businesses that due to the nature of the business make it impossible to verify its legitimacy or that of the funds being inconsistent with their financial status will NOT be accepted.

5. It is a requirement of the Bank that customers submit the relevant documentation in due course and proper form, and those who fail to comply will NOT be accepted as customers.
6. Those people who are suspects, based on reliable information, of being involved in any sort of criminal activities, mainly related to drug trafficking, terrorism and organized crime will NOT be accepted.

Along these policies, a risk-based and tiered customer acceptance policy, customer retention policy and customers identification process that involves application of Reduced Due Diligence (RDD) and Enhanced Due Diligence (EDD), is developed by the Bank.

### **III. CUSTOMER RISK RATING METHODOLOGY**

- (A) The Bank uses a risk rating methodology to calculate a customer risk rating score (slow, medium or high score) based on the verified information received during the opening of the account. The risk score shall determine if reduced due diligence (RDD), average due diligence (ADD) or enhance due diligence (EDD) shall be applied based on the following parameters:

#### **Customer Risk Rating Methodology**

<b>Risk Factors</b>	<b>Weights</b>
Type of Customer	5
Type of Account	5
Amount of Initial Transaction	15
Source of fund	10
Address/Location	5
Employment	15
Politically Exposed Person (PEP)	10
Nationality	10
Referral	5
Attitude in opening the account	5
Type of ID Presented	5
Age	10
<b>Total</b>	<b>100</b>

- (B) Risk factors are further categorized with the following risk weight:

<b>Type of Customer (5)</b>	<b>Risk Weight</b>
➤ New Customer	5
➤ Existing Customer	2

Type of Account (5)	Risk Weight
➤ Regular Savings Deposit	5
➤ Special Savings Deposit	2
➤ Loan Account	2

Amount of Initial Transaction (15)	Risk Weight
➤ P500,000 and below	2
➤ P500,001 to P5,000,000	5
➤ P5,000,001 to P10,000,000	10
➤ P10,000,001 and above	15

Source of Funds (10)	Risk Weight
➤ Employment (e.g. salary/compensation/PF)	2
➤ Inheritance/Donation	10
➤ Savings/Investment	5
➤ Business	5
➤ Regular Pension	2
➤ Remittance (Domestic/Foreign)	5
➤ Others	10

Address/Location (5)	Risk Weight
➤ Residing/working within the banking area	2
➤ Residing/working outside the banking area	5

Employment (15)	Risk Weight
➤ Employed:	
Government Entity	12
Government Own & Controlled Corp. (GOCC)	12
Private Entity	7
➤ Self Employed/Business owner(nature of business):	
Agriculture	7
Manufacturing	7
Service Sector	7
Financial Services	10
Real Estate/Construction	15
Insurance	15
Online marketing	15
Wholesale & retail trade	10
Art collection	15
Forex/Money changer	15
Other (specify)	10
➤ Unemployed	10



<b>Politically Exposed Person (PEP) (10)</b>	<b>Risk Weight</b>
➤ No	2
➤ National Official and Related Individuals	10
➤ Local Official and Related Individual	8
➤ Other position	5

<b>Nationality (10)</b>	<b>Risk Weight</b>
➤ Filipino	2
➤ Non-resident Filipino	5

<b>Referral (5)</b>	<b>Risk Weight</b>
➤ Referred by bank employee	2
➤ Referred by existing customer	3
➤ Walk-in customer	5

<b>Attitude in opening the account (5)</b>	<b>Risk Weight</b>
➤ Cooperative	2
➤ Not cooperative	5

<b>Type of ID presented (5)</b>	<b>Risk Weight</b>
➤ TIN/Driver's License/SSS/UMID/PRC/PHealth	2
➤ Passport/Company ID/Student ID	2
➤ Voter's ID/Postal ID/LGU or Brgy. Issued ID	3
➤ Other Valid IDs	5

<b>Age (10)</b>	<b>Risk Weight</b>
➤ Under 18 years old	2
➤ Between 18 to 40 years old	10
➤ Between 41 to 60 years old	5
➤ Above 60 years old	2



PANGASINAN BANK (A Rural Bank), INC. Mangaldan, Pangasinan			CUSTOMER RISK ASSESSMENT FORM (For Individual Accounts)																	
Name of Customer			Date																	
Account No.																				
DETAILS	RISK SCORE	DETAILS	RISK SCORE																	
<b>Type of Customer</b> <input type="checkbox"/> New Customer (5) <input type="checkbox"/> Existing Customer (2)		<b>Address/Location:</b> <input type="checkbox"/> Residing/Working within the banking area (2) <input type="checkbox"/> Residing/Working outside the banking area (5)																		
<b>Type of Account/Transaction to be done</b> <input type="checkbox"/> Regular Savings Deposit (5) <input type="checkbox"/> Remittance (5) <input type="checkbox"/> Special Savings Deposit (2) <input type="checkbox"/> Loan Account (2)		<b>Type of ID presented:</b> <input type="checkbox"/> TIN/Driver's Lic./SSS/UMID/PRC/PHealth (2) <input type="checkbox"/> Passport/Company ID/Student ID (2) <input type="checkbox"/> Voter's/Postal/LGU or Brgy. Issued (3) <input type="checkbox"/> Other Valid IDs (5)																		
<b>Nationality</b> <input type="checkbox"/> Filipino (2) <input type="checkbox"/> Non-resident Filipino (5) <input type="checkbox"/> Resident Alien (5) <input type="checkbox"/> Non-resident Alien (10)		<b>Amount of Initial Transaction</b> <input type="checkbox"/> P500,000 and below (2) <input type="checkbox"/> P500,001 to P5,000,000 (5) <input type="checkbox"/> P5,000,001 to P10,000,000 (10) <input type="checkbox"/> P10,000,001 and above (15)																		
<b>Age</b> <input type="checkbox"/> Under 18 years old (2) <input type="checkbox"/> Between 18 to 40 years old (10) <input type="checkbox"/> Between 41 to 60 years old (5) <input type="checkbox"/> Above 60 years old (2)		<b>Employment</b> <input type="checkbox"/> Employed <input type="checkbox"/> By government Entity (12) <input type="checkbox"/> By GOCC (12) <input type="checkbox"/> By private entity (7) <input type="checkbox"/> Self-employed/Business Owner <input type="checkbox"/> Agriculture (7) <input type="checkbox"/> Manufacturing (7) <input type="checkbox"/> Service sector (7) <input type="checkbox"/> Financial services (10) <input type="checkbox"/> Retail & wholesale trade (10) <input type="checkbox"/> Insurance (15) <input type="checkbox"/> Online Marketing (15) <input type="checkbox"/> Art collection (15) <input type="checkbox"/> Real Estate/Construction (15) <input type="checkbox"/> Forex/Money Changer (15) <input type="checkbox"/> Others (specify) (10) <input type="checkbox"/> Unemployed (10)																		
<b>Source of Funds</b> <input type="checkbox"/> Employment (salary/compensation/PF) (2) <input type="checkbox"/> Inheritance (10) <input type="checkbox"/> Savings/Investments (5) <input type="checkbox"/> Business (5) <input type="checkbox"/> Regular Pension (2) <input type="checkbox"/> Remittance (Domestic/Foreign) (5) <input type="checkbox"/> Others (10)																				
<b>Referral</b> <input type="checkbox"/> Referred by bank employee (2) <input type="checkbox"/> Referred by existing customer (3) <input type="checkbox"/> Walk-in customer (5)																				
<b>Attitude in opening the account</b> <input type="checkbox"/> Cooperative (2) <input type="checkbox"/> Not cooperative (5)		<b>Politically Exposed Person (PEP)</b> <input type="checkbox"/> No (2) <input type="checkbox"/> National Official & Related Individual (10) <input type="checkbox"/> Local Official & Related Individual (8) <input type="checkbox"/> Other position (5)																		
<b>Scoring System:</b> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="border: none;"><u>Score Range</u></td> <td style="border: none;"><u>Risk</u></td> <td style="border: none;"><u>Required Due Diligence</u></td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;">0 - 50</td> <td style="border: none;">Low</td> <td style="border: none;">Reduced Due Diligence</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;">51 - 75</td> <td style="border: none;">Medium</td> <td style="border: none;">Average Due Diligence</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;">76 - 100</td> <td style="border: none;">High</td> <td style="border: none;">Enhanced Due Diligence</td> <td style="border: none;"></td> </tr> </table>			<u>Score Range</u>	<u>Risk</u>	<u>Required Due Diligence</u>		0 - 50	Low	Reduced Due Diligence		51 - 75	Medium	Average Due Diligence		76 - 100	High	Enhanced Due Diligence		OVERALL CUSTOMER RISK SCORE	
<u>Score Range</u>	<u>Risk</u>	<u>Required Due Diligence</u>																		
0 - 50	Low	Reduced Due Diligence																		
51 - 75	Medium	Average Due Diligence																		
76 - 100	High	Enhanced Due Diligence																		
			REQUIRED CUSTOMER DUE DILIGENCE (CDD)																	
Remarks:																				
Conducted by:		Reviewed by:		Approved by:																
<b>Important:</b> 1. This Customer Risk Assessment Form (CRAF) shall be accomplished by the cashier/teller during the opening of the account. 2. For instructions on required due diligence procedure, refer to the Money Laundering and Terrorist Financing Program (MLPP) of the bank. 3. "Linked" accounts and "Watchlist" individuals as circularized by BSP, AMLC and other international entities are automatically disqualified from doing business with the bank. 4. The accomplished form shall be kept for five (5) years following the procedure for record-keeping of deposit documents.																				

(C) The overall customer risk score is arrived after considering the information taken from the initial assessment of risk factors and assigned a range of scores to determine if the customer is Low Risk, High Risk, or Medium Risk, as presented in the following table:

Overall Customer Risk Score (100)	Required CDD	Score Range
Low Risk	Reduced Due Diligence (RDD)	0 to 50
Medium Risk	Average Due Diligence (ADD)	51 to 75
High Risk	Enhanced Due Diligence (EDD)	76 to 100

(D) A **Customer Risk Assessment Form (CRAF)** shall be used by the cashier or teller conducting the new account interview to record the overall risk score of a customer (see Annex A-Customer Risk Assessment Form)

#### **IV. CUSTOMER DUE DILIGENCE (CDD)**

In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship or nature of the product, transaction or activity. In this regard, the bank shall maintain a system that will ensure the conduct of customer due diligence which shall include:

- Identifying the customer and verifying the true identity of the customer based on official documents or other reliable, independent source documents, data or information. In case of corporate and juridical entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf;
- Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner, such that the covered person shall be satisfied that it knows who the beneficial owner is, as well as the ownership and control structure of the customer, in case of juridical entities or legal arrangements;

- Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
- Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the covered
- person's knowledge of the customer, their business and risk profile.

A covered person shall be required to undertake customer due diligence when:

- It establishes business relationship with any customer;
- It undertakes any occasional but relevant business transaction for any customer who has not otherwise established relations with the covered person;
- There is a suspicion of money laundering or terrorism financing; or
- There is doubt about the veracity or adequacy of previously obtained customer identification data.

Customer due diligence shall be applied to all new customers. The degree of diligence to be applied shall depend on the overall risk score obtained by the customer based on the information provided during the opening of the account. As a general rule, the following procedures shall apply:

1. **Reduced Due Diligence (RDD)** shall be applied to customers that are assessed as Low Risk. Whenever RDD is applied, the following rules shall apply:
  - a. For individual customers, the account may only be opened under the true and full name of the account owner or owners and obtain the following minimum information at the time of account opening:
    - (i) Name;
    - (ii) Present Address;
    - (iii) Date and place of birth;
    - (iv) Nature of work, name of employer or nature of self-employment/business;



- (v) At least one (1) valid photo-bearing ID issued by official authority
- (vi) Contact details;
- (vii) Specimen signature; and
- (viii) Source of funds

Obtain the following information after the account is opened, but not to exceed 90 days:

- (i) Permanent address;
- (ii) Nationality;
- (iii) Tax Identification No. (TIN)
- (iv) Name, present address, date and place of birth, nature of work and source of funds of beneficial owner or beneficiary, whenever applicable.

- b. For corporate, partnership and sole proprietorship entities, the Bank shall develop a systematic procedure for identifying corporate, partnership and sole proprietorship entities as well as the stockholders/partners/owners, directors, officers and authorized signatory of these entities. It shall obtain the following minimum information and/or documents before establishing business relationships:
  - (i) Certificate of Registration issued by Department of Trade & Industry for single proprietors, or by the Securities and Exchange Commission, for corporations and partnerships, and by the BSP, for money changers/foreign exchange dealers and remittance agents
  - (ii) Articles of Incorporation or Association and By-Laws
  - (iii) Principal business address
  - (iv) Board or Partner's Resolution duly certified by the Corporate/Partners' Secretary authorizing the signatory to sign on behalf of the entity
  - (v) Latest General Information Sheet which lists the names of directors/partners, principal stockholders owning at least twenty percent (20%) of the outstanding capital stock and primary officers such as the President and Treasurer
  - (vi) At least one (1) valid photo-bearing ID issued by official authority for each of the authorized signatories
  - (vii) Contact numbers of the entity and authorized signatory/ies



- (viii) Source of funds and nature of business
- (ix) Name, present address, date and place of birth, nature of work and source of funds of beneficial owner or beneficiary, if applicable

2. **Average Due Diligence (ADD)** shall be applied to customers that are assessed as normal risk. In applying average due diligence, the Bank shall obtain, at the time of account opening, the preceding requirements and confirming this information with at least two (2) valid identification documents.

3. **Enhanced Due Diligence (EDD)** shall be applied to customers that are assessed as high risk for money laundering and terrorist financing. Whenever enhanced due diligence is applied as required by the Rules or covered by the bank's customer acceptance policy, the bank shall, in addition to profiling of customers and monitoring of their transactions, do the following:

a. Gather additional customer information and/or identification documents, other than the minimum information and/or documents required for the conduct of average due diligence as enumerated under Subsec. X806.2/4806Q.2:

(i) In cases of individual customers,

- Supporting information on the intended nature of the business relationship/source of funds/source of wealth (such as financial profile, ITR, Loan Application, Deed of Donation, Deed of Sale, etc.);
- Reasons for intended or performed transactions;
- List of companies where he is a stockholder, director, officer, or authorized signatory;
- Other relevant information available through public databases or internet; and
- A list of banks where the individual has maintained or is maintaining an account.

(ii) In case of entities:

- Prior or existing bank references;
- The name, present address, nationality, date of birth, nature or work, contact number and



- source of funds of each of the primary officers (e.g. President, Treasurer)
  - Volume of assets, other information available through public databases or internet and supporting information on the intended nature of the business relationship, source of funds or source of wealth of the customer (ITR, Audited Financial Statement, Loan Application, Deed of Donation, Deed of Sale etc.); and
  - Reasons for intended or performed transactions.
- b. Conduct the following minimum validation procedures:
- (i) Confirm the date of birth from a duly authenticated official document
  - (ii) Verifying the permanent address through evaluation of utility bills, bank or credit card statement or other documents showing permanent address of through on-site visitation
  - (iii) Contact the customer by phone, email or letter
  - (iv) Determine the authenticity of the identification documents through validation of its issuance by requesting a certification from the issuing authority or by any other means.
- For corporate or juridical entities, validation procedures shall include but is not limited to the following:
- (i) Require the submission of audited financial statements conducted by a reputable accounting/auditing firm
  - (ii) Inquire from the supervising authority the status of the entity
  - (iii) Obtain bank references
  - (iv) On-site visit of the company
  - (v) Contact the entity by phone, email or letter
- c. Secure senior management approval to commence or continue business relationship/transacting with the customer;
- d. Conduct enhanced ongoing monitoring of the business relationship, by, among others, increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination;

- e. Require the first payment to be carried out through an account in the customer's name with a bank subject to similar Customer Due Diligence standards, where applicable; and
- f. Perform such other measures as the covered person may deem reasonable or necessary.

Where additional information cannot be obtained, or any information or document provided is false or falsified, or result of the validation process is unsatisfactory, the covered person shall deny banking relationship with the customer without prejudice to the reporting of a suspicious transaction to the AMLC when circumstances warrant.

## **V. MINIMUM VALIDATION PROCEDURES (ENHANCE DUE DILIGENCE)**

Aside from requiring face-to-face contact between the Banks authorized personnel and the potential customer, the following validation procedures for individual customers shall be applied:

1. Confirming the date of birth from a duly authenticated official document;
2. Verifying the address through evaluation of utility bills, bank or credit card statement, sending thank you letters, or other documents showing address or through on-site-visitation;
3. Contacting the customer by phone or email;
4. Determining the authenticity of the identification documents through validation of its issuance by requesting a certification form the issuing authority or by any other effective and reliable means; or
5. Determining the veracity of the declared source of funds.

For corporate or juridical entities, validation procedure shall include but is not limited to the following:

1. Validating source of funds or source of wealth from reliable documents such as audited financial statements, ITR, bank references, etc.;
2. Inquiring from the supervising authority the status of the entity;
3. Verifying the address through on-site visitation of the company, sending thank you letters, or other documents showing address; or
4. Contacting the entity by phone or email.

## **VI. VALID IDENTIFICATION DOCUMENTS**

(A) Customers and the authorized signatory/ies of a corporate juridical entity who engage in a financial transaction with the bank for the first time shall be required to present the original and submit a clear copy of at least one (1) valid photo-bearing ID document issued by official authority. An Official authority refers to any of the following

- Government of the Republic of the Philippines;
- Its political subdivisions and instrumentalities;
- GOCCs; and
- Private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC

The following are accepted valid ID by the bank:

1. Passport including those issued by foreign governments
2. PHILSYS ID
3. Driver's License
4. PRC ID
5. NBI clearance
6. Police Clearance
7. Postal ID
8. Voter's ID
9. Tax Identification Number
10. Barangay certification
11. GSIS e-card
12. SSS Card
13. Senior Citizen card
14. OWW ID
15. OFW ID
16. Seaman's book
17. Alien Certification of Registration/Immigrant Certificate of Registration
18. Government office and GOCC (e.g. AFP, HDMF IDs)
19. Certification from the NCWDP
20. DSWD certification
21. IBP ID
22. MARINA ID
23. Company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC.

Minimum customer information for corporation:

- Name of corporation;
- Proof of incorporation/creation/registration;
- Current status of its legal existence;

- Address
- By-laws or other document stating the powers of its officers;
- List of directors/senior officers;
- List of owners having twenty percent (20%) or more ownership and/or voting rights;
- Board resolution or other document appointing a resident individual to represent the corporation and made accountable to competent authorities
- Legal arrangements entered into by the corporation with other persons, including the legal owners, and such contracts, certificates and other documents evidencing these legal arrangements and the capabilities, duties, and responsibilities defining the relationships.

(B) Students who are beneficiaries of remittances/fund transfers and who are not yet voting age, may be allowed to present the original and submit a clear copy of one (1) valid photo-bearing school ID duly signed by the principal or head of the school.

(C) Where the customer or authorized signatory is a non-Philippine resident, similar IDs duly issued by the foreign government where the customer is a resident or a citizen may be presented.

(D) The bank shall require their customers or authorized signatory to submit a clear copy of at least two (2) valid IDs at the commencement of business relationship. They shall require their clients to submit an updated photo and other relevant information on the basis of risk and materiality.

(E) The bank may classify identification documents based on its reliability and ability to validate the information indicated in the identification document with that provided by the customer.

(F) Whenever it deems necessary, the bank may accept other IDs not enumerated above provided that it shall not be the sole means of identification.

(G) In case the identification documents mentioned above or other identification documents acceptable to the covered institution do not bear any photo of the customer or authorized signatory, or the photo bearing ID or a copy thereof does not clearly show the face of the customer or authorized signatory, the bank may utilize its own technology to take the photo of the customer or authorized signatory.

## **VII. COVERED AND SUSPICIOUS TRANSACTION REPORTING**

1. All covered and suspicious transactions (CTR/STR) shall be prepared by the Frontline employee, verified by the Bank's Compliance Officer and electronically reported by the Chief Accounting Head, in accordance with the reporting procedure, to the AMLC within five (5) working days (in the case of the covered transactions), unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from occurrence thereof. By definition in accordance with BSP Cir. 706, a Covered Transaction (CT) is a transaction in cash or other equivalent monetary instrument covering a total amount in excess of Five Hundred Thousand Pesos (P500, 000) within one (1) banking day. On the other hand, a Suspicious Transaction (ST) are transactions with covered institutions, regardless of the amount involved, where any of the following circumstances exist:
  - a. There is no underlying legal or trade obligation, purpose or economic justification;
  - b. The client is not properly identified;
  - c. The amount involved is not commensurate with the business or financial capacity of the client;
  - d. Taking into account all known circumstances, it may be perceived that the client transaction is structured in order to avoid being the subject of reporting requirements under the AMLA, as amended;
  - e. Any circumstance relating to the transaction which is observed to deviate from the profile of the client's past transactions with the covered institution;
  - f. The transaction is in any way related to an unlawful activity or any money laundering activity or offense under the AMLA, as amended, that is about to be, is being or has been committed;  
or
  - g. Any transaction that is similar or analogous to any of the foregoing.
2. Should a transaction be determined to be both a covered and suspicious transaction, the Bank shall report the same as suspicious transaction.

For suspicious transactions, "occurrence" refers to the date of determination of the suspicious nature of the transaction, which determination should be made not exceeding ten (10) calendar days

from the date of transaction. However, if the transaction is in any way related to, or the person transacting is involved in or connected to, unlawful activity or money laundering offense, the 10 day period for determination shall be reckoned from the date covered person knew or should have known the suspicious transaction indicator.

3. The following non-cash, no/low risk covered transactions shall not be reported by the Bank to the AMLC:
  - (i) Transactions between the Bank and the BSP;
  - (ii) Transaction between the Bank and its domestic depository banks;
  - (iii) Internal operating expenses of the Bank;
  - (iv) Transaction involving transfer of funds from one deposit account to another deposit account of the same person within the Bank;
  - (v) Roll-overs of placements of time deposit; and
  - (vi) Payment of loan and/or its corresponding interest regardless of the manner of payment (cash, fund transfer, debit of account, check), provided that the grant of loan was previously reported as covered transaction;
  - (vii) Reclassification of loan to Real and other Properties Acquired (ROPA); provided that the loan avilment was previously reported;
  - (viii) Installment or partial payment in the sale of ROPA, provided that the total selling price of the ROPA in excess of P500,000.00 was reported at the time of the execution to sell or sales contract receivable, or deed of sale;
  - (ix) Loan repricing, loan renewal, loan restructuring, provided that there is no change in borrower's name, otherwise, the loan shall be considered as new loan, hence, reportable;
  - (x) Agrarian Reform Receivables;
  - (xi) Payment for agricultural lands under the Agrarian Reform Law.
4. A spurious check - refers to a document having the appearance of a check or similar documents, but is actually a fake or counterfeit document. It may also refer to a genuine check or similar documents that is materially altered or falsified. In a case where a client deposits a spurious check to a bank that has not clearing facilities, a presenting bank necessarily takes the place of the depository bank to present the check to the drawee bank for clearing purposes.
5. Manual monitoring – The bank does not have an electronic system flagging and monitoring transactions but we shall ensure that it has the



means of flagging and monitoring the transactions. We maintain a register of all STs that have been brought to the attention of Senior Management whether or not the same was reported to the AMLC. CTRs' are automatically reported by our personnel handling it, following the maker-checker concept.

6. Electronic Submission of reports – The CTR and STR shall be submitted to AMLC in a secured manner, in electronic form and in accordance with the reporting procedures prescribed by the AMLC. The bank shall provide complete and accurate information of all the mandatory fields required in the report. In order to provide accurate information, the bank shall regularly update customer identification information at least once every three (3) years.
7. Pursuant to AMLC Resolution No. 10-C dated 24 January 2013, the Bank adopted the following policies in the data collection system:

#### 7.1 Reporting of Covered and Suspicious Transaction reports (CTRs/STRs)

The requirement on the submission of reports under R.A. No. 9160, as amended, otherwise known as the Anti-Money Laundering Act (AMLA) of 2001, pertains to transactions initiated by the customers of the bank. The bank may be considered a customer if it transacts business with another covered institutions. In such case, the latter shall file a CTR/STR on the former's transactions, except those covered under Resolution No. 10, Series of 2013, on "no risk/low risk" covered transactions.

The sale of Real and other Properties Acquired (ROPA) shall be reported at the time of the execution of the Contract to Sell, or any similar contract, in the amount of the total contract price. Any installment payments, and the subsequent execution of a Deed of Absolute Sale and issuance of a new Transfer Certificate of Title (TCT) to the buyer need not be reported.

Transactions lodged under Contingent accounts pending settlement or maturity thereof shall be reported only at the time such transactions are actually settled, or have matured, or availed of.

#### 7.2 Report Format

A single report format using Format 1.0 in CTRs/STRs, which format shall be shall be adopted. The Mandatory Fields, as determined by the Secretariat, shall be strictly filled-up.

Moreover, the following additional fields shall be incorporated in the new format:



- a. Beneficiary account number;
  - b. Nationality; and
  - c. Place of Birth
8. **Exemption from Bank Secrecy Laws** – When reporting covered or suspicious transactions to the AMLC, the bank and the officers and employees shall not be deemed to have violated Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, and other similar laws, but are prohibited from communicating directly or indirectly, in any manner or by any means, to any person, the fact that a covered or suspicious transaction report was made, the contents thereof, or any other information in relation thereto. In case of violation thereof, the concerned officer and employee of the bank shall be criminally liable in accordance with the provisions of the AMLA, as amended.
9. **Confidentiality Provision** – When reporting CTs and STs to the AMLC, the bank’s directors, officers and employees are prohibited from communicating directly or indirectly, in any manner or by any means, to any person or entity, the media, the fact that a covered or suspicious transaction report was made, the contents thereof, or any other information in relation thereto. Neither may such reporting be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer and employee of the bank and media shall be held criminally liable.
10. **Safe Harbor Provision** – No administrative, criminal or civil proceedings, shall lie against any person for having made a CTR or an STR in the regular performance of his duties in good faith, whether or not such reporting results in any criminal prosecution under AMLA.

## **VIII. IMPLEMENTATION OF FREEZE ORDER**

Contemplated actions of covered persons in effecting and implementing Account Freeze Order and Targeted Financial Sanctions under R.A. 10167 (amendments to Secs. 10 and 11 of R.A. 9160 or the AMLA of 2001).

### What is a Freeze Order (F.O.)?

A freeze order covers a main account, which the AMLC and Court of Appeals determined, there is a probable cause that it is related to money laundering and terrorist financing. On the other hand, related

or materially linked accounts are determined by covered persons in compliance with the Freeze Order.

- Observe the filing of returns and to consider the start of the 20 days effectivity of freeze order, from the time the accounts are actually frozen;
- Per implementing rules and regulations, written returns with pertinent details on an account should be submitted to the AMLC and the Court of Appeals (CA) within 24 hours since a particular account is frozen.
- A complete written return should include the account number; names of the account holder/s; amount in the account at the time it was frozen; all relevant information pertaining to the nature of the account or property; any information on related accounts or property associated or connected to the frozen account or asset, and the time when the freeze order took effect.

Failure to immediately freeze accounts upon receipt of a freeze order is considered grave violation under R.A. 9160 or the AMLA of 2001, as amended. Attached hereto is the said advisory from AMLC: indicating the penalties for failure; late implementation, delayed submission of returns.

## **IX. DIGITIZATION OF CUSTOMER RECORDS**

### **A. Customer records shall refer to:**

1. Those obtained by covered persons to establish the true and full identity of customers in accordance with their Customer Due Diligence (CDD) policies and procedures, such as customer information files where the customers provide minimum information; copies or records of official identification documents or similar documents, establishing the true and full identity of customers; account files and business correspondence, including the results of any analysis undertaken, such as inquiries, to establish the background and purpose of complex, unusually large transactions, collectively referred to as CDD records or CDD documents;
2. Account transaction histories or statements of accounts, whether in the Philippine pesos or other currency.

**B. Duties of covered persons:**

- Act promptly, and treat with utmost confidentiality all requests for information and/or documents, as well as orders, to provide customer records pursuant to the AMLC's functions to investigate or conduct bank inquiry;
- Digitize all customer records in accordance with the timelines set, including those pertaining to accounts existing prior to implementation period thereof, but excluding customer records of closed accounts beyond the five (5) year record-keeping requirement of the AMLA;
- Develop a central database of customer records to be maintained in head office and branches and authorize the Compliance Officer to have direct, immediate, and unimpeded access to the database;
- Ensure compliance with prevailing laws related to data privacy, data protection and security in developing database and adoption of retrieval procedures;
- Keep all required customer records in central databases, in such forms as may be admissible in court or as may be prescribed by the AMLC;

**C. Submission of Digitized Customer Records to the AMLC**

The customer records extracted from the covered person's central database shall be completely, accurately and timely submitted to the AMLC's FTRF, using log-on credentials, given by the AMLC.

**X. RECORD KEEPING AND RETENTION**

- (A) The Bank shall maintain and safely store all customer identification records as long as the account exists.
- (B) The Bank shall maintain and safely store all transaction records, including all unusual or suspicious patterns or account activity whether or not an STR was filed with the AMLC, for five (5) years from the date of transaction.

- (C) Records and files maintained and safely stored by the Bank shall contain the full and true identity of the owners or holders of the accounts involves and arranged in an orderly manner. The following are identification and relevant documents to be kept by the Bank:
- Signature Card/Customer Information File
  - Photocopy of Valid IDs
  - ID Pictures
  - Deposit Agreement Form/Terms & Condition
  - Correspondences and other pertinent documents
- (D) Closed accounts record on customer identification, accounts files and business correspondences, shall be preserved and safely stored for at least five (5) years from the date of closure.
- (E) Records of money laundering cases filed in the court shall be retained beyond the five (5) year retention period until it is confirmed that the case has been finally resolved or terminated by the court.
- (F) The Bank designates the Branch Manager and Cashier/Teller as joint custodians of all records and documents required to be retained by the AMLA. They shall responsible and accountable in making these documents available without delay during BSP regular or special examinations.

## **XI. UPDATING OF DEPOSITOR RECORD**

As a matter of policy, depositor records shall be updated every three (3) years, except when there is imminent need to update the record immediately, such as, but not limited to the following situations:

1. Change in name/account name
  - 1.1 Due to change in marital status – the Cashier shall require the depositor to submit a certified true copy of the marriage contract and updated valid ID (*if already available*) and accomplish the “Customer Account Maintenance Form”. In accomplishing the CAMF, all the co-depositors, in the case of a joint account, shall sign to signify their conformity in the changes to be made in the account. A new set of CIF/SSC is prepared by the Cashier and follow the procedure in accomplishing the form, as applicable.
  - 1.2 When there is a court order – the depositor is required to submit certified true copy of the court order and updated valid ID and follow the procedure mentioned in 1.1.

2. Change in address – the depositor is required to submit document showing his/her new address e.g., utility bill, other documents showing the new address. The procedure in accomplishing the form is then followed, as applicable.
3. Updating of client specimen signature – update is imminent when there is a deviation in the current signature e.g., change in name, as compared with the specimen signature on file. In which case, the Teller, with the approval of the Cashier or Manager, shall require the client to provide a new set of specimen signature and attached to the CIF/SSC already on file.
4. Amendments and changes in account type – The cashier shall require the depositor to accomplished the “Customer Account Maintenance Form” and indicate the nature of the request amendment/s/change/s in account type. In the case of joint account, all the co-depositors shall affix their signature in the CAMF to signify their approval/conformity with such amendment/s/change/s to be made to the account. A new set of CIF/SSC is prepared by the Cashier and follow the procedure in accomplishing the form, as applicable.
5. No update or alteration is allowed on the records of depositors involving associations, partnerships, and juridical parties without the express and written consent from all the authorized signatories therein. The following shall be required before update is allowed on these types of accounts:
  - a. Association
    - (i) Board Resolution or notarized minutes of general membership or governing body certified by its Secretary stating the authority to update the account;
    - (ii) Pertinent documents required for the update, as follows:
      1. Valid IDs of Authorized Signatory/ies
      2. Latest picture of Authorized Signatory/ies
      3. Updated Articles and By-Laws of Association or Certificate of Registration, if any
  - b. Partnership
    - (i) Duly notarized Partnership Resolution authorizing the update to be made on the account;
    - (ii) Required updated documents as follows:
      1. Valid IDs of Authorized Signatory/ies
      2. Latest picture of Authorized Signatory/ies
      3. Certified true copy of Articles of Co-Partnership, DTI/SEC Cert. of Registration, Partnership Agreement (If update is needed)

- c. Juridical Parties (Corporation)
  - (i) Duly notarized Board Resolution or Secretary's Certificate approved by the Board of Directors stating the authority to update the corporate account;
  - (ii) Documentary requirements necessary for the update, as follows:
    1. Valid IDs of Authorized Signatory/ies
    2. Latest picture of Authorized Signatory/ies
    3. Certified true copy of Articles of Incorporation, Corporate By-Laws with SEC Cert. of Filing (If update is needed)

## **XII. STAFF TRAINING PROGRAM**

The Bank believes that creating a compliance and control culture among its directors and responsible officers and employees is the best tool to combat money laundering. Therefore, there's an ongoing effort to promote staff training, development and awareness programs around the many aspects that comprise the laundering of criminal proceeds and terrorist financing.

### **(A) Induction Course**

This course aims to inform newly hired employees about the policies and procedures related to the prevention against money laundering as well as raising awareness about the risks for the Bank being used for the fulfillment of these illegal purposes. This course must be conducted within 60 days of the date of beginning of employment.

### **(B) Periodic Courses (On-site or outsource seminar/training)**

(C) There will be at least one AML course a year, for all the Bank's officers and employees to attend. This course will also cover AML updates available. The HR Head, in coordination with the Compliance Officer, shall develop an annual training program, taking into consideration the need for bank staff to undergo AML training and the availability and viability of such training.

### **(D) Refresher Course**

Staff must always be updated about existing regulation. In order to do, all officers and staff are required to undergo refresher course on a per need basis. Front office employees (handling cash and loan transactions) shall have the first priority in taking refresher course.

### **(E) Course Subjects**

Staff in our Bank shall be trained in the following areas:

- a. Trends in the prevention of money laundering
- b. Domestic legal framework and regulations
- c. Client Identification Program
- d. Know Your customer Program
- e. Customer's Risk Profiling
- f. Decentralized Monitoring of Transactions
- g. Covered and Suspicious Transaction Detection and Reporting
- h. Money laundering and Terrorist Financing Methodologies

### **XIII. INDEPENDENT REVIEW**

An independent review of this Manual must be conducted annually. The Internal Audit Department shall be in charge of the review. The review shall include an evaluation of the policies and procedures of this Manual.

The review shall include an opinion as to the adequacy and implementation of the policies and procedures adopted by the bank to prevent the institution from being used for laundering funds coming from criminal activities or for terrorist financing. The review must point out the deficiencies or omissions that are considered important, and it must make recommendations for resolving these issues and adopting corrective measures. The Internal Auditor shall report the result of AML audit report directly and independently to the Board-Level Audit Committee.



# **CORPORATE GOVERNANCE**





## **E. CORPORATE GOVERNANCE**

### **BOARD OF DIRECTORS**

**Powers/Corporate powers of the board of directors.** The corporate powers of an institution shall be exercised, its business conducted, and all its resources controlled through its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders.

The directors shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of institution.

#### **1. Composition of the board of directors:**

The corporate powers of the Corporation shall be vested in and exercised, its business conducted, and its property controlled by a Board composed of five (5) Directors.

The director who shall be elected at the annual meeting of the stockholders shall hold office for a term of one (1) year and until their successors shall have been duly elected and qualified.

Vacancies occurring in the Board, for any cause other than removal, shall be filled for the unexpired term in the following manners: (a.) a single vacancy, by the vote of the majority of the remaining directors; (b.) more than one vacancy, or even a single vacancy when the remaining directors cannot agree on who would fill the same, by the stockholders at a special meeting to be called for that purpose as soon as practicable.

PANGASINAN BANK (A Rural Bank), INC.  
List of Board of Directors  
As of December 31, 2023

Name	Type	Principal Stockholder	No. of yrs. as Director	No. of Shares Held	Percent to Total Shares
Mr. Romualdo Patrick F. Siapno	Chairman	Siapno Family	21	6,262	1.25
Arch. Mark Joseph F. Siapno	Director	Siapno Family	21	5,956	1.19
Anne Q. De Guzman	Director	De Guzman Family	11	3,377	0.68
Dennis N. Calimlim	Director	Calimlim Family	21	6,750	1.35
Atty. Gerald Z. Gubatan	Independent Director	Gubatan Family	5	9,991	2.00

## 2. Qualification of a director:

- A director shall have the following minimum qualifications:
  - (1). He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standard of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.
  - (2.) He must have attended a seminar on corporate governance for board of directors.
- Independent and non-executive directors

In selecting independent and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry his duties and responsibilities. In this regard, the following shall apply:

  - (1.) A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement;
  - (2.) An independent director of a bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent director's shall be reckoned from 2012.
- Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

### 3. Chairperson of the board of directors:

- **Roles of the Chairperson of the board of directors.** The Chairperson of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. He shall:
  - (1.) ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
  - (2.) ensure a sound decision-making process;
  - (3.) encourage and promote critical discussion;
  - (4.) ensure that dissenting views can be expressed and discussed within the decision-making process;
  - (5.) ensure that members of the board of directors received accurate, timely, and relevant information;
  - (6.) ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors;
  - (7.) ensure conduct of performance evaluation of the board of directors at least once a year.
- **Qualifications of the chairperson of the board of directors.** To promote checks and balances, the chairperson of the board of directors shall be a non-executive director or an independent director, and must not have served as CEO of the bank within the past three (3) years. The positions of chairperson and CEO shall not be held by one (1) person.

### 4. Board of Directors Meeting:

The meetings of the board of directors may be conducted through modern technologies such as, but not limited to teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberation on matters taken up therein: Provided, that every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty five (25%) of all meetings of the board of directors every year: Provided further, that the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election.

The Board of Directors shall hold a regular meeting at least once a month, on such date and at such time and place, as may be fixed by resolution of the Board, without other or further notice than resolution.

The Board of Directors can approve via an Information and Communication Technology (ICT) virtual platform (group chat/messenger) that allows it to easily and quickly exchange opinion/ideas especially for loan approvals that are in the P1.5M and above range; particularly when it/they need to be acted upon immediately, but are not within the time frame of the scheduled regular monthly meeting.

This policy will be implemented to facilitate the fast approval of loans and in order to maintain the competitiveness of the bank, relative to speedy loan approvals.

Special meeting of the Board of Directors may be called at any time by the Chairman or by a written request of any three (3) Directors, and shall be held at the Head Office of the Corporation, or at such place and time as may be agreed upon by the majority of the Directors

Notice needs be given as a regular meeting of the Board. Notice of any meeting shall state the date, time and place thereof, and the purpose or purposes for which it is called. Such notice shall be deemed complete upon its delivery to the place of residence, or the business address of the Directors, at least one (1) day before the date of the meeting or upon its being delivered to the Post Office, property addressed and postage prepaid in time for it to reach the Director, at least one (1) day before the meeting. However, when urgency of the meeting so requires, the Chairman may authorize the Secretary to give the Directors notice by telephone, or other expedition means, and such notice shall in all respects be as effective as notice in writing. Notice of the meeting shall be deemed a waiver of any failure, defect or irregularity of the meetings' notice.

A quorum at any meeting of the Board of Directors shall consist of the majority of the Directors, less than a quorum may adjourn any meeting from time to time, and the meeting may be adjourned without further notice; and unless there be a quorum, no business may be transacted. A majority of such quorum shall decide every question or matter submitted to the Board at any such meeting.

At any meeting of the Board, the following order of business shall be observed:

- Opening of the meeting by the Chairman;
- Reading and disposal of any unapproved minutes;
- Reports of the officers and committees;
- Unfinished business;
- New business
- Adjournment

PANGASINAN BANK (A Rural Bank), INC.  
Attendance at Board and Committee Meetings  
As of December 31, 2023

Name of Directors	Board Number of Meetings		Audit Committee	
	Attended	%	Attended	%
Mr. Romualdo Patrick F. Siapno	10	91	na	na
Arch. Mark Joseph F. Siapno	10	91	3	75%
Anne Q. de Guzman	11	100	na	na
Atty. Gerald Z. Gubatan	10	91	3	75%
Dennis N. Calimlim	10	91	4	100

**5. Specific duties and responsibilities of the board of directors**

The board of directors is primarily responsible for defining the bank’s vision and mission. The board of directors has the fiduciary responsibility to the bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of check and balances. It shall establish a sound corporate governance framework. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

- The board of directors shall define the bank’s corporate culture and values.
- The board of directors shall be responsible for approving the bank’s objectives and strategies and in overseeing management’s implementation.
- The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy of personnel
- The board of directors shall be responsible for approving and overseeing implementation of the bank’s corporate governance framework.
- The board of directors shall be responsible for approving the bank’s risk governance framework and overseeing management’s implementation thereof.

## 6. Specific duties and responsibilities of a director

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, its stockholders, its depositors.

- To remain fit and proper for the position for the duration of his term;
- To conduct fair business transactions with the bank and to ensure that personal interest does not bias board decisions;
- To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public;
- To devote time and attention necessary to properly discharge their duties and responsibilities;
- To act judiciously;
- To contribute significantly to the decision-making process of the board;
- To exercise independent judgment;
- To have working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the Bangko Sentral and where applicable, the requirements of other regulatory agencies;
- To observe confidentiality

## **BOARD-LEVEL COMMITTEE**

- **AUDIT COMMITTEE.** The Audit Committee shall be composed of members of the board of directors, at least one (1) of whom shall be independent director, including the Chairman, preferably with accounting, auditing or related financial management expertise. Duties and responsibilities are the following:
  - a. The Audit Committee will oversee the bank's financial reporting and control as well as the internal and external audit activities.
  - b. It will be responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who will both report directly to the committee.
  - c. It will monitor and evaluate/review the adequacy and effectiveness of the internal control system, including financial, operational and compliance control and risk management; seeing to it that the latter is conducted quarterly.
  - d. Effective and active supervision of the compliance function by diligently guiding the Chief Compliance Officer in the conduct of regular updates on

the compliance program, and monitor of Bank's compliance with applicable laws, rules and regulations.

- e. The audit committee shall have an explicit authority to look into any matter within its terms of preference. It shall have full access to and cooperation of the management, as well as the full discretion to invite any director or executive officer to attend its meetings.
- f. The Audit Committee shall have the full responsibility in monitoring and overseeing the over-all functions of the Credit Risk Review Officer (CRRO). The CRRO will report to the Audit Committee functionally and to the President administratively. The administrative functions of the CRRO to the President includes but not limited to:
  - Preparing, organizing and maintaining reports and communications between her unit and the branches/senior management;
  - Communicating results of loan reviews, stress tests required from her end to the senior management and/or other employees;
  - Scheduling appointments for supervisors, clients and scheduling of in-offices meetings or conferences with employees;
  - Performing research projects for the senior management related to credit/loan evaluation;
  - To clearly and concisely relay information to others: senior management, employees and clients.
- g. The Audit Committee shall convene quarterly at every 3<sup>rd</sup> Monday of the following month of the quarter.

## **OFFICERS**

- Qualifications of an officer. An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.

In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory and professional body.

- Duties and responsibilities of officers
  - (1.) To set the tone of good governance from the top;



- (2.) To oversee the day-to-day management of the bank;
- (3.) To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency;
- (4.) To promote and strengthen checks and balances systems in the bank;
- (5.) To ensure that the company's policies, procedures and processes are properly implemented and observed.

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

- a. **THE CHAIRMAN.** The Chairman of the Board shall preside at all meetings of the Board of Directors, in his absence or inability to do so, the meeting shall be presided over by the Vice Chairman, or other Officers to whom this power may have been delegated by the Chairman. The Chairman of the Board shall have such other powers as may be prescribed by the Board.
- b. **THE VICE CHAIRMAN.** The Vice Chairman shall have such powers and perform such duties as the Board of Directors may from time to time prescribe and as may be delegated to him by the Chairman. In the absence of the Chairman, the Vice Chairman shall act in his stead and shall perform any and all such powers and duties pertaining to the office.
- c. **THE PRESIDENT.** The President who shall be elected from among the Directors, shall be the Chief Executive officer of the Corporation. Aside from those which may have been assigned to him by the Board, his powers and duties shall include the following:
  - To direct the implementation of the policies of the Board, and report to it and the stockholders on all matters concerning the affairs of the Corporation that may require action by them at their respective meetings.
  - To take active supervision and control over the property, interest, business and affairs of the Corporation, and subject to the approval of the Board, he may appoint, suspend or remove any appointive officer or employee whenever in his judgment it may become necessary to do so.
  - To supervise, control and direct subordinate officers, agents and employees in the discharge of their duties.
  - To see to it that all officers, agents, employees, and other personnel comply with the pertinent laws, as well as the applicable rules and regulations of the Bangko Sentral ng Pilipinas and all other regulatory/supervisory bodies.
  - To present to the Board of Directors at any regular or special meeting or at such other times as it may require, a report on the state of the business of the Corporation.



- To attend meetings of the Board, and render such assistance or advice as it may concerning the estate of the business of the Corporation.
  - To be responsible for the efficient management of the affairs of the Corporation, to maintain harmonious relations between management and the employees, see to it that the public in general, and the clients of the corporation in particular, are rendered prompt, courteous and efficient service, and to develop and maintain sound public relations.
  - The President may delegate to any officer any of his powers and duties whenever in his judgment such delegation is expedient and practicable.
- d. **THE VICE PRESIDENT.** The Board of Directors may elect one or more Vice Presidents who may not be members of the Board, whose powers and duties, in general, shall be determined by the Board. In the absence or inability of the President, the Board shall designate the Vice President, who should be a member of the board of directors, to perform and discharge the powers and duties of the office of the President. If the Vice Presidents are not members of the Board, the Board shall designate who among the Board members shall act in place of the President.
- e. **THE TREASURER.** The Treasurer shall have the care and custody of the funds, securities and properties of the Corporation. He shall deposit all money and valuable effects in the name and to the credit of the Corporation in such banks, or trust companies, or with such bankers or other depositories as the Board may from time to time designate, and any funds so deposited shall be withdrawable only by checks or other instruments signed by duly authorized officers of the Corporation as hereinafter provided. He shall render to the Board of Directors and the President whenever required, an account of the financial condition of the Corporation and of all his transactions as Treasurer. He shall perform such other duties as the Board of Directors may from time to time assign to him or are incident to his office. In the absence of the Treasurer, or his inability to act, his duties shall be performed by such person as may be designated by the Board of Directors.
- f. **THE SECRETARY.** The Secretary who must be a citizen and resident of the Philippines, shall have the following powers and duties:
- He shall keep accurate minutes of all meetings of the stockholder and of the Board, and shall attend to the giving of all notices required by these By-Laws to be given.
  - He shall be custodian of the corporate seal, stock certificate books, stock and transfer book, records, documents and papers of the Corporation, prepare ballots for the annual elections and keep a complete and up-to-date list of the stockholders and their addresses.

- He shall perform such other duties as may be assigned to him from time to time by the Board of Directors of the President, and such other duties incidental to his office.
  - He shall also sign prepare such reports and statements as are required by the Board and or the President.
  - During the absence or inability of the Secretary, the Board shall select the persons to act in his stead.
- g. **GENERAL MANAGER/CHIEF OPERATING OFFICER.** (The position in place instead of Comptroller, as amended on 01-25-11 and confirmed on 02-13-11). The General Manager/Chief Operating officer shall be the operating head of the bank with the power to transact the general business of the bank. He is responsible for the efficient and accurate execution of what the board of directors decide upon. He supervises all the transaction between the bank and customers through junior officers and employees. He provides leadership and has to control the work of others. He has to ensure that the best results are obtained from his own efforts and from those bank officers and bank employees, he has tasked for being responsible.

In essence, the duties of the general manager are as follows:

- Plan, organize, coordinate and control all the financial and administrative activities of the bank and to direct and supervise the detailed operations of the bank.
- Establish and maintain adequate accounting system, provide periodic financial and operating statements, and prepare budgets as prescribed by the board of directors.

In specific terms, the duties of the general manager are as follows:

- Approve loan applications up to the amount delegated to him.
- Recommend the approval or disapproval of loan applications in excess of the amount he could give to the credit committee.
- See to it that all books of accounts are up-to-date and in balance.
- Sign or countersign checks or demand drafts when authorized by the Board of Directors.
- See to it that an effective internal control system is installed and maintained in order to prevent errors and frauds from being committed.
- Supervise the granting of loans, as well as follow up the collection of accounts either in writing or in person and see to it that past due items, if any, are within manageable levels.
- Approve payrolls as well as any disbursements for expenditures and release of loan proceeds.
- See to it that all exceptions noted in the audit and examination of the books and operations of the bank conducted by the Bangko Sentral ng Pilipinas personnel and other supervisory bodies are corrected in accordance with the instructions received.
- Certify such statements of financial condition, income statements, reports, records and statistics as may be required by law, by the

- Monetary Board or requested by the President or the Board of Directors.
- Initiate and enforce measure and procedures relating to all accounting matters including clerical and office methods, records, reports to the end that the business of the Corporation shall be conducted in accordance with law, lawful rules, regulations and directories of the Bangko Sentral ng Pilipinas and with the maximum safety, efficiency and economy.
  - Act as a budget director, and in conjunction with the other officers and heads of departments, to prepare an annual budget covering all activities of the Corporation, and to submit the same to the Board before the calendar year begins.
  - Attend meetings of the Board of Directors and the standing committees when so required by the Chairman or the Board and to render such assistance and advice as the Chairman, President or Board may desire concerning the books, accounts and system of financial transactions of the Corporation, of all its branches, and of any person, entity or Corporation in which the Corporation may be interested.
  - In case of any defalcation, default, or dereliction of duty coming to his knowledge at any time, to notify at once the Chairman and the President.
  - In the absence of the General Manager or his inability to act, his duties shall be performed by such person as may be designated by the Board.
- h. **COMPLIANCE OFFICER.** (Installation of Compliance Officer, as amended on 01-25-11 and confirmed on 02-13-11). It is the bank's discipline to stay compliant with regulations on a going-concern basis that is essential to what makes it a bank. His/her duties and responsibilities shall include the following:
- In consultation with the Board of Directors and Board Officers, prepares a Compliance Program for approval of the Board, and thereafter, submit the same to the DRB, BSP.
  - Oversee and coordinate with the Board and Bank President the implementation of Compliance Program.
  - Acquaint the Board members and the bank personnel with the provisions of the Compliance Program.
  - Conduct regular updates orientation of the latest issuances, policies rules and regulations issued by the regulatory institutions (BSP, PDIC, SEC, BIR, DOLE, SSS, and DOF).
  - Build-up library of all relevant laws, rules, and regulations issued by regulatory bodies.
  - Keep the library current and up-to-date be seeing to it that copies of new laws and issuances of regulatory bodies, interpretations thereof, amendments thereto and repeat revocation thereof are on file and properly disseminated to the officers and employees of the bank.
  - Study each new law, rule or regulation with the following objectives:
    - (a) determination of the unit/group/department and personnel

- affected; (b) providing proper implementation guideline; (c) identification of the risk of non-compliance thereof.
- Provide a vehicle for efficient dissemination of issuances, laws, rules and regulations: (a) install system with which permanent laws, rules and regulations together with their implementing guidelines and the risks/consequences for non-compliance thereof are effectively disseminated to acknowledged, and clearly understood by each and every staff member of the bank; (b) conduct regular meetings and seminar/workshops among the officers and staff on the proper implementation of the guidelines and risk implications; (c) maintain a bulletin board and regularly post new issuances/implementing guidelines for the information and guidance of all concerned; (d) adopt an open communication system; (e) free flow of information should be maintained and compliance related issues should be conveyed in a complete and timely manner; (f) compliance issues should be brought to the attention of the staff concerned as soon as possible for immediate resolution in order to minimize risks/violations thereof.
  - Regularly consult with appropriate regulatory agencies for additional guidance on specific provisions of laws, rules and regulations and/or discuss compliance findings with each agency, initiate dialogues regarding borderline issues.
  - Conduct annual competence assessment, future training needs and introduce remedial action to correct/improve inadequate performance.
  - Install compliance monitoring system in coordination with the Audit Committee or Bank President to ensure that the directors, officers and staff are familiar with the compliance program.
  - Undertake periodic compliance review/monitoring and assessment of each department/branch on a regular basis.
  - Compliance officers should consult internal and external auditor of any violation of laws, rules and regulation noted in their findings.
  - Compliance Officer shall submit reports on the monitoring and assessment to the President/Chairman of the Board of Directors to document findings, issues, concerns and remedial/corrective measures taken which report must be cleared and approved by the department/unit head/branch managers before submitting the same to the officers concerned.
  - The Compliance Officer shall closely and religiously monitor the following: (a) past due loans; (b) non-performing loans; (c) aging of loans.
  - The Compliance Officer should be familiar with the types/kinds of risks the Bank is exposed to which are as follows: (a) credit risk; (b) market risk; (c) interest risk; (d) foreign exchange risk; (e) liquidity risk; (f) operational risk; (g) legal risk; (h) compliance risk.
  - The Compliance Officer should be acquainted with the manner SAFr is computed/evaluated: (a) Credit Risk; (b) Operational Risk; (c) Market Conduct Risk; (d) Liquidity Risk; (e) Interest Rate Risk in the Banking Book (IRRBB); (f) ML/TF/PF Risk; (g) Compliance (h) Internal Audit; (i) Earnings; (j) Capital; (k) Liquidity; (l) Governance.

i. **INTERNAL AUDITOR.** (Installation of Internal Auditor, as amended on 01-25-11 and confirmed on 01-13-11). The Internal Audit Section is being tasked to assist in the financial and operational management of the company, shall be responsible in conducting its activities in such manner, as to:

- provide the correct accountability;
- protect the company from losses and fraud, wastage and extravagance;
- develop the necessary management information.

Its primary objective is to assist the management in achieving an effective and efficient administration of its fiscal and operational functions. This objective cover two phases:

- **Protective** - to protect the company's interest, including the disclosure of weaknesses and deficiencies in control standards needing correction. To attain this objective, he/she must, (a) ascertain the degree of reliability of the amounts and statistics; (b) ascertain the extent to which the monies and properties are safeguarded from losses of all kinds and are properly accounted for; (c) ascertain the extent of compliance with the established policies, regulations, plans and procedures.
- **Constructive**—the furtherance of the company's interest, including the recommendation of actions to improve its performance. To achieve this objective, he/she needs to: (a) review and appraise the policies, regulations, procedures and plans in the light of related date, changing circumstances and other evidences having a bearing on their effectiveness; (b) review and appraise the internal records of the various units within the company in terms of their adequacy, efficiency and effectiveness; (c) review and appraise the performance within the framework of the policies, regulations, plans and procedures.

He/she has the authority to examine all the company's records, books, vouchers, files and properties necessary to carry out his/her work. His/her examination and review shall in no way relieve the other persons from their primary responsibilities assigned to them.

To carry out its work, its personnel shall institute and conduct an independent review and appraisal of the accounting, financial and other operational aspects of the company's various organizational units.

As such, he/she shall conduct periodic audit and whenever necessary, do special investigation of the records and operations of the company and keep management informed of the irregularities and unsatisfactory conditions discovered and other findings which may be of interest.

And in order to attain its objectives, internal audit personnel have to report its findings and recommendations to the responsible officials of the

company. These reports will be presented in writing or verbally, according to the circumstances.

He/she shall be directly responsible for the complete reporting in each case, of all unsatisfactory conditions and deviations from the established procedures to the management.

Additionally, he/she is also expected to give constructive recommendations/suggestions regarding improvements of the procedures, during the course of his/her work.

- j. **OTHER OFFICERS.** The Board of Directors may appoint such other officers as may be deemed necessary, provide their powers and duties, and fix their compensation.

PANGASINAN BANK (A Rural Bank), INC.  
 List of Executive Officers/Senior Management  
 As of December 31, 2023

NAME	POSITION	QUALIFICATIONS/ EXPERIENCE	AGE	NATIONALITY
Anne Q. de Guzman	President	BM Teller; Branch Mgr., Internal Auditor; AVP-Compliance; Asst. Gen. Manager; BID-ROPA Overseer President	54	Filipino
Ma. Socorro Q. Aquino	Corp. Sec./ Chief Credit Officer/ Property Mgmt. Head	Teller; Cashier; Branch Manager; Operations Manager; Asset Mgt. Head / Credit Officer	56	Filipino
Evelyn C. Vergara	Chief Compliance Officer	New Accounts/Clerk Teller; Audit Assistant; Savings Bookkeeper; Acctg. Head Operations; Audit Assistant; Chief Acctg. Head; HR Mngr., Operations Manager; Internal Auditor; Compliance Officer	58	Filipino
Dianne L. Antenorio	Internal Auditor	Acctg. Staff; Teller; Loan Bookkeeper (SF); Loan Bookkeeper 3 (CLU), Audit Assistant; Operations Acctg. Head; Audit Asst., Internal Auditor	32	Filipino
Chiqui T. Ungson	Treasurer	Teller; Loan Bookkeeper; Cashier; Accountant (H.O.); Cashier; Acctg./HR Asst., HR Head; Treasurer	41	Filipino



Dina R. Desamito	Credit Risk Review Officer	Branch Account Officer/ Bookkeeper; Br. Accountant; Br. Account Officer; Br. Manager; Credit Risk Review Officer	40	Filipino
Sebastina F. Nepacina	Chief Accounting Head	LOAN BOOKKEEPER; ACCOUNTING HEAD; CASHIER; CHIEF ACCTG. HEAD; BRANCH MANAGER; CHIEF ACCTG. HEAD	47	Filipino
Dexter S. Quinto	HR Head	Acctg staff; Accounting Assistant / Cashier; Loans Bookkeeper; Teller; Audit Assistant; Assistant Account Officer; Account Officer; Cashier; Branch Manager; Human Resource Head	47	Filipino

**Performance Assessment Program For Officers and Employees including Senior Management**

The performance appraisal policy supports the performance appraisal scheme. The scheme is a formal process centered on an annual meeting of each employee and their line manager to discuss his/her work. The purpose of the meeting is to review the previous year’s achievements and to set objectives for the following year. These should align individual employees’ goals and objectives with organizational goals and objectives.

*Core Principles of the Appraisal Policy*

1. The appraisal process aims to improve the effectiveness of the organization by contributing to achieving a well-motivated and competent workforce.
2. Appraisal is an ongoing process with an annual formal meeting to review progress.
3. The appraisal discussion is a two-way communication exercise to ensure that both the needs of the individual, and of the organization are being met, and will be met in the next year.
4. The appraisal discussion will review the previous year’s achievement, and will set an agreed Personal Development Plan for the coming year for each member of staff.
5. All directly employed employees who have completed their probationary period are required to participate in the appraisal process.
6. The appraisal process will be used to identify the individual’s development needs and support the objectives of the Training and Development Policy.
7. All staff will receive appraisal training as an appraisee, and where appropriate as an appraiser.
8. The appraisal process will provide management with valuable data to assist succession planning.
9. The appraisal process will be a fair and equitable process in line with our Equality Policy.

## Performance Appraisal Implementation

Performance appraisal discussions will be held over a designated 4-week period on an annual basis (usually conducted during the anniversary date or date of hiring of every employee). They will be arranged by the appraisee's line manager. Line managers are encouraged to provide the opportunity for a supplemental 6-month verbal appraisal review, mid-year and other informal reviews as necessary throughout the year.

The discussion will be held in private. Information gained during the appraisal will be shared only with senior management. The exception is training needs that will be provided to the HR / administration for action. Confidentiality of appraisal will be respected.

The appraiser (usually the employee's line manager) will be expected to have successfully completed appraiser training, and to be familiar with the appraisee's work.

All appraisal documents should be issued to both parties prior to the discussion, in order to allow time for both parties to reflect and prepare. These will provide a framework and focus for the discussion.

A time and venue for the discussion will be advised at least one week before the meeting takes place.

### *The Appraisal Discussion*

The appraisal discussion will allow an opportunity for both the appraisee, and the appraiser to reflect and comment on the previous year's achievements. It will praise achievement and encourage the appraisee in his/her role.

The appraiser is accountable for giving the employee constructive, timely and honest appraisals of their performance, which should take into account both the goals of the organization and of the individual.

The discussion should be a positive dialogue, and will focus on assisting the appraisee to acquire the relevant knowledge, skills and competencies to perform his/her current role to the best of his/her abilities.

The appropriate forms will be completed and signed by both parties. The appraisee will be given the opportunity to note any comments that he/she does not agree with and complete a self-assessment.

The appraisee and line manager should agree on a Personal Development plan for the appraisee for the following year. This will reflect the appraisee's aspirations and the organization's requirements, and should align personal and organizational goals. The organization and the line manager will support the individual to achieve these goals during the forthcoming year.

Any training needs, future training requirements, planned qualifications, development opportunities and career planning should be discussed in the light of the Personal Development Plan.



### *Training and Monitoring*

Senior Management are responsible for the appraisal process, and he/she shall ensure that appraisers and appraisees are adequately equipped and trained to undertake the performance appraisal.

### **Guidelines and Policies on Position Changes and Salary Grading**

#### **Salary Process**

- Starting salary for new hires without experience shall be the minimum rates.
- Starting salary for new hires with experience, shall take into consideration the factors in the salary review:
  - **Applicant's Experience:** the number of years of previously worked in the industry and relevant functional experience the applicant possesses at the time of application.
  - **Applicant's Education:** relevant education, training and /or certifications that at least meet the minimum requirements for the job.
  - **Applicant's Salary History:** the salary history in positions similar to the new position or being considered as progressing towards the new position, may be taken into consideration.
  - **Internal equity:** the skills and background of applicants should be compared to those of internal (department/division) employees performing similar work. Salary equity does not imply that all employees in similar positions who have similar years of experience and education should be paid the same salary. Recognition of varying levels of skills and performance, for example, will result in differences in salary among employees.
  - **Recruitment difficulties:** skills in high demand or hard-to-find areas require additional salary consideration. Factors such as the scarcity of qualified applicants, the number of rejected job offers, and the turnover rate for the position may be considered.

#### **Qualifications for salary increases at mid-point rate.**

- a. Employee must have no tardiness beyond the allowable time within a year.
- b. Employee must have no memos pertaining to violations of company policies and rules within 2 years.
- c. Employee must have passed the performance evaluation rate of at least 10 at 2 consecutive **Performance Appraisal Activity**.
- d. Employee must have a positive recommendation from his/her immediate supervisor/manager. (With attached supporting documents to justify the recommendation.)
- e. Employee must have passed the level of audit performance rate of least 30% as per Internal Audit System.

#### **Qualifications for salary increases at maximum rate.**

- a. Employee must have no tardiness beyond the allowable time within the previous 2 years.
- b. Employee must have no memos pertaining to violations of company policies and rules within the previous 2 years.
- c. Employee must have pass the performance evaluation rate of at least 10 at 3 consecutive **Performance Appraisal Activity**.

- d. Employee must have a positive recommendation of his/her immediate supervisor/manager. (With attached supporting documents to justify the recommendation.)
- e. Employee must have passed the level of audit performance rate of least 30% as per Internal Audit System within the previous 2 years.

### **Promotional Process**

-when an employee moves from a position to another position that is assigned with a higher salary grade, this is considered as promotion.

#### **Qualifications:**

- a. He/she must already be on regular status, and full-time employee.
- b. Employee must be in his/her current position for at least 6 months to 2 years consecutively.
- c. Employee must have earned a performance rate of at least 10 during the 2years period.
- d. Employee must have no tardiness beyond the allowable time within a year.
- e. Employee must meet the required competence and requirements of the new position.
- f. No memos pertaining to company policies/rules violation within the past 2years.
- g. Employee must have no record of cash overage/shortage within a year. (for teller/cashier position).
- h. Employee must have a positive recommendation of his/her immediate supervisor/manager. (With attached supporting documents to justify the recommendation.)
- f. Employee must have passed the level of audit performance rate of least 30% as per Internal Audit System within the previous 2 years.

### **Lateral transfer**

- When an existing employee is competitively selected as the most qualified candidate for an existing vacant position within the same pay grade of their current job level.

#### **Qualifications:**

- a. He/she must already be on regular status, and full-time employee.
- b. Employee must be in his/her current position for at least 6 months to 2 years consecutively.
- c. Employee must have earned a performance rate of at least 10 during the 2 years' period.
- d. Employee must have no tardiness beyond the allowable time within a year.
- e. Employee must meet the required competence and requirements of the new position.
- f. No memos pertaining to company policies/rules violation within the past 2 years.
- g. Employee must have no record of cash overage/shortage within a year. (for teller/cashier position)
- g. Employee must have passed the level of audit performance rate of least 30% as per Internal Audit System within the previous 2 years.

### **Voluntary Demotion**

- When an existing employee applies for and is competitively selected as the most qualified candidate for an existing vacant position within a pay grade lower than their current job. Because the employee voluntarily applied for and accepted a 1-step or lower-graded job, the employee pay level shall be steady. If the employee's current salary aligns with the internal equity of the new pay grade, the employee's salary will not be impacted. If the employee's current salary does not align with the internal equity of the new pay grade, the employee's salary grade for reasons other than performance, such as a department re-structuring, the salary will not be decreased; however, the employee may not be eligible to receive additional pay increases until parity is reached.



<b>EMPLOYEE PERFORMANCE EVALUATION</b>									
EMPLOYEE'S NAME _____	DEPARTMENT / BRANCH: _____								
JOB CLASSIFICATION _____	DATE HIRED: _____								
DATE OF EVALUATION _____	RATING/DATE OF LAST EVALUATION _____								
TYPE OF EVALUATION	<input checked="" type="checkbox"/> Annual	<input type="checkbox"/> Promotion	<input type="checkbox"/> Others						
<b>INSTRUCTIONS:</b>									
This form is used to evaluate supervisory, professional and salaried employees. Any rate increases, promotions and transfers require a current evaluation form. Assign a number for each rating within the scale and write that number in the corresponding box. Points will be totaled and averaged for and overall performance score. Please review the Assigning Performance Levels Sheet for the definition of each level.									
<table style="width: 100%; border: none;"> <tr> <td style="border: 1px solid black; padding: 2px; text-align: center;"><b>5</b> Exceptional</td> <td style="border: 1px solid black; padding: 2px; text-align: center;"><b>3</b> Satisfactory</td> <td style="border: 1px solid black; padding: 2px; text-align: center;"><b>1</b> Unsatisfactory</td> </tr> <tr> <td style="border: 1px solid black; padding: 2px; text-align: center;"><b>4</b> Superior</td> <td style="border: 1px solid black; padding: 2px; text-align: center;"><b>2</b> Needs Improvement</td> <td></td> </tr> </table>				<b>5</b> Exceptional	<b>3</b> Satisfactory	<b>1</b> Unsatisfactory	<b>4</b> Superior	<b>2</b> Needs Improvement	
<b>5</b> Exceptional	<b>3</b> Satisfactory	<b>1</b> Unsatisfactory							
<b>4</b> Superior	<b>2</b> Needs Improvement								
<b>1. Quality</b>	<b>Weight : 20%</b>	<b>2. Productivity</b>	<b>Weight : 20%</b>						
a) Work is accurate and precise. <span style="float: right;">5</span> b) Work substantive and with content. <span style="float: right;">5</span> c) Displays thoroughness and completeness in work. <span style="float: right;">5</span> d) Completes work on time according to instructions with minimal error. <span style="float: right;">5</span>		a) Significant amount of work completed. <span style="float: right;">5</span> b) Proper time management in work accomplishment. <span style="float: right;">5</span> c) Proper organization of performance of responsibilities. <span style="float: right;">5</span>							
FINAL COMMENTS / RECOMMENDATION:		FINAL COMMENTS / RECOMMENDATION:							
<b>Weighted Average 1.00</b>		<b>Weighted Average 1.00</b>							
<b>3. Job Knowledge/Skills</b>	<b>Weight : 10%</b>	<b>4. Dependability</b>	<b>Weight : 10%</b>						
a) Displays adequate skills /expertise in the performance of the job. <span style="float: right;">5</span> b) Uses proper procedures. <span style="float: right;">5</span> c) Uses proper methods and tools. <span style="float: right;">5</span> d) Performs work without much supervision/instructions. <span style="float: right;">5</span> e) Able to follow verbal and/or written instructions. <span style="float: right;">5</span> f) Has practical/technical knowledge to perform job. <span style="float: right;">5</span> g) Good judgment and decision-making. <span style="float: right;">5</span> h) Good problem solver. <span style="float: right;">5</span>		a) Completes tasks efficiently within required time frames. <span style="float: right;">5</span> b) Has initiative to do tasks without prompting. <span style="float: right;">5</span> c) Can be trusted with all assigned tasks even those other than regular functions. <span style="float: right;">5</span> d) Does the best according to ability and within minimum job standards. <span style="float: right;">5</span>							
FINAL COMMENTS / RECOMMENDATION:		FINAL COMMENTS / RECOMMENDATION:							
<b>Weighted Average 0.50</b>		<b>Weighted Average 0.50</b>							
<b>5. Attitude towards the company</b>	<b>Weight : 5%</b>	<b>6. Initiative / Creativity</b>	<b>Weight : 5%</b>						
a) Keeps company's confidential information and/or safeguards the company's assets; actively promotes company's image and interests. <span style="float: right;">5</span> b) Shows concern to promote the company. <span style="float: right;">5</span> c) Good team worker, always willing to help or do the work. <span style="float: right;">5</span> d) Cooperate, shows work interest and takes pride in the work. <span style="float: right;">5</span>		a) Assumes additional responsibilities when needed. <span style="float: right;">5</span> b) Determines what must be done without being told. <span style="float: right;">5</span> c) Makes suggestions on better ways of getting work done. <span style="float: right;">5</span> d) Identifies & corrects errors during the work process. <span style="float: right;">5</span> e) Finds ways to improve processes and ways of doing things. <span style="float: right;">5</span>							
FINAL COMMENTS / RECOMMENDATION:		FINAL COMMENTS / RECOMMENDATION:							
<b>Weighted Average 0.25</b>		<b>Weighted Average 0.25</b>							
<b>7. Teamwork / Adaptability</b>	<b>Weight : 10%</b>	<b>8. Policy Compliance / Customer Services / Others</b>							
a) Works well with supervisors, peers & subordinates. <span style="float: right;">5</span> b) Sets an example with a positive and supportive attitude. <span style="float: right;">5</span> c) Communicates well with coworkers and supervisors. <span style="float: right;">5</span> d) Promotes teamwork in the work place. <span style="float: right;">5</span> e) Ability to adapt to changes. <span style="float: right;">5</span>		a) Adheres to all company policies and regulations. <span style="float: right;">5</span> b) Responsive and courteous to internal/external client inquiries. <span style="float: right;">5</span> c) Establishes positive relations inter/intra departmentally. <span style="float: right;">5</span> d) Proactive in attendin and other external requirements to BSP, external auditor, and other third party requirements. <span style="float: right;">5</span>							
FINAL COMMENTS / RECOMMENDATION:		FINAL COMMENTS / RECOMMENDATION:							
<b>Weighted Average 0.50</b>		<b>Weighted Average 0.25</b>							



<b>9. SSF/ESMRS Compliance</b>		<b>Weight : 15%</b>
a)	Compliance to all Board approved objectives, standards, and policies to mitigate and manage Environmental and Social Risks	5
b)	Active participation in all client and community awareness and learnings on E&S risk mitigation, as well as encouraging client participation in related projects/activities	5
c)	Active cooperation in all bank activities and projects involving environment/natural resource preservation/protection and upholding of social responsibilities	5
d)	Carry on efficiently and effectively one's functions related to ESR mitigation, as indicated in the SSF and ESMRS of the Bank	5
		<b>Weighted Average</b>
		<b>0.75</b>
<b>Total Weights</b>		<b>100%</b>
		<b>Overall Average</b>
		<b>5.00</b>
<b>Supervisor's Comments/ Recommendations:</b>		<i>Round off to next whole number if = or &gt; 0.50</i>
<b>Employee's Comments:</b>		
<b>SIGNATURE</b>		
<b>EMPLOYEE</b>	<b>RATER/ PRESIDENT</b>	
_____	_____	
Signature over Printed Name	Signature over Printed Name	
<b>For Human Resources Use Only</b>		
Evaluation received on: _____	Action Approved by: _____	
Follow Up Action Form received: _____		
Revised 11-11-2022		

## Performance Assessment Program Board of Directors

### 1. BOARD SELF-EVALUATION FORM

**Note** - This is a form for the overall assessment of the quality of board oversight. The form is completed by every director, the result of which provides input to this overall assessment.

**Rating Scale:** 1. Strong, 2. Satisfactory, 3. Fair, 4. Weak, 5. Critical (Director to tick on the selected rating and provide comments)

EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
<b>The Board of Directors...</b>						
1. has at least five (5) and a maximum of fifteen (15) members of the Board of Directors, pursuant to Section 15 of R.A. No. 8791						
2. has at least twenty percent (20%) but not less than one (1) member who are Independent Director						
3. participates in at least fifty percent (50%) and virtually attend at least twenty five percent (25%) of all board meetings every year.						
4. approves and monitors the strategic objectives consistent with the bank's business plan initiated thereto and implemented with clear definition of responsibilities and accountabilities						
5. approves and oversees the implementation of policies governing major areas of banking operations						
6. appoints competent management team at all times, monitor and assess the performance of the management team, and conduct regular review of bank policies with the management team						
7. consistently conducts the affairs of the bank with high degree of integrity by establishing the tone of good governance and in setting corporate values, code of conduct and other standards						
8. establish and actively promote, through policies and practices, to reflect a culture of strong governance in the bank as seen by both internal and external stakeholders						
9. constitutes committees to increase efficiency and allow deeper focus in specific areas						
10. effectively utilizes the work conducted by the internal audit, compliance function and external auditors.						
11. ensures that individual members of the board and shareholders are accurately and timely informed of the bank's performance, financial condition and risk exposures						
12. regularly monitors the actions of senior management and ensure that these are consistent with the policies that it has approved						
13. regularly meets with senior management and engage in discussions, question and critically review the reports and information provided by the latter						



EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
14. determines areas for improvement as well as to properly identify and address significant risk profile of the bank						
15. articulates clear policies on the handling of any transaction with DOSRI and other related parties, ensuring that there is effective compliance with existing laws, rules and regulations at all times and no stakeholder is unduly disadvantaged						
16. articulates policies that will prevent the use of the facilities of the bank in furtherance of criminal and other improper or illegal activities						
17. assess, at least annually, its performance and effectiveness as a body, as well as its various committees, individual directors and key officers.						

OVERALL RATING OF BOARD PERFORMANCE	Strong	Satisfactory	Fair	Weak	Critical
COMMENTS					

DIRECTORS WHO CONDUCT THE ASSESSMENT			
NAME	POSITION	SIGNATURE	DATE
ROMUALDO PATRICK F. SIAPNO	Chairman of the Board		
ANNE Q. DE GUZMAN	Director/President		
ARCH. MARK JOSEPH F. SIAPNO	Director		
DENNIS N. CALIMLIM	Director		
ATTY. GERALD Z. GUBATAN	Independent Director		

### 3. INDIVIDUAL DIRECTOR ASSESSMENT FORM

**Note** - This is a form for the overall assessment of a director's performance. The form is completed by every director, except for the one being assessed, the result of which provides input to this overall assessment.

**Institution:** PANGASINAN BANK, INC.  
**Director Details (The Appraisee) :** \_\_\_\_\_  
**Name of Director being appraised** \_\_\_\_\_  
**Designation** \_\_\_\_\_

**Rating Scale:** 1. Strong, 2. Satisfactory, 3. Fair, 4. Weak, 5. Critical (Director to tick on the selected rating and provide comments)

EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	
<b>Corporate Governance: The Director...</b>						
1. remain fit and proper for the position for the duration of his/her term by possessing unquestionable credibility to make decisions objectively and resist undue influence						
2. conducts fair business transactions with the Bank and ensures that personal interest does not bias Board decisions and avoid, whenever possible, situations that would give rise to a conflict of interest						
3. acts honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, and the other stakeholders such as its depositors, investors, borrowers, other clients and general public						
4. devotes time and attention necessary to properly discharge his/her duties and responsibilities in familiarizing with the Bank's business condition and knowledgeable enough to contribute meaningfully to the Board's work						
5. acts judiciously by thoroughly evaluating the issues, ask questions and seek clarifications when necessary before deciding on matters brought before the BOD						
6. contributes significantly to the decision making process of the Board by actively participating and exercising objective independent judgement on corporate affairs requiring approval of the Board						
7. exercise independent judgement and support plans and ideas that he/she thinks will be beneficial to the institution; carefully evaluates each problem/situation and states his/her position when a disagreement with others occur						
8. observes confidentiality of non-public information acquired by reason of his/her position as director and does not disclose said information to any other person without the authority of the Board						
9. have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the contents of its Articles of Incorporation and By-Laws, and BSP and other regulatory agencies' requirements						
10. participates in the formulation of major policies to pursue business strategies of the Bank						
11. goes over audit reports with due care & attention asking for actionable points that demand consideration & decision by the Board						



EVALUATION FACTOR	RATINGS					COMMENTS
	1	2	3	4	5	

Commitment and Competence: The Director...						
12. has attended a special seminar on corporate governance for BOD conducted or accredited by the BSP						Seminar attended some years ago. Refresher seminar is required under BSP regulation.
13. possesses competencies relevant to the job , such as knowledge and experience, skills, diligence, independence of mind and sufficiency of time to carry out responsibilities						
14. keeps abreast with latest developments in the banking sector by actively participating with peer banks' association						
15. has the ability to continuously comply with company policies and applicable laws and regulations , including market conduct rules, and the relevant requirements and standards of any regulatory body						
16. comes prepared for meetings and contributes to Board deliberations or committee works						
17. undertakes appropriate induction and regular update and refresh skills, knowledge and familiarity with the Bank						

OVERALL RATING OF DIRECTOR PERFORMANCE	Strong	Satisfactory	Fair	Weak	Critical
COMMENTS	.....				
	.....				
	.....				
	.....				
	.....				

DIRECTORS WHO CONDUCT THE ASSESSMENT			
NAME	POSITION	SIGNATURE	DATE
ROMUALDO PATRICK F. SIAPNO	Chairman of the Board		
ANNE Q. DE GUZMAN	Director/President		
ARCH. MARK JOSEPH F. SIAPNO	Director		
DENNIS N. CALIPLIM	Director		

**AUDIT COMMITTEE SELF-ASSESSMENT TEST**  
**For the Period \_\_\_\_\_**

Evaluation the factors below using the 5 to 1 scale, where **5 means Completely Agree** and **1 means Completely Disagree**

**Section 1 – Control Environment**

**1 - Demonstrate Commitment to Integrity and Ethical Values**

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Tone at the top.	Management demonstrates the importance of integrity and ethical values through their directives, attitudes, and behavior.					
b) Standards of conduct.	Management establishes standards of conduct to communicate expectations concerning integrity and ethical values.					
c) Adherence to standards of conduct.	Management establishes processes to evaluate performance against the entity's expected standards of conduct and evaluates adherence to the standards of conduct.					

**2 – Exercise Oversight Responsibility**

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Oversight structure.	There is an oversight body that oversees operations, provides constructive feedback to management, and informs decision-making to ensure that objectives are met and in alignment with the entity's integrity and ethical values.					
b) Oversight for the internal control system.	The oversight body oversees management's design, implementation, and operation of the internal control system, including the control environment, risk assessment, control activities, information and communication, and monitoring.					
c) Input for remediation and deficiencies.	The oversight body provides input to management's plans for remediation of deficiencies in the internal controls and is responsible for overseeing the remediation of deficiencies.					

**3 – Establish Structure, Responsibility, and Authority**

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Organizational structure.	Management establishes an organizational structure that is appropriate to plan, execute, control, and assess its ability to achieve its objectives. Lines of reporting are clear and defined at all levels so that communication can flow down, across, up, and around.					
b) Assignment of responsibility and delegation of authority.	Management assigns responsibilities and delegates authority to key roles throughout the office/unit.					
c) Documentation of the internal control system.	Management develops and maintains documents of its internal control system so that the components of internal control can be designed, implemented, and operate effectively.					

#### 4 – Demonstrate Commitment to Competence

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Expectations of competence.	Management establishes responsibilities and expectations that are clearly defined in writing and communicated as appropriate.					
b) Recruitment, development, and retention of individuals.	Management recruits, develops, and retains competent personnel to achieve desired objectives.					
c) Succession and contingency plans and preparation.	Management defines succession plans to address the need to replace competent personnel over the long term, as well as contingency plans to address the need to respond to sudden personnel changes that could compromise the internal control system.					

#### 5 – Enforce Accountability

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Enforcement of accountability.	Management holds personnel accountable for performing internal control responsibilities through mechanisms such as performance appraisals and disciplinary actions.					
b) Consideration of excessive pressures.	Management evaluates pressure on personnel and reduces or rebalances workloads when necessary.					

### Section 2 – Risk Assessment

### 6 – Define Objectives and Risk Tolerances

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Definition of objectives.	Management defines objectives in specific and measurable terms to enable the design of internal control for related risks.					
b) Definitions of risk tolerances.	Management defines the acceptable level of variation in performance relative to the achievement of objectives.					

### 7 – Identify, Analyze, and Respond to Risks

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Identification of risks.	Management has a process for analyzing risks, including both inherent and residual risk, and considers internal and external risk factors.					
b) Analysis of risks.	Management has a process to estimate the significance of the identified risks and their effect on achieving the defined objectives.					
c) Response to risks.	Management has specific actions to respond to the analyzed risk.					

### 8 – Assess Fraud Risk

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Types of fraud.	Management considers the types of fraud that can occur (e.g., fraudulent financial reporting, misappropriation of assets, corruption), as well as other forms of misconduct (such as waste and abuse).					
b) Fraud risk factors.	Management considers fraud risk factors (incentive/pressure, opportunity, and attitude/rationalization) and uses this information to identify fraud risk.					
c) Response to fraud risks.	Management performs a risk analysis to identify fraud risk and responds to fraud risk so they are effectively mitigated.					

### 9 – Identify, Analyze, and Respond to Change

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Identification of change.	Management identifies significant changes to internal and external conditions that have already occurred, or are expected to occur, and that could significantly impact the internal control system.					
b) Analysis of and response to change.	Management analyzes and responds to identified changes and related risks in order to maintain an effective internal control system.					

## Section 3 – Control Activities

### 10 – Design Control Activities

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Response to objectives and risk.	Management designs policies, procedures, techniques, and mechanisms in response to the program office’s objectives and risks to achieve an effective internal control system.					
b) Design of appropriate types of control activities.	Management designs appropriate types of control activities (i.e., management of human capital, physical control over vulnerable assets, access restrictions to records, etc.) for its internal control system.					
c) Design of control activities at various levels.	Management designs control activities for appropriate coverage of objectives and risks.					
d) Segregation of duties.	Management considers segregation of duties in designing control activity responsibilities to help prevent fraud, waste, and abuse in the internal control system.					

### 11 – Design Activities for the Information System

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Design of the entity’s information system.	Management designs the office’s information system and the use of information technology to respond to the office’s objectives and risk.					

b) Design of appropriate types of control activities.	Management designs appropriate types of general control activities (e.g., security management, physical access, contingency planning, etc.) and application control activities (controls over processing, input, output, etc.) in the information system.					
c) Design of information technology infrastructure.	Management designs control activities over the information technology infrastructure to support the completeness, accuracy, and validity of information processing by information technology.					
d) Design of security management.	Management designs control activities (e.g., access rights to data) for security management of the office's information system for appropriate access by internal and external sources.					
e) Design of information technology acquisition, development, and maintenance.	Management designs control activities over the acquisition, development, and maintenance of information technology.					

### 12 – Implement Control Activities

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Documentation of responsibilities through policies.	Policies exist that document the control activities utilized by the office.					
b) Periodic review of control activities.	Management periodically reviews the control activities for effectiveness.					

## Section 4 – Information and Communication

### 13 – Use Quality Information

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Identification of information requirements.	Management identifies the information required to support the internal control system.					

b) Relevant data from reliable sources.	Management obtains the relevant data from reliable internal and external sources in a timely manner.					
c) Data processed into quality information.	Management processes the obtained data and uses it to inform the internal control system.					

#### 14 – Communicate Internally

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Communication throughout the entity.	Management communicates information throughout the entity using established reporting lines, ensuring that communication flows to all levels of the organization (down, across, up, and around).					
b) Appropriate methods of communication.	Management selects the appropriate method for communicating internally after considering the relevant factors (i.e., audience, nature of the information, etc.).					

#### 15 – Communicate Externally

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Communication with external parties.	Management communicates with, and obtains quality information from, external parties (i.e., contractors, grantees, general public, etc.) using established reporting lines.					
Appropriate methods of communication.	Management selects the appropriate method for communicating externally after considering the relevant factors (i.e., audience, nature of the information, cost, etc.)					

### Section 5 – Monitoring

#### 16 – Perform Monitoring Activities

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Establishment of a baseline.	Management assesses the current state of the internal control system, compared against the intended design of the internal control system.					

b) Internal control system monitoring.	Management monitors the internal control system through on-going monitoring and periodic separate evaluations (e.g., self-assessments, audits).					
c) Evaluation of results.	Management evaluates and documents the results of on-going monitoring and separate evaluations to identify internal control issues.					

### 17 – Evaluate Issues and Remediate Deficiencies

Assessment Factor	Indication of Controls	1	2	3	4	5
a) Reporting of issues.	Management and personnel identify internal control issues and report the issues through established reporting lines on a timely basis.					
b) Evaluation of issues.	Management evaluates and documents internal control issues and determines appropriate corrective actions for deficiencies.					
c) Corrective actions.	Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis.					



## **Remuneration and Other Incentives**

The board of directors approved a remuneration and other incentives that is appropriate and consistent with the bank's operating and risk culture, long-term business and risk appetite, performance, and control environment. All covered employees are designed to encourage good performance that supports the interest of the bank and its stakeholders. The board of directors or a board level committee shall monitor and review the remuneration and other incentive policy including plans, processes and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended.

The following are the considerations in the remuneration and other incentives given to all covered employees in order to encourage good performance that supports the interest of the bank:

- The remuneration and incentives shall take into account the employee's position, role, responsibilities and activities in the bank. It shall also consider the risks that the employee takes on behalf of the bank. In this regard, it should be sensitive to prospective risks and risk outcomes that have been realized and considers the overall performance of the bank.
- Remuneration and incentive pay-out schedule should be sensitive to the time-horizon of risk. This includes defer payment until risk outcomes are better known or provisions under which remuneration and incentives may be reduced or reversed if new facts emerge showing that the remuneration and incentives paid was based on erroneous assumptions, such as misreporting, or if it is discovered that the employee has failed to comply with internal policies or legal requirements.
- Remuneration of employees in risk functions (i.e. Internal Audit, Compliance and Risk Management Functions) is based on the achievement of their objectives and shall be independent of the business lines which they oversee.

**Directors' Fees.** Each Director shall receive a fee or per diem for attendance at any meeting of the Board in an amount based on the Corporation Code of the Philippines. However, subject to the approval of the stockholders in determining the amount, the Board shall consider the financial capabilities of the Association, provided, however, that nothing herein contained shall be constructed to preclude any Director from serving in any other capacity and receiving compensation therefore. The Board shall fix the compensation and other remuneration of any Director who serves in any other official capacity or performs executive functions or any special service of the Corporation. (As amended on August 4, 1979)

## **Orientation and Education Program**

### **EMPLOYEE ORIENTATION PROGRAM**

All newly hired employees shall undergo orientation program to be coordinated by HR department.

#### **ACTIVITY**

- Company Profile
- Company Vision
- Organizational Chart
- Company Policies and Procedures
- Benefits
- Company Activities

After the orientation, new staff is given a tour of the office premises and is introduced to other staff of the Company.

### **GENERAL GUIDELINES**

#### **Attendance and Training Programs**

- No overtime pay shall be allowed even if the seminar extends beyond regular office hours or held on Saturdays, whether inside or outside the office premises.
- An employee who is included in a training program is excused from his scheduled work hours during the duration covered by actual training program. In case of out-of-town seminars or seminar outside the office the office premises, duration shall also include a reasonable travel time.
- Training programs held outside the workstation is not considered out-of-base official business; hence, the employee is not entitled to per diem and/or meal allowance. However, the employee is entitled to reimbursement of travel expenses to/from training venue and meal expenses.

### **ELIGIBILITY FOR TRAINING**

Any regular employee may be entitled to technical and Company sponsored training along the line of his present job or to some other lines where he will be transferred or promoted. Upon recommendation of his immediate superior or the President or General Manager.

### **EXPENSES FOR TRAINING**

Expenses incurred for travel shall be borne by the Company.

### **SALARY FOR TRAINING**

The employee's salary shall continue to be paid. The absence from work shall not be charged to leave privileges. If the employee is expected to report back to work at a definite day but fails to do so, such absence shall be charged to his vacation leave. Unless he can show good cause for the delay, like non-availability of air transportation due to cancellation

of flight, or strike in the airport where he is expected to depart. Should it happen, he should also advise the office of his delay.

**TRAINING AGREEMENT**

In consideration of the payment by the Company of the cost of the training /seminar, concerned employee shall continue working with Company until the end of the holding period that commences from the completeness of the training course subject to the following:

<b>COST / FEE</b>	<b>HOLDING PERIOD</b>
<i>Php 25,000.00 or less</i>	<i>6 months</i>
<i>Php 50,000.00 or less</i>	<i>12 months</i>
<i>Php 75,000.00 or less</i>	<i>18 months</i>
<i>Php 100,000.00 or less</i>	<i>24 months</i>

In cases where an employee attends consecutive trainings/seminars, the holding period of the initial training/seminar should be completed first before continuing with the holding period of the subsequent training/seminar. Holding periods should not overlap with each other.

In case of voluntary or involuntary termination of employment, concerned employee shall reimburse the Company of the training/seminar cost on a pro-rata basis corresponding to the remaining portion of the holding period. The reimbursement will be deducted from his/her last pay and if there is any deficiency, concerned employee shall pay within 5 days without need of any demand.

**REPORT ON TRAINING**

An employee who attends the training program approved by the Management is required to submit a report on course and cascade the same within the month after the completion of the seminar. The employee concerned will be in-charge of his/her presentation materials, presentation date, among other things relative to the cascading. The schedule proposed will be subjected to the approval of HR department. A copy of his/her Training materials and Certificate of Attendance shall be submitted to HR which will be filed on the employee’s 201 file.

**Retirement and Succession Policy**

**Importance of Succession Planning**

The Bank considers succession planning as part of its strategic planning on human capital known as talent management. It shall cover the activities and processes throughout the employee life cycle: recruiting and hiring, onboarding, training, professional development, performance management, workforce planning, leadership development, career development, cross-functional work assignments, job leveling, and the employee exit process. When managing internal talents, the Bank will ensure that the right people are moving at the right pace into the right positions at the right time. An effective succession planning strategy, coupled with solid career development programs, will help paint a more promising future for

employees and help them focus more on realizing the objectives of the Bank by actively guiding potential successors in their career development. In this way the Bank is assured of continuous loyalty of the employees who would do everything possible to ensure the growth and development of the Bank.

### **Roles and Responsibilities of the Board**

- The board shall approve appropriate hiring and selection policies and processes, adopt a continuing professional development program, and institutionalize a framework for continuing assessment of fitness and propriety of employees.
- Ensure that all branches/units have adequate resources, including personnel complement;
- Oversee implementation of a sound succession planning program by creating and promoting an organizational culture that places high priority on business continuity. This shall include providing sufficient financial and human resources associated with the Bank's business continuity initiatives.

### **Roles of the Senior Management**

- Translate the approved succession plan into specific policies and processes covering all businesses and functions of the Bank. Said policies should be clearly documented, approved by the board of directors and communicated to personnel at all levels.
- Oversee the implementation of the program in close coordination with the Human Resource Head.

### **Role of the Human Resource Head**

- The Human Resource Head shall assist the Board and the Management in fulfilling the oversight responsibilities in the areas of recruitment, manpower planning, personnel development, performance appraisal, remuneration and other key human resource issues.
- Implements policies and procedures as approved by the Board in achieving the objectives covered by the succession plan.

### **Processes**

#### **1. Identification of Critical Position and Potential Successor**

Identifying critical positions is an important part of the succession planning process of the Bank. It allows the identification of talent investments to ensure leadership continuity and mitigate risk from leadership erosion. In this regard, the Bank has identified the following positions being critical in the succession planning and their potential successor, based on the Personnel Qualifications updated as of March 29, 2022:

**A. DIRECTORS AND SENIOR MANAGEMENT**

Critical Positions	Skills/Competencies Required	Tenure in the Bank	Successor
<p><b>Board of Director</b></p>	<p>The Board should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, diversity of related experience/training, commitment to contribute willingness to serve and interest to remain engaged and involved.</p>	<p>One (1) year elected annually during the Stockholders Meeting, where non-independent directors can be elected annually without limit.</p> <p>Maximum of nine (9) years cumulative for Independent Director</p>	<p>In case of vacancy in the position of Chairmanship of the Board or any of its Committees the Vice Chairman of the Board or Committee shall automatically take over the position of Chairman.</p> <p>In cases of vacancies for other positions the remaining Board Members will amongst themselves elect a replacement to fill in the vacancies</p> <p>Only when the number of the members of the Board of Directors may no longer adhere to legal or regulatory mandates shall a Special Stockholders Meeting shall be convened to fill in the vacancies of the Board of Directors.</p>
<p><b>President</b></p>	<ul style="list-style-type: none"> <li>• Have an excellent and through understanding of the business;</li> <li>• Have skills and human qualities which allow him/her to advise, train and raise</li> </ul>	<p>Ten (10) years above</p>	<p>Any Member of Board of Directors or Stockholder</p>



	<p>awareness among Bank Staff on the significance of business ethics and compliance;</p> <ul style="list-style-type: none"> <li>• Must show dedication and allegiance to the Bank and its policies and procedure;</li> <li>• Must prove that they can be relied on to show up to work on time, to attend to their duties in a professional way, and to uphold the standards the Bank sets for itself.</li> </ul>		
<b>General Manager</b>	<ul style="list-style-type: none"> <li>• Excellent verbal and written communication;</li> <li>• Solid presentation skills and ability to explain complex processes to an audience;</li> <li>• Expert in financial management and persistent business will to succeed;</li> <li>• Planning and managing the company's performance;</li> <li>• Manage operations and processes within budget;</li> </ul>	Five (5) years above	Manager/Accountant or Hire from external source or BOD discretion to appoint if the position becomes vacant.
<b>Corporate Secretary</b>	<ul style="list-style-type: none"> <li>• Strong administrative skills and an aptitude for</li> </ul>	Five (5) years above	Any member of Stockholders or hire from external source



	<ul style="list-style-type: none"> <li>using IT software;</li> <li>Commercial awareness;</li> <li>Meticulous attention to detail;</li> <li>Interpersonal skills;</li> <li>Influencing skills;</li> <li>Excellent organization and time management;</li> <li>The ability to take the initiative;</li> <li>A flexible and practical approach to work;</li> <li>Discretion and diplomacy;</li> </ul>		at the discretion of the Board of Directors
<b>Compliance Officer</b>	<ul style="list-style-type: none"> <li>Have an excellent and thorough understanding of the business;</li> <li>Have skills and human qualities which allow him to advise, train and raise awareness among Bank Staff on the significance of business ethics and compliance;</li> <li>Must show dedication and allegiance to the Bank and its policies and procedures;</li> <li>Must prove that they can be relied on to show up to work on time, to attend to their duties in a professional way, and to uphold the</li> </ul>	Five (5) years above	Internal Auditor/Manager/ Accountant <b>(subject to the BSP confirmation)</b>





	standards the Bank sets for itself.		
<b>Internal Auditor</b>	<ul style="list-style-type: none"> <li>• Communication skills, including oral communication, report writing, and presentation skills;</li> <li>• Problem-solving skills (i.e., conceptual and analytical thinking);</li> <li>• Ability to promote the value of internal audit among key employees within the organization;</li> <li>• Keeping abreast with regulatory changes and industry standards;</li> <li>• Knowledge in auditing, internal audit standards, fraud awareness, and professional ethical standards;</li> <li>• Knowledge in enterprise risk management (i.e., risk analysis and control assessment);</li> <li>• <u>Other competencies</u> that were identified in the survey were organizational skills, change management skills, critical thinking, teamwork, and conflict resolution and negotiation</li> </ul>	Five (5) years and above	Assistant Internal Auditor/Manager/Accountant <b>(subject to the BSP confirmation).</b>



	skills.		
<b>Treasurer</b>	<ul style="list-style-type: none"> <li>• Be capable of handling figures and cash;</li> <li>• Have an orderly mind and methodical way of thinking;</li> <li>• Have experience in dealing with large sums of money and budgets;</li> <li>• Have experience of financial control and budgeting;</li> <li>• Have an eye for detail;</li> <li>• Be available to be contacted for ad hoc advice;</li> </ul>	Five (5) years and above	Manager/Cashier/ Accountant or BOD discretion to appoint if the position becomes vacant. <b>(subject to the BSP confirmation).</b>

**B. OFFICERS**

<b>Critical Positions</b>	<b>Skills/Competencies Required</b>	<b>Tenure in the Bank</b>	<b>Successor</b>
<b>Credit Head/ Property Mgmt. Head</b>	<ul style="list-style-type: none"> <li>• Proven work experience as a Credit Manager, <u>Credit Analyst</u> or similar role;</li> <li>• Hands-on experience with accounting software;</li> <li>• Solid understanding of lending procedures;</li> <li>• Excellent analytical skills, with the ability to create</li> </ul>	Five (5) years and above	Manager/Senior Loan Officer (subject to BOD confirmation)



	<ul style="list-style-type: none"> <li>and process financial spreadsheets (e.g. in Excel);</li> <li>• Negotiation skills;</li> </ul>		
<b>Credit Risk Review Officer</b>	<ul style="list-style-type: none"> <li>• Have a senior experience in credit risk underwriting or adjudication capacity;</li> <li>• Have a comprehensive understanding of credit risk management rules; regulatory ratings and regulatory examination process and practices;</li> <li>• Have experience underwriting, assessing and approving leveraged lending transactions and understanding;</li> <li>• Have in-depth knowledge of lending products;</li> </ul>	Five (5) years and above	Manager/Senior Loan Officer (subject to BOD confirmation)
<b>Chief Accounting Head</b>	<ul style="list-style-type: none"> <li>• Numerical Skill;</li> <li>• Eye for Detail;</li> <li>• Time Management and Organizational Skill;</li> <li>• Computer Skill;</li> <li>• Communication Skill;</li> <li>• Business Awareness;</li> <li>• Integrity;</li> <li>• Resilience and Adaptability;</li> </ul>	Five (5) years and above	Manager/Accountant/ Senior Officers (subject to BOD confirmation)



	<ul style="list-style-type: none"> <li>• Critical thinking, problem solving and critical analysis such as reviewing, interpreting and evaluating financial data, business systems and operational data and controls</li> </ul>		
<b>Human Resource Head</b>	<ul style="list-style-type: none"> <li>• Business Management &amp; Leadership Skills</li> <li>• Human Capital Development Skills</li> <li>• Communication &amp; Interpersonal Skills</li> <li>• Strategic Thinking &amp; Planning Skills</li> <li>• Workplace Culture Development Skills</li> </ul>	Five (5) years and above	Manager/Accountant/Senior Officers (subject to BOD confirmation)
<b>MIS/IT Officer</b>	<ul style="list-style-type: none"> <li>• good problem-solving skills;</li> <li>• ability to effectively manage time and resources;</li> <li>• a clear vision of “the big picture” as well as the “small details”;</li> <li>• a desire to work closely with other people;</li> <li>• excellent communication skills;</li> <li>• ability to think strategically about technology;</li> </ul>	Five (5) years and above	Qualified Senior Officer or hire from external source.
<b>Branch Manager</b>	<ul style="list-style-type: none"> <li>• Computer literate;</li> <li>• Have a managerial experience in any applicable field of</li> </ul>	Seven (7) years above	Cashier/Accountant

	management;		
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**C. STAFF**

<b>Non-Critical Positions</b>	<b>Skills/Competencies Required</b>	<b>Tenure in the Bank</b>	<b>Successor</b>
<b>Cashier</b>	<ul style="list-style-type: none"> <li>• Computer literate;</li> <li>• Knowledgeable in tellering and accounting;</li> <li>• Know how to detect counterfeit money vs. genuine bills and coins;</li> </ul>	Three (3) years above	Teller
<b>Accountant</b>	<ul style="list-style-type: none"> <li>• Computer literate;</li> <li>• Know how to interact with people;</li> <li>• Knowledge in basic bookkeeping and accounting;</li> </ul>	One (1) year above	Bookkeeper
<b>Loan Appraiser</b>	<ul style="list-style-type: none"> <li>• Know how to interact with people;</li> <li>• Knowledge in basic appraisal</li> <li>• Knows how to drive a motorcycle or four wheeled vehicles</li> </ul>	Two (2) years above	Loan Processing Officer/ Bookkeeper
<b>Loans Processing Officer</b>	<ul style="list-style-type: none"> <li>• Proven working experience as a Loan Officer.</li> <li>• Familiarity with computers and banking applications/software.</li> <li>• Solid understanding of direct/indirect lending products</li> </ul>	Six (6) to Twelve (12) mos.	Loans Bookkeeper



	<p>and practices.</p> <ul style="list-style-type: none"><li>• Excellent communication and interpersonal skills.</li><li>• Customer satisfaction orientation and sales competencies</li></ul>		
<b>Loans Bookkeeper And Teller/Clerk</b>	<ul style="list-style-type: none"><li>• Computer literate (MS word and excel);</li><li>• Good PR and communication skills</li><li>• Adaptability</li></ul>	Six (6) to Twelve (12) mos.	Teller/Clerk



**SUCCESSION PROGRAM FOR OFFICERS  
FOR THE YEAR 2024**

**POSITION:**

**TENURE IN THE BANK:**

**SUCCESSOR:**

Credit Head/Property Management Head	Credit Risk Review Officer	Chief Accounting Head	Human Resource Head	MIS/IT Officer	Branch Manager
5 years and above	5 years and above	5 years and above	5 years and above	5 years and above	7 years and above
Manager/Senior Loan	Manager/Senior Loan	Manager/Accountant/	Manager/Accountant/	Qualified Senior Officer	Cashier/ Accountant
Officer (subject to BOD confirmation)	Officer (subject to BOD confirmation)	Senior Officers (subject to BOD confirmation)	Senior Officers (subject to BOD confirmation)	or hire from external source	

**SKILLS/COMPETENCIES:**

-Proven work experience as a Credit Manager, Credit Analyst or similar role

✓	✓	✓			
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-Hands-on experience with accounting software

✓	✓	✓	✓	✓	✓
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-Solid understanding of lending procedures

✓	✓				
---	---	--	--	--	--

-Excellent analytical skills, with the ability to create and process financial spreadsheets (e.g. in Excel)

✓	✓	✓			
---	---	---	--	--	--

-Negotiation skills

✓			✓		✓
---	--	--	---	--	---

-Have a senior experience in credit risk underwriting or adjudication capacity

	✓				
--	---	--	--	--	--

-Have a comprehensive understanding of credit risk management rules; regulatory ratings and regulatory examination process and practices

✓	✓				
---	---	--	--	--	--

-Have experience underwriting. Assessing and approving leveraged lending transactions and understanding

	✓		✓		✓
--	---	--	---	--	---

-Have in-depth knowledge of lending products

✓	✓	✓	✓	✓	✓
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-Numerical skill; Eye for detail; Time management and organizational skill

✓	✓	✓	✓	✓	✓
---	---	---	---	---	---

-Computer skill; Communication skill; Business awareness, Integrity

✓	✓	✓	✓	✓	✓
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-Resilience & Adaptability

✓	✓	✓	✓	✓	✓
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-Critical thinking, problem solving and critical analysis such as reviewing interpreting and evaluating financial data, business systems and operational data and controls

✓	✓	✓			
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-Business Management & Leadership Skills	✓	✓	✓	✓	✓	✓
-Human Capital Development Skills	✓			✓		
-Communication & Interpersonal skills	✓	✓	✓	✓	✓	✓
-Strategic Thinking& Planning Skills	✓	✓	✓	✓	✓	✓
-Workplace Culture Development Skills				✓		

-Good problem solving skills	✓	✓	✓	✓	✓	✓
-Ability to effectively manage time and resources	✓	✓	✓	✓	✓	✓
-A clear vision of "the big picture" as well as the "small details"	✓	✓	✓	✓	✓	✓
-A desire to work closely with other people	✓	✓	✓	✓	✓	✓
-Excellent communication skills	✓	✓	✓	✓	✓	✓
-Ability to think strategically about technology					✓	

-Computer literate	✓	✓	✓	✓	✓	✓
-Have a managerial experience in any applicable field of management	✓	✓	✓	✓	✓	✓

**Work Experience:**

Teller	✓		✓	✓		✓
Bookkeeper	✓	✓		✓		✓
Loan Processing Officer		✓		✓		✓
Accountant			✓			
Audit Assistant				✓		
Cashier	✓		✓	✓		✓
CIAU Head						
Manager	✓	✓	✓	✓		
MIS/IT Officer					✓	
Human Resource Head						
Chief Accounting Head						
Credit Risk Review Officer						
Credit Head/Property Mngmnt. Head						



**Trainings Required:**

- AMLA Seminar	✓	✓	✓	✓	✓	✓
- Stressed Asset Mngmt. & Recovery Training		✓				
- Business continuity Management Training				✓		✓
- Key Risk Indicators & Scorecard Training	✓					✓
- Effective budgeting and forecasting techniques for credit	✓					✓
- Strengthening Internal control systems in RB's						✓
- Sound credit Functional Framework Training	✓					✓
- Intro to IT Auditing Seminar					✓	
- Customer Service Excellence Training						✓
- Cash flow statement training						
- Credit & Collection Seminar						✓
- Financial Statement Analysis						✓
- Risk-Based Methodology Seminar		✓				✓
- 1 day Briefing on BSP Prudential Reporting-FRP & CAR					✓	✓
- Advanced Supervisory Development Program Seminar workshop on the conduct of Internal Audit Engagement				✓	✓	✓
- Risk Management Basic Course					✓	✓
- Bank Security and Protection Program				✓		✓
- Branding your Rural Bank Through the HR Perspective				✓		✓
- Remedial Management Seminar						✓
- Credit Analysis & Loan Packaging Seminar						✓
- Risk Based Compliance Program						✓
- Effective business Communication Training						✓
- Strategic Human Resource Management				✓		
- Managing IT Outsourcing Reqt. And Risk				✓	✓	✓
- Credit scoring and credit loss estimation course						✓
- Risk-Based Lending for SME Workshop	✓	✓				



**Positions held during the  
tenure of service:**

Teller	✓		✓	✓		✓
Bookkeeper		✓		✓		✓
Accountant			✓			✓
Loan Processing Officer		✓		✓		✓
Audit Assistant				✓		✓
Branch Manager	✓	✓	✓	✓		



**SUCCESSION PROGRAM FOR OFFICERS  
FOR THE YEAR 2024**

**POSITION:**

**TENURE IN THE BANK:**

**SUCCESSOR:**

**ADDENDUM:**

**EDUCATION:**

**-Bachelor's degree**

**Preferably in:**

- Accountancy
- Finance
- Marketing
- Business Administration
- Human Resources Management
- Information Technology
- Computer Science
- Bachelor's degree relevant to the job

Credit Head/Property Management Head	Credit Risk Review Officer	Chief Accounting Head	Human Resource Head	MIS/IT Officer	Branch Manager
5 years and above	5 years and above	5 years and above	5 years and above	5 years and above	7 years and above
Manager/Senior Loan	Manager/Senior Loan	Manager/Accountant/	Manager/Accountant/	Qualified Senior Officer	Cashier/ Accountant
Officer (subject to BOD confirmation)	Officer (subject to BOD confirmation)	Senior Officers (subject to BOD confirmation)	Senior Officers (subject to BOD confirmation)	or hire from external source	

✓	✓	✓			✓
✓	✓	✓			✓
✓	✓	✓			✓
✓	✓	✓	✓		✓
			✓		
				✓	
				✓	
✓	✓	✓	✓	✓	✓



**SUCCESSION PROGRAM FOR STAFF  
FOR THE YEAR 2024**

**POSITION:**  
**TENURE IN THE BANK:**  
**SUCCESSOR:**

Cashier	Accountant	Loan Appraiser	Loans Bookkeeper	Loan Processing Officer
3 yrs. and above	1 yr. above	2 yrs. and above	Six to twelve months	Six to twelve months
Teller	Bookkeeper	Loan Processing Officer/ Bookkeeper	Teller/Clerk	Loan Bookkeeper

**SKILLS/COMPETENCIES:**

**-Computer Literate**

Excel	✓	✓	✓	✓	✓
Word	✓	✓	✓	✓	✓
Powerpoint	✓	✓	✓	✓	✓
Byte per byte system	✓	✓		✓	

**-Knowledgable in tellering and accounting**

	✓	✓			
--	---	---	--	--	--

**-Know how to detect counterfeit money vs. genuine bills and coins**  
**-Know how to interact with people**

	✓				
	✓	✓	✓	✓	✓

**-Knowledge in basic bookkeeping and accounting**

	✓	✓		✓	
--	---	---	--	---	--

**-Knowledge in basic appraisal**  
**-Knows how to drive a motorcycle or four wheeled vehicle**

			✓		✓
			✓	✓	✓

**-Good communication skills**  
**-Proven working experience as a loan officer**

	✓	✓	✓	✓	✓
			✓	✓	✓

**-Familiarity with computers and banking applications/software**

	✓	✓	✓	✓	✓
--	---	---	---	---	---

**-Solid understanding of direct/indirect lending products and practices**

			✓	✓	✓
--	--	--	---	---	---



-Excellent communication and interpersonal skills	✓	✓	✓	✓	✓
---	---	---	---	---	---

-Customer satisfaction orientation and sales competencies			✓	✓	✓
---	--	--	---	---	---

**Work Experience:**

Teller	✓	✓		✓	✓
Bookkeeper	✓	✓			✓
Accountant					
Loan Processing Officer			✓		
Cashier					
Appraiser / C.I. Assistant					

**Trainings Required:**

- AMLA Seminar	✓	✓	✓	✓	✓
- AML Rules and Regulations and Risk Rating System	✓			✓	
- Signature Verification Bank Fraud and Forgery Detection Seminar	✓				✓
- Financial Statement Analysis		✓			✓
- Basic course on Cashiering Seminar	✓				
- Credit & Collection Seminar			✓		✓
- Comprehensive Property Appraisal Seminar			✓		✓
- Credit Investigation Seminar			✓	✓	✓
- Sound credit Functional Framework Training			✓		✓
- Customer service excellence training				✓	✓
- Financial Statement Analysis					✓
- Credit Risk Rating Provisioning & Loan Pricing Training					✓



- Training needs assessment for microfinance course			✓		✓
- Credit Analysis & Loan Packaging seminar			✓		✓
- Effective business communication Training	✓	✓	✓	✓	✓

**Positions held during the tenure of service:**

Teller	✓	✓	✓	✓	✓
Loans Bookkeeper	✓	✓	✓		✓
Branch Accountant					
Loan Processing Officer	✓		✓		
Audit Assistant	✓	✓		✓	
Appraiser / C.I. Assistant					





**SUCCESSION PROGRAM FOR STAFF  
FOR THE YEAR 2024**

**POSITION:**

**TENURE IN THE BANK:**

**SUCCESSOR:**

**ADDENDUM:**

**EDUCATION:**

*-Bachelor's degree preferably in:*

- Accountancy*
- Finance*
- Marketing*
- Engineering related courses*
- Business Administration*
- Bachelor's degree relevant to the job*

Cashier	Accountant	Loan Appraiser	Loans Bookkeeper	Loan Processing Officer
<i>3 yrs. and above</i>	<i>1 yr. above</i>	<i>2 yrs. and above</i>	<i>Six to twelve months</i>	<i>Six to twelve months</i>
<i>Teller</i>	<i>Bookkeeper</i>	<i>Loan Processing Officer/</i>	<i>Teller/Clerk</i>	<i>Loan Bookkeeper</i>
		<i>Bookkeeper</i>		

✓	✓		✓	✓
✓	✓		✓	✓
✓	✓		✓	✓
		✓		
✓	✓		✓	✓
✓	✓	✓	✓	✓

## 2. Identifying Competencies

The Bank shall implement a system of identification and competency-profiling of critical positions in order to develop strategies to transfer critical knowledge and attract, develop and retain qualified candidates to compete for these positions if and when they become vacant. The HR Head shall develop said identification and profiling process to assist the BOD/Management in the internal selection process.

## 3. Employees Training Program

Training is a program that helps employees learn specific knowledge or skills to improve performance in their current duties and responsibilities. The Bank believes that good training programs help keep the right people and contribute to its profitability.

On top of the trainings and seminars already undertaken by the personnel as indicated in the updated Personnel Qualifications (*Annex A*), the Bank is committed to providing the required and necessary trainings needed by the officers and employees of the Bank by adopting an Annual Training Program, copy of which is hereto attached as Annex B, which will ensure continuous development of qualified pool of candidates ready to fill critical or key positions while helping them realize their career plans and aspirations and improve their ability to respond to changing work environment.

## **Policies and Procedures on Related Party Transactions**

### **A. Policies and Guidelines**

1. Related party transactions shall be allowed provided that these comply with applicable regulatory limits/requirements and dealings are conducted at arm's length basis. Said transactions shall only be made and entered into, substantially on terms and conditions not less favorable than those with other customers of comparable risks.
2. Related party transactions shall require the approval from the Board of Directors.
3. All approved related party transactions shall be reported by the Chief Compliance Officer (CCO) to the Audit Committee and to the Bangko Sentral ng Pilipinas (BSP) quarterly, as required under BSP Circular 895. Such transaction shall also be ratified and approved by the stockholders in the Annual Stockholders' Meeting.
4. If an actual or potential conflict of interest arises on the part of a director, officer or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process relating to the transaction.

Any member of the Board who has an interest in the transaction under discussion shall not participate therein and shall abstain from voting on the approval of the transaction.

5. Reportorial/Disclosure Requirements

- a. As explained in BSP Memorandum No. M-2012-032, transactions concerning deposit operations are excluded from the reporting requirement on related party transactions under BSP Circular No. 895.
- b. Also, lease and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transaction by the board of directors.
- c. In case the related parties involved in the transactions are both supervised by the BSP, only the lessor, in case of lease contract, or the party engaging/requesting for the services of the other financial institution, in case of other contracts, shall submit the report.
- d. Necessary disclosures shall be made also in the Notes to the Financial Statements of the Annual Report. At a minimum, the disclosures shall include:
  - (i) the amount of the transactions;
  - (ii) the amount of outstanding balances and their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement, and details of any guarantees given or received;
  - (iii) provisions for doubtful debts related to the amount of outstanding balances;
  - (iv) the expense recognized during the period in respect of bad or doubtful debts due from related parties.

6. The following transactions shall **not** be deemed related party transactions for purposes of this policy/guidelines:

- a. Executive Officer and Director compensation arrangements;
- b. Transaction concerning deposit operations
- c. Transaction where the rates or charges involved in the transaction are determined by competitive bids or fixed by law or regulated by a governmental authority
- d. Transactions available to all employees in general, such as: deposit transactions and borrowings covered under the bank's financial assistance program approved by BSP.

**B. Procedures**

1. All Directors and Officers shall submit to the Compliance Officer a filled up Related Party Transaction Information Statement Questionnaire on the following instances:
  - At the beginning of term of the newly appointed/elected Director or Officer.

- At the beginning of the calendar year for all incumbents.
- Upon discovery of the unreported related party transactions.

The Questionnaire shall be accomplished as part of the responsibility of Directors and Officers to disclose related party transactions. It shall include commitment to disclose proposed transactions that the director/officer or their related party will undertake with Pangasinan Bank, Inc.

2. Based on the Information Statement Questionnaire, the Compliance Officer shall submit/ elevate to the Board of Directors for ratification/approval.
3. A related party transaction shall be approved by the vote of the majority of the directors who are not related parties to the transaction. All credit and non-credit Related Party Transactions go through the normal approval processes of the bank after due consideration to existing DOSRI regulations and SB limits of the MORB.
4. The Chief Compliance Officer (CCO) shall prepare a quarterly report of all related party transactions to the Audit Committee for the latter's information. Said committee shall be provided with all pertinent documents and material facts that support the transaction.
5. On a quarterly basis, the CCO shall also submit the required report to BSP using the existing report format.
6. If a related party transaction would be ongoing, the Board of Directors shall periodically review and assess ongoing relationships with related parties to determine and ensure compliance with the all the regulatory requirements.
7. No director may engage in any Board or Committee discussion or approval of any related party transaction in which he or she is a related party. However, such director must provide to the Board or Committee all material information reasonably requested concerning the transaction.
8. Consistent with corporate values and code of conduct observed by Pangasinan Bank, Inc., it shall encourage all personnel to report confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable Related Party Transaction's.
9. In the event of a Related Party Transaction turning sour or becoming a problem transaction, the Bank shall collect the difference between the interest rate granted and the normal/regular rate of the transaction and also all the other waived charges extended to the related party/ies, who abuse the exceptional dealing given.

### **C. Roles of Senior Management and Assessment Function**

1. The senior management shall implement appropriate controls to effectively manage and monitor Related Party Transactions on a per transaction and aggregate basis.
2. They shall also monitor exposures to related parties on an ongoing basis to ensure compliance with the bank's policy and Bangko Sentral regulations.
3. The Internal Audit Committee shall conduct a periodic formal review of the effectiveness of bank's system and internal control governing related party transactions to assess consistency with the board-approved policies and procedures.

4. The Compliance Dept. shall ensure that the bank complies with relevant rules and regulations and is informed of regulatory developments in area affecting related parties.
5. The Compliance Dept. shall aid in the review of the bank's transactions and identify any potential related party transaction that would require review by the Board.
6. The Compliance Dept. shall ensure that the related party transaction policy is kept updated and is properly implemented throughout the bank.

**D. Loans, Advances, and other Credit Accommodations to Officers**

**AMENDMENTS TO THE FINANCIAL ASSISTANCE PROGRAM FOR OFFICERS AND EMPLOYEES**

The Financial Assistance Program is hereby formulated to detail the guidelines of the fringe benefits program of the officers and employees of Pangasinan Bank (A Rural Bank), Inc. to meet their housing, household and personal needs.

The Plan/Program has the following features:

1. Applicants to the loan benefits under the program shall be limited to the full-time and permanent officers and employees of the bank.
2. Financial assistance shall be for the following purposes:
  - (A) Real Estate Loan –
    1. To purchase a residential house and lot;
    2. To construct, renovate or repair residential house on a lot owned and to be occupied by the officer or employee;
  - (B) Multi-Purpose Loan –
    - Livelihood/Additional Capital for Business
    - Educational Expenses
    - Health and Wellness
    - Travel and Leisure
    - Special Events
    - Car Repair
    - Purchase of Appliances/Electronic Gadgets and Furniture
    - Purchase of Memorial Lot or Columbarium Niche and/or Funeral Expenses
    - Payment of Utilities/Credit Card Bills
    - Purchase of Motor Vehicle (2 wheels)
    - Purchase of Car
    - Minor Repair of Residential House
    - Improvement of Lot Acquired (but not limited to: fencing, filling materials )
    - Related Expenses to transfer of ownership (House/House and Lot purchase)
  - (C) Salary Loan – for personal needs

- (D) Calamity Loan – in cases of calamities such as: earthquakes, tsunamis, floods, drought, storms, diseases epidemics, pandemics.
3. Existing bank employees' real estate loans which are being currently charged the regular loan interest rates together with the normal service charges, are qualified to crossover to the program.
  4. To protect itself from losses, the bank will require participants of the financing plan for co-makers, co-signors, coverage under a mortgage redemption insurance: for those employee who are not yet included in the Bank's retirement plan, real estate or chattel mortgage, assignment of retirement benefits, to include a provision for the restructuring of the loan under the bank's regular lending operations, in case of termination or separation of the officer or employee from the bank, for whatever cause.
  5. Monthly compensation of an officer or employee which is the basis shall mean the basic salary and all fixed and regular monthly allowances of the officers or employee, while payments for sickness benefits and other special emoluments which are not fixed or regular in nature, or the commutation into cash of unused leave credits shall not be included in the determination of the loanable amount under this Program.
  6. Bank employees who are spouses/are married to one another, cannot avail of the benefit loans individually. That is, the husband and the wife are considered as one, in applying for a real estate loan, consumption loan and salary loan. Calamity loan will be exempted from this provision.
  7. The monthly amortization payments shall be inclusive of the amounts that are needed to cover mortgage redemption and fire insurance premiums, real estate taxes, other assessments and similar related fees and charges being collected during the existence of the loans.
  8. Terms & conditions of the benefit loans will be as follows:

#### **A.) REAL ESTATE LOAN**

1. Housing loan will be extended to officers and employees who have completed at least **five (5) years** of continuous service, from **date of permanency**.
2. An officer or employee (or spouse) who already own a residential house and lot shall no longer be qualified to avail himself of the financial assistance for the purpose of acquiring a residential house and/or lot.
3. Availment of the financing plan to construct or acquire a residential house and/or lot shall be availed only once, during the officer's or employee's tenure with the bank. Correspondingly, REM must be executed with the bank indicated therein as the mortgage.
  - 3.1 Re-availments may be allowed where the right over the real estate previously acquired or constructed under the financing plan is absolutely transferred or assigned to another officer or employee of the bank or to a third party. Provided further, that the bank must be fully paid or reimbursed for the outstanding availment of the financing plan before the officer/employee is allowed to re-avail himself of the same financing plan.

4. Re-availments for major repairs or renovations of house shall be allowed, provided the previous loan for similar purpose shall have been already paid in full.
5. Loan amount shall not exceed **thirty six (36) months** of total monthly compensation and shall be within the paying capacity of the borrowing officer or employee. The other basis of the loan shall be the Deed of Conditional Sale/Deed of Sale/Bill of Materials or Cost Estimate. Additionally, the Inspection and Appraisal Report of the bank's appraiser shall also be included in the determination of the loan amount to be granted, and likewise, by taking into account the maximum allowed 50% loanable value given to the regular loan borrowers.
6. Interest rates chargeable shall be at **12% twelve percent over the term of the loan based on the outstanding balance**, which is lower than the prevailing interest rates on the regular loans of the bank; without the service charge.
7. Term of the loan shall be up to **5 years**, depending on the maximum monthly amortization capacity of the officer's/employee's total regular monthly compensation, after considering the amount needed by the borrower to meet his/her daily needs.
8. The number of allowable renewals for the remaining loan balance after the expiry of the initial/original loan term, shall be two (2) times but not to exceed 10 years, counted from the maturity date of the original loan.
9. Fire insurance coverage as needed under the present BSP regulations shall be secured by the officer/employee for the duration of the loan. Real estate taxes shall likewise be updated annually by the borrower.

#### **B.) MULTI-PURPOSE LOAN**

- a. Can be availed by officers/employees who have rendered **three (3) years** of continuous service from **date of permanency**.
- b. Loan amount shall be equal to **ten (10) months** of total monthly compensation and shall be within the paying capacity of the borrowing officer or employee for all purposes, except for the purpose of motor and auto vehicle loan.
- c. Motor and Auto Vehicle Loan

##### c.1 Motor Vehicle Loan

Covered Officers and Employees are allowed to avail of motor vehicle loan in the maximum threshold amount of One Hundred Fifty Thousand Pesos (P150, 000.00) of which 75% thereof shall be the loanable value with the first 25% representing the personal equity of the employee, covered by a collateral, which is automatically the Official Receipts and Certificate of Registration (O.R. / C.R.) of the vehicle, the value of which shall be double the amount of loan application, as the case maybe. The loan shall be payable in five (5) years via semi-monthly installment to be deducted from the salary of the borrowers at **10% ten percent over the term of the loan based on**



**the outstanding balance**, without service charge. Provided, that for whatever reason, the entire obligation shall become due and demandable upon termination of employment.

c.2 Auto Vehicle Loan

Covered Officers and Employees who have rendered **three (3) years of continuous service from date of permanency**, may avail of the Auto Vehicle Loan in the maximum threshold amount of Five Hundred Thousand Pesos (P500, 000.00) of which 75% thereof shall be the loanable value with the first 25% representing the personal equity of the employee, covered by a collateral which is automatically the Official Receipt and Certificate of Registration (O.R./C.R.) of the vehicle duly registered with the Registry of Deeds (ROD) and Land Transportation Office (LTO), the value of which shall be double the amount of loan application, as the case maybe. The loan shall be payable for a maximum term of five (5) years via semi-monthly installment to be deducted from the salary of the borrower at **ten percent (10%) over the term of the loan based on the outstanding balance**, and without service charge. Provided, that for whatever reason, the entire obligation shall become due and demandable upon termination of employment. Vehicle must not be more than 10 years old

d. Availment of the financing plan for the acquisition of a specific type of equipment, or appliance shall be allowed once every three (3) years. Provided, that re-availment shall be allowed only after previous obligations in connection with the acquisition of the same type of equipment, or appliances have been fully liquidated.

d.1 In highly meritorious cases, availment of educational, medical or emergency needs of the officer or employee and their immediate families may be allowed provided that at least 50% of the original balance have been fully paid and observing properly the set limit for this particular loan type. In renewing/re-availing, the officer or employee has the following options:

a. Fully pay the outstanding balance and re-avail an amount within the paying capacity of the borrowing officer or employee, for up to 3-year term; or

b. Renew up to the extent of the paid portion of the loan, for up to the extent of the remaining term

e. Interest rates chargeable shall be **10% ten percent over the term of the loan based on the outstanding balance and without service charge. (see above sample computation)**. Term of the loan shall be up to three (3) years except for motor and auto vehicle loan which is five years, depending on the salary amortization capacity of the officer/employee.



### **C.) SALARY LOAN**

- a. Can be availed by officers/employees who have rendered continuous service as follows:
  1. **1 year from date of permanency – one month salary** and shall be within the paying capacity of the borrowing officer or employee;
  2. **2 yrs. To 4 yrs.** – equivalent to **two (2) months** salary and shall be within the paying capacity of the borrowing officer or employee;
  3. **5 years** or more from date of permanency - equivalent of **three (3) months** salary and shall be within the paying capacity of the borrowing officer or employee.
- b. Loan re-availments shall be allowed, provided the previous obligation have been fully liquidated.
  - b.1. In highly meritorious cases, renewal of loan is allowed provided that at least 50% of the original balance have been paid and observing properly the set limit for this particular loan type. In renewing/re-availing, the officer or employee has the following options:
    - a. Fully pay the outstanding balance and re-avail an amount within the paying capacity of the borrowing officer of employee, for up to 2-year term; or
    - b. Renew up to the extent of the paid portion of the loan, for up to the extent of the remaining term
- c. Interest rate shall be **ten (10%) percent** per annum, without service charge.
- d. Term of the loan shall range from **one (1) to two (2) years**, depending on the salary amortization capacity of the officer/employee.

### **D.) CALAMITY LOAN**

- a. Can be availed by officers/employees after the **date of permanency**.
- b. To provide financial assistance to the officers and employees who are affected by calamity, particularly brought about by strong typhoons and floods.
- c. Loan amount shall be **P5,000.00**
  - i. Interest rate shall be fixed **eight (8%) percent** per annum, without service charge.
  - ii. Term of the loan shall be up to **one (1) year** only.

9. Mode and Procedure of Amortization Payment:

A. Mode of Payment

1. To ensure the capacity to pay of an officer or employee, all availments under the financial assistance program of the Bank shall be covered by an amortization schedule duly conformed by the employee.

1.1 In determining the “paying capacity”, twenty five (25%) percent of his/her “Net Take Home Pay” must be first set aside, before the preparation of amortization schedule for the “newly availed” financial assistance plus the “existing availment” under the FAP, must always be considered.

2. The amortization schedule must be based on the term of the availment **(minimum of 1 year to a maximum of 5 years)** divided by the number of bi-monthly payments to coincide with payroll dates.

B. Procedures/Guidelines on the Application of Amortization Payment:

1. Five days before every payroll date, the HO Loan Bookkeeper shall prepare and submit to the Accounting Head for checking, the list of FAP amortizations to be applied as payroll deductions of concerned employees. In preparing the list, the loan bookkeeper must see to it that all due amortizations are included, without exceptions;

2. The list is then submitted to the HR Head who prepares the payroll, for approval and application as deduction in the subject payroll;

3. For newly-released or re-availed loan under the FAP, the first amortization shall be applied on the next payroll date immediately after such release or re-availment.

C. Rationale of Interest Computation for All Types of Loans under the Financial Assistance Program:

- To give it a distinct/separate treatment and be differentiated from the regular bank loans;

- To make them precisely as benefit loans for the Bank’s rank and file;

Thus,

$$\text{Interest (I)} = \text{Rate (\%)} \times \text{Term (T)} \times P^*$$

- where P or Principal = outstanding/remaining balance

Loan accounts of Employees availed under Financial Assistance Program starting December, 2021 and onwards, are covered by this amendments retroactively.

## **Self-Assessment Function:**

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

### **Authority:**

Internal Audit Department (IAD) aims to promote effective controls at a reasonable cost. To achieve this, **IAD is authorized**, in the course of its activities:

- To enter all areas of the auditable units and have full, free, and unrestricted access to all levels of management, Bank's internal records, including Board of Director (BOD) meetings, bank's functions, systems, the documents and ledgers, property, and personnel of the Bank, considered necessary for the performance of its functions;
- To require all members of staff and management to supply such information and explanations as may be needed within a reasonable period of time;
- To have access to the Audit Committee and the President;
- To obtain the necessary assistance of personnel in units of the Bank where they perform audits, as well as other specialized services from within or outside of the Bank;

The **IAD** and its staff are **not authorized** to:

- Perform any operational duties for the Bank;
- Initiate or approve accounting transactions external to IAD.

### **Responsibilities:**

The scope of work of IAD is to determine whether the Bank's risk management, internal control systems, information systems and governance processes are adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Review the adequacy of controls established to ensure compliance with policies, plans, procedures and business objectives;
- Resources are acquired economically, used efficiently, and adequately protected;
- Assess the means of safeguarding assets;
- Review established procedures and systems and propose improvements;
- Monitor recommendations forwarded to make sure that effective remedial action is taken;
- Carry out ad hoc appraisals, investigations, or reviews requested by the Audit Committee or the President;
- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by the President;
- Implement the annual audit plan, including, as appropriate, any special tasks or projects requested by the Audit Committee or the President;

- Evaluate and assess significant merging/consolidating functions and new or changing activities, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
- Keep the Audit Committee and the President informed of emerging trends, successful practices, and significant measurement criteria in internal auditing;
- Identify and report to the Audit Committee and the President actual and potential weakness in the systems or internal control where it exists, and recommend feasible ways to remedy it;
- Issue periodic reports on a timely basis to the Audit Committee and to the President of the Bank summarizing the result of the Audit activities;
- Maintain a team that collectively possesses the necessary knowledge, skills, and disciplines for the achievement of the IAD activities. In cases of special need, IAD resources may be implemented by:
  - Assistance of other suitable staff within the Bank;
  - Engagement of consulting services;

The internal audit process, however, does not relieve departmental heads and staff of their responsibility for the maintenance and improvement of internal controls in their respective area.

#### **Independence and Objectivity:**

To ensure its independence, Internal Audit Department (IAD) is directly and functionally responsible to the Audit Committee, and administratively to the President.

In this context, functional accountability means that the Audit Committee would:

1. Approve the internal audit risk assessment and related audit plan;
2. Receive communications from the Head of IAD on the results of the internal audit activities or other matters that he/she determines to be necessary, including private meetings with him/her without management present;
3. Approve the charter of the internal audit function;
4. Determine whether there are scopes or budgetary limitations that impede the ability of the internal audit activity to execute its responsibilities;

Administrative accountability is the relationship of the IAD within the organization's management structure that facilitates day-to-day operations of the internal audit activity and provides appropriate interface and support for effectiveness. Administrative reporting typically includes:

1. Budgeting and management accounting;
2. Internal communications and information flows;
3. Administration of the organization's internal policies and procedures;

To maintain objectivity, the Internal Audit Department (IAD) is not involved in day-to-day control procedures. Instead, each business unit is responsible for its internal control.

#### **Accountability:**

The Head of IAD, in the discharge of his/her duties, shall be accountable functionally to the Audit Committee, and administratively to the President. IAD Head shall send copies

of his/her reports that are sent to the Audit Committee to the President. The main functions of the IAD include, but are not limited to:

- Provide annually an assessment on the adequacy and effectiveness of the Bank's processes for controlling its activities and managing its risks in the areas set forth under "Purpose and Objectives";
- Report significant issues related to the processes for controlling the activities of the Bank, including potential improvements to these processes, and provide information concerning such issues;
- Furnish the annual audit plan and periodically provide information on the status and results of the annual audit plan and the sufficiency of IAD's resources;
- Coordinate with and monitor the results of work performed by, other control and monitoring functions (e.g., risk management, security, ethics, evaluations, and external audit);
- Perform financial, accounting, administrative, information technology, and operational audits in a systematic and selective manner to provide adequate audit coverage over an appropriate period;
- Review the systems of internal controls maintained by the Bank to safeguard its financial and physical assets, verifying the existence of related assets, ascertaining high-risk areas, and recommending alternative approaches to correct any weaknesses;
- Maintain a continuing program for reviewing the effectiveness of lending and technical assistance activities in order to ascertain whether results are consistent with established Bank policies, objectives, and goals;
- Review the reliability, accuracy, and integrity of financial and operating information systems and related policies, plans, procedures, and records in order to appraise their adequacy regarding the intended objectives;
- Appraise the adequacy of the action taken by the President on recommendations to correct reported internal control weaknesses and/or deficient conditions and advise the Audit Committee and the President of the risk(s) assumed by not taking corrective action on reported findings;
- Continue direct communications with appropriate management staff members on corrective actions considered inadequate until the matter has been satisfactorily resolved.

**Continuity and Impartiality:**

- Internal Audit within the Bank shall be a permanent function.
- IAD shall be objective and impartial in performing its assignment.
- Objectivity and impartiality entail that the internal audit department will seek to avoid any conflict of interest.

For the purpose of the impartiality and independence of the IAD, the appointment, and removal of IAD Head shall be executed in accordance with the Bank's internal regulations, but in consultation with the Chairman of the Audit Committee. Furthermore, personnel evaluation (performance appraisal) of the IAD Head shall be conducted by the Audit Committee.

**Standards:**

Internal Audit Department adheres to the standards of best professional practice, such as International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of The Institute of Internal Auditors.

**ANNUAL AUDIT PLAN**

**AUDIT SCOPE AND OBJECTIVES**

The scope and objectives of the internal audit of the Bank consist but not limited to the following:

- To determine whether controls over financial and operating data provide Bank management with reasonable assurance that the financial and operating data is accurate and reliable (i.e., that information gathering and reporting has been properly planned, organized and directed);
- To determine whether controls over compliance with BSP and Bank's internal policies, procedures, plans, laws and regulations provide Bank Management and the Board of Directors with reasonable assurance that proper compliance actually occurs (i.e., that compliance activities have been properly planned, organized and directed);
- To determine whether internal control system over assets provide Bank Management and the Board of Directors with reasonable assurance that assets exist and are protected against loss that could result from theft, fire, improper or illegal activities, or exposure to the elements (i.e., that activities associated with asset acquisition, recording, storage, insurance cover, use and disposal have been properly planned, organized and directed);
- To determine whether internal control system over operations provide Bank Management and Board of Directors with reasonable assurance that resources are used efficiently and economically (i.e., that the Bank is doing things the best way). The objective then, is to determine whether operating standards have been established for measuring economy and efficiency (i.e., that activities have been properly planned); and whether operating standards are understood and are being met; whether deviations from operating standards or budgets are identified, analyzed and communicated to those responsible for corrective action and whether effective, corrective action has been taken (in summary, whether activities have been properly directed); and
- To determine whether controls over operations and programs provide Management and Board of Directors with reasonable assurance that the operations

and programs are being carried out as planned, and that the results of operations are consistent with established goals and objectives (i.e., whether activities have been planned, organized and directed so that the organization does the right things), i.e., that the audit objectives and goals established by Bank Management are adequate and have been effectively articulated and communicated; whether the desired level of results is being achieved; whether factors that inhibit satisfactory performance and results are identified, evaluated, and controlled; whether management has considered alternative courses of action to achieve desired results; whether an operation or program complements, duplicates, overlaps or conflicts with other operations or programs; whether controls for measuring and reporting the accomplishment of objectives and goals are adequate; and whether an operation or program is in compliance with applicable policies, procedures, plans, laws and regulations.

### IDENTIFICATION OF AUDIT AREAS

Check and review of the different bank-related risks depending whether the risks are applicable to the branch/unit such as:

**The Financial Risk Audit** – This type of audit verifies that controls over acquisition and use of resources are adequate. It also verifies that sufficient control exist over assets, liabilities, revenues, and expenditures. They address the accounting and reporting of financial transactions, including commitments, authorizations, and receipt and disbursement of funds. The aim of which is to assess the reliability of the accounting system and information of resulting financial report. Financial risk audit is composed of the following:

Types of Risk	Definition	Assertions and Activities
<b>Credit Risk</b>	-Risks arising from the borrower's failure to honor to pay his obligations (interest and/or loan principal) on due date.	Compliance to management policies and procedures, BSP and other regulatory agencies' issuances and directives, proper documentation and classification and compliance with internal control standards and risk management system.
<b>Liquidity Risk</b>	-Refers to the risk of failure of the bank to execute business plans, objectives and medium to long-term goals.	Compliance to submitted business plan, strategic implementation, reporting, monitoring and review. Assessment and evaluation of the marketing plan, its policies and procedures and its effectiveness in risk management.
<b>Market/Interest Risk</b>	-Is the probability of a decline in the value of an asset resulting from unexpected fluctuations in interest rates.	Assessment and evaluation of the marketing plan, its policies and procedures and its effectiveness in risk management.



	<p>-The risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institution’s over-all portfolio. Market risk arises from market-making, dealings and position-taking in an interest rate, foreign exchange, and equity and commodities market.</p>	
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**Non-Financial Risks** – events or actions, other than financial transactions, that can negatively impact the operations or assets of a company. These include the following risks:

Types of Risk	Definition	Assertions and Activities
<b>Operational Risk</b>	<p>-The risk that may arise as a result of weakness in organizational structure, poor oversight function of the board of directors and senior management, defective personnel recruitment/ selection criteria, weak internal control system, inadequate internal and external audit coverage and deficient management information system.</p>	<p>Assessment of the quality and appropriateness of policies and procedures, to analyze the organizational structures such as people, equipment, process and information technology systems, and to evaluate the adequacy of the methods and resources, in relation to the assignment.</p>
<b>Information Technology Risk</b>	<p>-Risk about the hardware, software, system interfaces, data system users, system and data criticality and sensitivity which will affect management information, reporting and monitoring.</p>	<p>Reviewing the governance (control) of information and communications technologies (computer). To examine the effectiveness of their technical and procedural controls to minimize risks.</p>
<b>Anti-Money Laundering</b>	<p>-Risks which lead to the layering or integration into the banking system any funds obtain from illegal sources. It is also the failure to detect or prevent the funding of terrorist plan and activities.</p>	<p>Review and assess the bank’s policies on customer identification, storage, and reporting systems.</p>
<b>Corporate Governance</b>	<p>-The risk that the board will not perform their mandated functions and responsibilities, violates regulations, laws and internal policies and regulations. -The risk that may arise as a result of weakness in organizational</p>	<p>Review and assessment on the performance of the board and senior officers of the Bank.</p>



	structure, poor oversight function of the board of directors and senior management, defective personnel recruitment/ selection criteria, weak internal control system, inadequate internal and external audit coverage and deficient management information system. Such risk may affect the capital and earnings of the bank.	
<b>Compliance Risk</b>	-Risk to earnings or capital arising from violations of, or non-compliance with laws, rules and regulations, prescribed practices, or ethical standards. This risk exposes the bank to fines, monetary penalties, payment of damages, and suspension of authorities or violating of contracts.	To assess the quality of appropriateness of the established systems, policies and procedures to ensure compliance with laws, regulations, policies and procedures.
<b>Environment and Social Risk Management</b>	-Potential negative consequences to the Bank that results from its impact (or perceived impacts) on the natural environment (i.e., air, water, soil) or communities of people (i.e., employees, clients, local residents).	To assess the risks of harm to human health or the environment and identify areas for improvement to reduce their environmental and social impact. To assess the Bank's compliance with environmental and social regulations, reducing the risk of fines and penalties.

**AUDIT APPROACH**

The Internal Audit will consist of interviews with key employees, review of documents, inspections, data analysis, review of accounting entries and the usage of applicable audit tools. A random as well as statistical sampling approach shall be employed in the conduct of examination. Direct confirmation of deposit and/or loan balances from sample-sized clients, thru mailed Auditor's inquiry letters will also be applied. The audit will consist of the components described below. The phases are listed in sequential order and should provide an overview of the sequencing of the proposed engagement.

**MOBILIZATION PHASE**

The Internal Auditor will:

- Require all units a list of schedules and relevant documents and materials that will support the fieldwork prior to the audit visit.

- Develop and have the audited branches and units undergo an initial interview with some officers and staff that are expected to assist during the performance of the audit.
- Develop an audit program to guide activities during the course of the audit. The audit program guide shall include a list of the controls that would be reviewed along with a defined approach for understanding the design of the control and how it would be tested to determine if it is operating effectively.

### **IDENTIFICATION AND PRIORITIZATION OF AUDITING RISK UNIVERSE/AREAS**

Determine and categorize the audit universe. Prioritize the branches/units to be audited based on risk level of the most recent audit results.

- High Risk - First Priority
- Medium Risk - Second in priority, for audit after high risk business units
- Low Risk - Last priority, semester or at later dates

The Bank has six (6) branches and six (6) admin departments/sections located at the Head Office. In the last audit review, the Malasiqui Branch had a moderate risk level, while the five other branches and admin departments and units had a low risk level. Thus, the order of priority of review and prioritization per risk areas of auditable branches, departments and admin units shall be as follows:

#### **MALASIQUI BRANCH**

<b>Type of Risk</b>	<b>Result of Audit (Risk Type)</b>	<b>Prioritization of Risk Area</b>
Operational Risk	Medium Risk (increasing)	1
Credit Risk	Medium Risk (stable)	2
Compliance Risk	Medium Risk (stable)	2
AMLA	Low Risk (stable)	3

#### **MANGALDAN BRANCH**

<b>Type of Risk</b>	<b>Result of Audit (Risk Type)</b>	<b>Prioritization of Risk Area</b>
Operational Risk	Low Risk (increasing)	1
Credit Risk	Low Risk (decreasing)	2
Compliance Risk	Low Risk (decreasing)	2
AMLA	Low Risk (Stable)	3

#### **BINMALEY BRANCH**

<b>Type of Risk</b>	<b>Result of Audit (Risk Type)</b>	<b>Prioritization of Risk Area</b>
Operational Risk	Low Risk (stable)	1
Credit Risk	Low Risk (decreasing)	2
Compliance Risk	Low Risk (stable)	1
AMLA	Low Risk (stable)	3

#### **SAN FABIAN BRANCH**

<b>Type of Risk</b>	<b>Result of Audit (Risk Type)</b>	<b>Prioritization of Risk Area</b>
Operational Risk	Low Risk (stable)	1
Credit Risk	Low Risk (stable)	1

Compliance Risk	Low Risk (stable)	2
AMLA	Low Risk (stable)	2

#### ALAMINOS BRANCH

Type of Risk	Result of Audit (Risk Type)	Prioritization of Risk Area
Operational Risk	Low Risk (stable)	2
Credit Risk	Low Risk (increasing)	1
Compliance Risk	Low Risk (stable)	2
AMLA	Low Risk (stable)	2

#### ROSARIO BRANCH

Type of Risk	Result of Audit (Risk Type)	Prioritization of Risk Area
Operational Risk	Low Risk (stable)	1
Credit Risk	Low Risk (decreasing)	2
Compliance Risk	Low Risk (stable)	1
AMLA	Low Risk (stable)	3

#### MANGALDAN - ADMIN and UNITS

Type of Risk	Result of Audit (Risk Type)	Prioritization of Risk Area
IT Risk	Low Risk (increasing)	1
Liquidity, Investment & Market Interest Rate Risk	Low Risk (increasing)	1
Credit Risk	Low Risk (increasing)	1
ROPA and SCR Risk	Low Risk (stable)	2
Compliance Risk	Low Risk (decreasing)	3
AMLA	Low Risk (stable)	3
ESRM	Low Risk (stable)	3

### LIST OF REQUIREMENTS

The Internal Auditor/Audit Department shall require the audit requirements in the conduct of its audit activities.

It shall be the responsibility of the Bank Management to provide its records to the Internal Auditor to accomplish its scope or coverage of the audit. Such requirements shall not be limited to schedules, reports, minutes of meetings, documents, among others subject to the limitations set on this Plan.

### MAN DAYS ALLOCATION

Man-day allocation is an important part of planning and scheduling purposes. It involves the process of assigning tasks, responsibilities, and resources to staff within the department. By allocating man-days, the IAD can set realistic schedules and determine the resources needed for the successful completion of tasks.

#### Internal Audit Man Days Computation

##### For the year 2024

Total number of days in a year 366  
LESS:

Saturdays and Sundays	104
Non-working holidays	16
Allowed vacation leave	15
Allowed sick leave	15
Allowed birthday leave	<u>1</u>
<b>TOTAL AVAILABLE MANDAYS</b>	<b>215</b>

<b>AUDIT TASKS and ACTIVITIES</b>	<b>MANDAYS NEEDED PER TASKS</b>	<b>TOTAL MANDAYS NEEDED</b>
General Audit Examination 2023	Please see man days	35
Spot Audit Examination 2023	allocation for audit	28
General Audit Examination 2024	engagement	102
Audit Findings Monitoring	1 day per month	12
Preparation of Report for Audit Committee Meeting	1 day per quarter	4
Audit Committee Meeting and Reporting	.5 day per quarter	2
Preparation of AC Meeting Minutes and Resolutions	1 day per quarter	4
Preparation of Annual Audit Plan	3 days (annually)	3
Preparation of Report for External Audit	2 days (annually)	2
ManCom Meeting	estimate	4
	0.5 day per month (only as needed)	
Preparation of Reports for BSP Audit 2024 <i>(including BSP Examination period where IA presence is needed)</i>	BSP Audit (Feb. 13-27, 2024)	12
Preparation of Replies and Revised Policies for BSP Audit 2024	estimate	5
Trainings and Seminars	estimate	2
<b>TOTAL MANDAYS NEEDED</b>		<b>215</b>
<b>AVAILABLE MANDAYS</b>		<b>215</b>
<b>VARIANCE</b>		<b>-</b>

**AUDIT ENGAGEMENT**

	<b>PLANNING</b>	<b>TESTING/ FIELDWORK</b>	<b>REPORT WRITING</b>	<b>AUDIT REPLY CHECKING AND ASSESSMENT</b>	<b>MAN DAYS NEEDED</b>
<b>GENERAL AUDIT EXAMINATION 2023</b>					
Low risk units <i>(carry over from 2023 audit plan)</i>					
Alaminos Branch-Cash and Acctg./Loans	1	12	2	2	17
San Fabian Branch-Cash and Acctg./Loans	1	12	2	3	18
<b>TOTAL</b>	<b>2</b>	<b>24</b>	<b>4</b>	<b>5</b>	<b>35</b>
<b>SPOT AUDIT EXAMINATION 2023</b>					
High Risk Units/Departments					
Malasiqui Branch-Cash and Acctg./Loans	1	5	2	-	8
Low Risk Units/Departments					

Mangaldan- Loans	1	3	1	-	5
Binmaley-Cash and Acctg.	1	3	1	-	5
San Fabian Branch-Loans	1	3	1	-	5
Alaminos Branch-Loans	1	3	1	-	5
<b>TOTAL</b>	<b>5</b>	<b>17</b>	<b>6</b>	<b>-</b>	<b>28</b>

**GENERAL AUDIT EXAMINATION 2024**

High Risk Units/Departments					
Malasiqui Branch-Cash and Acctg./Loans	2	15	3	4	24
Low Risk Units/Departments					
Mangaldan Branch-Cash and Acctg./Loans	1	15	2	3	21
Binmaley Branch- Loans	1	8	2	2	13
San Fabian Branch-Cash and Acctg./Loans	1	15	2	3	21
Alaminos Branch-Loans	1	8	2	2	13
Additional Audit Universe for 2024					
Corporate Governance	1	5	2	2	10
<b>TOTAL</b>	<b>7</b>	<b>66</b>	<b>13</b>	<b>16</b>	<b>102</b>

**DEVELOPING AUDIT PROGRAM AND SCHEDULE**

Develop an audit program to guide activities during the course of this audit. The audit program guide shall include a list of the controls that would be reviewed along with a defined approach for understanding the design of the control and how it would be tested to determine if it was operating effectively. **(SEE ANNEX A)**

**PLANNED SCHEDULE**

The internal audit examinations for the year 2024 shall start on the 3rd week of January and will end on the 1st week of December, except for those periods where the Internal Auditor/Staff will be needed during the regular BSP and External examinations where assistance is needed. This does not include the allowed vacation, sick and emergency leaves of internal auditor and staff, thus audit schedule will be adjusted accordingly. The remaining weeks of December 2024 shall be devoted for the preparation of the next year’s audit plan and program. **(SEE ANNEX B)**

Note: The audit schedule is based on the new normal. If COVID-19 persists, the schedule will be adjusted accordingly.

The following are the estimated time of departure and arrival from branch and vice versa due to heavy traffic and availability of means of transportation considering that the audit team are travelling thru public utility vehicle:

	<u>ARRIVAL</u>	<u>DEPARTURE</u>
<b>ALAMINOS</b>	*Up to 10:30 am	Not later than 3:00 pm
	*depending on the influx of passengers of the UV Express going to Alaminos.	
<b>BINMALEY</b>	*Up to 9:30 am	Not later than 4:00 pm
	*depending on the traffic in Dagupan City and/or Binmaley.	

**MALASIQUI** \*Up to 10:00 am Not later than 3:45 pm  
\*depending on the traffic in Dagupan City and waiting time in bus terminal.

**ROSARIO** \*Up to 9:30 am Not later than 4:00 pm  
\*depending on the availability of public utility bus going to Carmen from San Fernando.

**SAN FABIAN** Same as Head Office time.

\*except in cases wherein the audit team is requested to report to Head Office for some other transactions.

### **PROJECTED BUDGET COST AND EXPENSES**

Aside from the regular salaries of the Internal Auditor and Audit Assistant, the Internal Audit Plan for this year is expected to incur cost and expenses, breakdown of which is hereby attached as **ANNEX C**.

For audit of branches, the IAD shall request thru the Audit Committee the use of the service car, if available, otherwise the audit team shall commute from/to head office and branches. For units confined in the Head Office, no expected costs, expenses or utilization of other assets are needed.

### **EXECUTION PHASE**

Once the audit program has been finalized, and the appropriate resources have been identified, fieldwork will proceed in accordance with the audit plan. The IAD will expect results from the execution of the detailed Audit Program and utilization of working papers that will support the results from the detailed Audit Program.

### **REPORTING PHASE**

- **General Audit Examination** - is the review of all areas of operations of the branch/department.
1. **Audit Draft/Initial Audit Report** - As the audit progresses, the Internal Auditor/Staff shall provide a draft report containing the initial findings and observations in one or more risk areas. The branch/unit will be expected to respond quickly as possible. The IA team will compile all draft reports of the audited branch/unit management within the specified days to come up with preliminary audit report. Complied and regularized deficiencies need not to be replied in the preliminary audit report.

	No. of Accounts Deposits	No. of Accounts Loans	<i>(Data as of Nov. 30, 2023)</i>	
			Total	No. of days to reply
Admin & Units	-	-	-	3 days
Alaminos	382	38	420	3 days
Binmaley	746	37	783	3 days
Malasiqui	956	100	1,056	5 days
Mangaldan	1,330	104	1,434	5 days

Rosario	307	32	339	3 days
San Fabian	1,601	88	1,689	5 days
	<b>5,322</b>	<b>399</b>	<b>5,721</b>	

Note: Branches with **below 999 accounts** (deposits and loans) **3 days**

Branches with **1,000 or more accounts** (deposits and loans) **5 days**

2. **Preliminary Audit Report** - This include the audit recommendation on how to effectively address the findings/violations among others. A period of **minimum of 15 days** and a **maximum of 30 days** depending on the total number of accounts on loans and deposits will be provided to the branch/unit, within which to reply and make some corrections, if needed. A timeline to address the deficiencies, findings and observation must be included in the reply.

	No. of Accounts		<i>(Data as of Nov. 30, 2023)</i>	
	Deposits	Loans	Total	No. of days to reply
Admin & Units	-	-	-	15 days
Alaminos	382	38	420	15 days
Binmaley	746	37	783	20 days
Malasiqui	956	100	1,056	25 days
Mangaldan	1,330	104	1,434	25 days
Rosario	307	32	339	15 days
San Fabian	1,601	88	1,689	30 days
	<b>5,322</b>	<b>399</b>	<b>5,721</b>	

Note: Branches with **below 500 accounts** (deposits and loans) **15 days**

Branches with **501 to 1,000 accounts** (deposits and loans) **20 days**

Branches with **1,001 to 1,500 accounts** (deposits and loans) **25 days**

Branches with **1,501 or more accounts** (deposits and loans) **30 days**

Any request for extension for submission of audit replies will be subject for approval by the audit committee.

3. **Final Audit Report** – After receiving the response(s) to the Preliminary Audit Report, the Internal Auditor shall prepare a Final Audit Report (FAR). From the FAR matrix, the Internal Auditor shall objectively assess each response as to whether each audit deficiency/violation/observation has been addressed properly by indicating the word “Accepted or Complied” or “Not Acceptable or Not Complied.”

The Internal Auditor will then prepare a Memorandum Report addressed to the Audit Committee highlighting the material finding, violations and observations particularly items which are marked “Not Acceptable or Not Complied” in an annex supporting the Memo Report.



4. **Spot Audit Report** – The follow up audit of at least two (2) sections of the branch/department that provided the major exceptions and/or that caused the highest number of internal control and procedure deficiencies. The Internal Auditor/Staff shall prepare the audit report based on the remaining findings/exceptions not complied/regularized by the branch/department for the spot audit done and would be the basis for the imposition of penalty for the repetitious/recurring violations.
- **Special Audit Examination** – review of area/s in the branch/department with allegations/reported incidence of fraud, irregularities, illegal acts and other similar events.
1. **Special Audit Report** – The internal auditor will prepare an appropriate report upon conclusion of the investigation on the area/s of allegations, which will be submitted to the Audit Committee and Senior Management for proper action to be taken. Results of special audit will be taken separately from the general audit examination; files shall be kept/maintained to the conclusion of the matter or per Record Retention Policy.

### **MANNER OF RISK ASSESSMENT, RISK LEVELS AND AUDIT RATING**

The Internal Auditor will conduct annually risk assessment and determine the risk level of each risk area/category on a per risk universe manner after the end of audit year. Such assessment shall be part of the final audit report to be submitted to the Audit Committee.

Based on the information provided by each branch/unit during the initial conversation, combined with the understanding about the branch/unit operation, the IA will formulate risk considerations that are relevant to the Bank's operation. The goal is to incorporate these risk considerations in the audit program being developed in the Mobilization Phase of the internal audit.

The risks shall be evaluated as to their efficiency and Bank Management is expected to follow the process below:

1. Identifying the risk
2. Develop strategies and procedures to prioritize risk
3. Design policies to mitigate risk
4. Implement policies and assign responsibilities
5. Test effectiveness and monitor results
6. Revise ineffective policies

The results of the assessment shall be the basis of the prioritization in the next audit engagement. The Internal Audit Rating shall also be issued to each business unit and the bank as a whole. The audit rating of each branch/unit shall be in accordance with the Bank's adopted rating system. This is an improvement from previous audits whereby the levels of risk assessment is issued on the bank as a whole.

Based on the risk points and risk level identified through the result of the risk assessment conducted, branch operations, admin departments, and units with a strong and above acceptable risk rating and acceptable risk rating based on the initial audit report and has an over-all low risk level will be exempted from a one-year general audit



examination and spot audit examination. The general audit examination will be conducted a year thereafter.

Meanwhile, the branch operations, admin departments, and units that will incur a high percentage of compliance and have a strong and above acceptable risk rating and a low risk level based on the final audit report of the general audit examination will be exempted from the spot audit examination during the audit year.

	<b>Initial Risk Points and Equivalent Rating</b>	<b>Final Risk Points and Equivalent Risk Rating</b>	<b>Risk Level</b>	<b>Frequency of Audit</b>
<b>BRANCHES/DEPARTMENTS</b> (Based from 2023 Gen. Audit Examination)				
<b>PRIORITY NO. 1</b>				
Malasiqui-Cash and Acctg	249-Deficient/Unsatisfactory	173-Weak/Below Acceptable	Medium	For 2024 Spot and General Audit Examination
Malasiqui-Loans	245-Deficient/Unsatisfactory	104-Acceptable Level	Medium	For 2024 Spot and General Audit Examination
<b>PRIORITY NO. 2</b>				
Mangaldan-Cash and Acctg	226-Deficient/Unsatisfactory	76-Strong/Above Acceptable	Low	Exempted from Spot Audit but not from general audit examination
Mangaldan-Loans	142-Weak/Below Acceptable	115-Acceptable Level	Low	For 2024 Spot and General Audit Examination
<b>PRIORITY NO. 3</b>				
Binmaley-Cash and Acctg	140-Weak/Below Acceptable	99-Acceptable Level	Low	For 2024 Spot and General Audit Examination
Binmaley-Loans	135-Acceptable Level	113-Acceptable Level	Low	Exempted from 2024 audit examinations
<b>PRIORITY NO. 4</b> (Based from 2022 Gen. Audit Examination)				
San Fabian-Cash and Acctg	90-Acceptable Level	76-Strong/Above Acceptable	Low	Exempted from Spot Audit but not from general audit examination
San Fabian - Loans	215-Deficient/Unsatisfactory	134-Acceptable Level	Low	For 2023 and 2024 Spot and General Audit Examination
<b>PRIORITY NO. 5</b>				
Alaminos-Cash and Acctg	69-Strong/Above Acceptable		Low	Exempted from 2024 audit examinations
Alaminos-Loans	164-Weak/Below Acceptable		Low	
<b>PRIORITY NO. 6</b>				
Rosario-Cash and Acctg	124-Acceptable Level	76-Strong/Above Acceptable	Low	Exempted from 2024 audit examinations
Rosario-Loans	97-Acceptable Level	56-Strong/Above Acceptable	Low	Exempted from 2024 audit examinations
<b>PRIORITY NO. 7</b>				
<b>ADMIN DEPTS/UNITS</b> (Based from 2023 Gen. Audit Examination)				
MIS/IT Unit	115-Acceptable	56-Strong/Above Acceptable	Low	Exempted from 2024 audit examinations
Human Resource Dept.	98-Acceptable	47-Strong/Above Acceptable	Low	Exempted from 2024 audit examinations

Credit Risk Review Unit	72-Strong/Above Acceptable	32-Strong/Above Acceptable	Low	Exempted from 2024 audit examinations
Treasury/Acctg. Unit	54-Strong/Above Acceptable	38-Strong/Above Acceptable	Low	Exempted from 2024 audit examinations
Asset Mgt. Dept.	38-Strong/Above Acceptable	23-Strong/Above Acceptable	Low	Exempted from 2024 audit examinations
Compliance Unit	0-Strong/Above Acceptable	0-Strong/Above Acceptable	Low	Exempted from 2024 audit examinations

Determining the frequency of internal audit activities will depend on the perceived need for the audit and the size and complexity of the department. The frequency of internal audit activities will depend on the criticality of each transactions and the perceived need to audit it, but all processes should be formally audited at least once during a 2-year audit cycle.

Risk criteria considered in determining the risk level and frequency of testing of each audit activities includes impact on banking operations, likelihood of event to happen and the actions to be undertaken by the Audit Committee/Senior Management. Audit scope activities which are identified as high risk will be audited semi-annually, medium risk activities will be conducted annually, while low risk audit activities will be audited at least once in every two years. **(SEE ANEX D)**

#### **1. DIRECT CONFIRMATION**

During the audit period, the Internal Auditor shall conduct direct confirmation of the outstanding balance of the borrowers by sending letters of confirmation. Negative results of the direct confirmation shall be known to the Audit Committee, if there is any.

#### **2. MONITORING PROCESS AND ADMINISTRATION**

Follow-up and feedback of compliance and regularization of the audit findings shall be monitored by the Internal Auditor. The Internal Auditor shall confer with the auditee (business unit/branch) and conduct monitoring activities of the audit status during the start of the new audit period or engagement contract whichever comes first for any unresolved audit issues and concerns. It is expected that the operation management to respond immediately to all outstanding audit findings.

A monitoring report on the status of the audit finding/exception/observation shall be forwarded to the Audit Committee, which in turn, shall report to the Board of Directors.

Any unresponded or audit findings with unsatisfactory audit responses in the previous audit period shall be given higher demerit ratings.

## **MANNER OF COMMUNICATIONS**

Branch/unit responses are important elements of the internal audit. Through regular meetings and ongoing communication with each branch/unit management, we will establish a relationship of openness through which we can discuss significant audit findings, recommendations for improving internal controls or operations, ultimately develop solutions to the issues.

It is our policy to discuss our findings and recommendations with the concerned branch/unit prior to issuance of each audit report so that we can verify factual accuracy. The final audit report will only include findings and recommendations considered significant. Other matters will be communicated throughout the engagement and during the regular meetings and fieldwork.

In case of fraud discovery, the same process will be done only that the Audit Committee and Senior Management shall be given advance information from time-to-time.

## **START AND END OF AUDIT PERIOD**

The start and projected end of the Internal Audit shall be determined upon approval of the Audit Plan by the Board of Directors. This shall be manifested in the submitted Audit Program.

## **COMPLIANCE FUNCTION**

### **Rationale**

A bank compliance program is the method that the Bank uses to abide by all applicable regulations, rules and laws. **Pangasinan Bank (A Rural Bank), Inc.** is responsible for developing a sound and safe compliance program that takes into account the risks involved for the protection of the bank's clients, reputation, employees and overall business efforts. The Bank appoints Compliance Officer in order to develop compliance policies and procedures, monitor and test programs, train employees, render advice, report results and handle the general management of the compliance department.

### **Introduction**

Bank's Compliance System is designed to specifically identify and mitigate business risks which may erode the franchise value of the bank. Business risks refers to conditions which may be detrimental to a bank's business model and its ability to generate returns from operations, which in turn erodes its franchise value. Combining business risk with the financial risks arising from the use of borrowed funds generates total corporate risk of the bank. Business risks shall include, but not limited to, the following:

- a. Risks to reputation that arise from internal decisions that may damage a bank's market standing;

- b. Risks to reputation that arise from business actions, decisions and practices that ultimately will influence on the public's trust of a bank;
- c. Risks from the actions of a bank that are contrary to existing regulations and identified best practices and reflect weaknesses in the implementation of codes of conduct and standards of good practice;
- d. Legal risks to the extent that changes in the interpretation or provisions of regulations directly affect a bank's business model.

### **Objectives of the Compliance Program**

#### **A. Address the Bank's business activities and consequent risks –**

1. Emphasize that bank personnel has an important role in complying with regulations. E. g. Bank's Code of Conduct
2. Banking laws, rules and regulations should serve as established compliance standards (benchmark) to be followed by personnel.
3. Specific individual(s) belonging to Senior Management who shall be in-charge of the overall responsibility to oversee compliance

#### **B. Give emphasis to education and training**

1. Personnel whose jobs could have a material impact on compliance risks should be adequately educated and trained.
2. The Bank, through its training office, should take steps to communicate effectively its standards and procedures on AML, corporate governance and the code of conduct by requiring participation in training programs or issuing publications that explain in a practical manner what is required of them.
3. Periodic testing and self-assessment exercises should go hand-in-hand with training to determine the level of knowledge & understanding on banking laws, rules and regulations.
4. A culture of knowledge-sharing among bank personnel by freely communicating compliance concerns in regular meetings should be encouraged.

### **Corporate Policy**

Following are the corporate policy framework relative to the installation and adoption of the Compliance System:

1. Compliance is not merely the function of the Compliance Officer but is a matter of concern of all directors, officers and personnel. **It is the direct responsibility of each manager and a personal responsibility of each staff.**
2. It is essential that each director, officer and staff comply with the spirit as well as set policies and procedures.

3. Compliance is to be regarded as a means of enhancing profitability within the limitation of regulatory requirements and good business practice.

### **Training**

The compliance department must provide all employees of the bank with adequate and effective training concerning all policies and procedures of the bank. Each employee must be tested for comprehensive understanding. Some policy and procedures testing, such as concerning the "Bank Secrecy Act", "Money Laundering Act." and the "Know-Your-Client Policy" must occur on an annual basis.

### **Providing Advice**

During the course of any business day, many compliance questions arise from the employees of other departments within the bank. The compliance department is in-charge with the responsibility of giving advice concerning all questions of compliance control and application.

### **Reporting**

The compliance officer must provide reports to other areas of the bank concerning the results of compliance reviews and training. They must also report changes in laws that result in policy amendments and new policies developed in accordance with new legislation. All changes to the compliance program of the bank must be cleared through and approved by the board of directors.

### **Management**

The compliance officer should manage the compliance staff under his control in order to provide for adequate coverage of all compliance program functions including the goal of safety and soundness

## **I – STATUS OF COMPLIANCE FUNCTION**

The compliance function has a formal status within the Bank. It is established by a Compliance Charter duly approved by the Board of Directors on Aug. 31, 2021 through Board Resolution No. 090-2021. It defines the compliance functions' standing, authority and independence, and addresses the following issues:

- a. measures to ensure the independence of the compliance function from the business activities of the bank;
- b. the organizational structure and responsibilities of the unit or department administering the compliance program;
- c. the relationship of the compliance unit/department with other functions or units of the organization, including the delineation of responsibilities and lines of cooperation;
- d. its right to obtain/have full access to information necessary to carry out its responsibilities;

- e. its right to conduct investigations of possible breaches of the compliance policy;
- f. its formal reporting relationships to senior management, the Board of Directors, and the appropriate board-level Committee.
- g. its right of direct access to the Board of Directors and to the appropriate Board-Level-Committee.

## **II - BASIC ELEMENTS OF COMPLIANCE SYSTEM**

**A.** The Compliance Program was duly approved by the Board of Directors and noted through its Board Resolution No. 091-2021, dated Aug. 31, 2021, embodied therein are the following:

1. Risks program covers financial risks that arise from the balance sheet exposures of the bank. The Internal audit program, on the other hand, shall review on ex-post basis whether prescribed guidelines of the bank were followed in administering transactions, handling procedures, making decisions, and undertaking related activities.
2. The Bank ensures that compliance and internal audit department is provided with necessary staff to carry out its function, taking into consideration the size and complexity of the operations of the Bank.

Banking by its nature entails taking a wide array of risks. Risks are exposure to possible loss or inquiry that may affect capital and earnings. Nearly all transactions entered into by a rural bank involves risks. However, risk may also arise from bank's inaction or failure to comply with relevant laws, rules, and regulations issued by regulatory/supervisory bodies. The success of a rural bank is largely dependent on the ability of its directors and officers to prudently manage these risks. Risk management involves identification, measuring, controlling and reporting risks and disclosing possible consequences. The normal risks in daily operations which may result in loss to earnings and capital are the following:

***Credit risks*** – arising from the borrower's failure to pay interest and/or loan principal at maturity date.

***Liquidity risks*** – arising from the failure to meet maturing obligations due to mismatch in cash flows and incidence of high past due loans which may put pressure on the bank's liquidity position.

***Market and Investment risks*** – arising from the possible decline in the value of acquired assets and investments in equities and debt instruments.

***Interest rate risk*** – risk arising from mismatches of the timing which interest rates on assets and liabilities can be changed.

**Operations risks** – arising as a result of weakness in organizational structure, poor oversight functions of the Board of Directors and Senior Management, faulty hiring policies, weak internal control system, inadequate internal and external audit coverage and deficient/inadequate management information system.

**Legal risks** – arising as a result of unenforceable contracts, lawsuits or adverse judgment.

**Reputation risks** – arising from negative/adverse public opinion.

**Compliance risks** – this type of risk has not been given much attention, perhaps because they are difficult to estimate, quantify and provide for in advance. Compliance risk arises from failure to comply with relevant rules and regulations issued by regulatory and/or supervisory bodies and due to unsound banking practices. The risk exposes the bank and its directors and officers to fines, monetary penalties and administrative sanctions.

3. An appropriate organizational structure was put in place to manage the compliance function and execute the approved compliance program. The compliance function is manned by full-time officer/staff either embedded in operating departments, or in a department of its own.
4. In addition to the organizational structure, the duties and responsibilities of the Compliance Officer and other personnel involved in the compliance function must be defined explicitly.

## **COMPLIANCE FUNCTION**

- it is the bank's discipline to stay compliant with regulations on a going-concern basis that is essential to what makes it a bank.

## **INTERNAL AUDIT FUNCTION**

- an essential counter-checking is provided by the internal audit function. Its importance is highlighted by the fact that governance principles require it to be a board-level responsibility. As the bank's conscience and counter-check, this function must be internalized and institutionalized within the workflow of any bank.

### **B. A constructive working relationship between the bank and BSP**

The Bank through its Compliance Officer, may consult with the BSP for clarifications on specific provisions of related laws and regulations. Similarly, BSP may initiate a dialogue with the bank to discuss the compliance program of the bank and its records of implementation of the same.



The Bank is enjoined to discuss clarifications of pertinent laws and regulations with other appropriate agencies that issue market regulations and/or tax guidelines.

**C. Clear and open communication lines within the bank to educate and address compliance matters**

Officers and staff shall be trained in the normal course of bank operations with respect to the compliance program of the bank and the identified business risks. The processes for imparting to bank personnel for the necessary appreciation of the bank's compliance culture shall form part of the Compliance Manual.

**III – COMPLIANCE OFFICER**

- a. The Compliance Officer should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on the bank's operations.
- b. The Compliance Officer should be up-to-date with the development in laws, rules and standards, maintained through continuous training.
- c. The Bank has appointed a full-time Compliance Officer to manage the compliance program. Given the importance of the compliance function, the Compliance Officer is a senior officer functionally reporting to the bank's board-level Audit Committee. Such appointment/designation shall require prior approval of the Monetary Board. The Compliance Officer's qualifications shall be subject to the provisions of the MORB enumerating the qualifications of bank officers, particularly putting consideration to "fit and proper criteria" such as integrity/probity, competence, education, diligence and experience/training.
- d. The Compliance Officer shall oversee the identification and management of the bank's compliance risk and shall supervise the compliance function staff.

**IV – DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

Aside from the duties and responsibilities of the Board of Directors mentioned under Sec. 132, the Board of Directors shall ensure that a compliance program is defined for the bank and that compliance issues are resolved expeditiously. For this purpose, the board-level Audit Committee, shall oversee the compliance program.

The Board of Directors shall ensure that the bank personnel adhere to the pre-defined compliance standard of the bank. Implementation of the compliance program rests collectively with senior management, of which the Compliance Officer is the lead operating officer on compliance. Senior management, through the Compliance Officer, should periodically report to the board-level Audit Committee matters that affect the design and implementation of the compliance program. Any changes, updates and amendments to the compliance program must be approved by the board-level Audit Committee. However, any material breaches of the compliance program shall be reported to and promptly addressed by the Compliance Officer within the mechanisms defined by the compliance manual.



## **V – COMPLIANCE ISSUES**

In order to ensure compliance with laws and regulatory issuance in the daily operations of the bank, the following shall be observed:

- A. Each department/branch shall be furnished a list of laws, rules and regulations applicable to all their transactions which shall be observed by its officers and staff. A summary of the provisions of laws, rules and regulations relevant to banking is shown in **ANNEX A – (Regulatory Compliance Matrix Monitoring-to be performed quarterly)**.
1. Banking Laws
  2. BSP Circulars
  3. Corporation Code
  4. Bureau of Internal Revenue
  5. Securities and Exchange Commission
  6. Local Government Code
  7. Philippine Deposit Insurance Corp.
  8. Department of Labor and Employment
  9. Social Security System
  10. Department of Justice
  11. Officer Orders/Memoranda
- B. A list of reports required to be submitted to the BSP and other regulatory agencies shall be furnished each department/branch. Each department/branch responsible for the preparations/submission of such reports shall be identified. Each department/branch shall maintain a logbook containing information when each report is due and when such report was actually submitted to the regulatory body. Evidence of receipt of reports by the appropriate regulatory office shall be kept on file at all times. A list of required reports to be submitted to BSP is shown in **ANNEX B - (BSP Reportorial Requirements Monitoring-to be performed quarterly)**.
- C. To determine compliance of banks with prescribed internal control standards, a suggested set of **Internal Control Questionnaires** is attached as **ANNEX C-to be performed annually**.
- D. A set of **Questionnaire on Deposit Practices** is also suggested to determine compliance of banks with deposit practices attached **ANNEX D-to be performed annually**.
- E. In order to ascertain compliance with policies and procedures on **Related Party Transactions**, a questionnaire as **ANNEX E-to be performed annually**, is also attached.

- F. Assessment Checklist as ANNEX F- to be performed annually in every Department/Branch Unit to find out if manual of operations policies and procedures are performed as such.**
- G. To monitor compliance with the Record Keeping of Bank Deposits on Regular Savings Deposit (RSD), attached as ANNEX G the Assessment Monitoring to be perform annually.**
- H. To monitor compliance with the Record Keeping of Bank Deposits on Special Savings Deposit (SSD), attached as ANNEX H the Assessment Monitoring to be perform annually.**
- I. To monitor compliance with AMLA, Covered and Suspicious Transactions Monitoring, attached as ANNEX I to be performed quarterly**

The reports of the Compliance Officer on the results of the compliance testing shall be submitted to the President together with his recommendations. The compliance rating of each department/branch shall be based among others, on the number of violations, amount involved and persistence in committing the violations. The level of risks are as follows:

Negligible	-	No effect on the Bank
Low	-	Possibility of losses is minimal
Moderate	-	Risk of losses is manageable
High	-	Exposure to losses are very definite and imminent.

The Compliance rating shall be considered as one of the basis for promotions, awards and other incentives that may be granted by the bank as well as for disciplinary actions.

The compliance risk rating of each department/branch be considered in determining the frequency and scope of the succeeding compliance review to be performed. Initially, the compliance audit shall be conducted quarterly. Thereafter, the audit of a department rated “low” may be reduced to once a year, those rated “moderate” shall continue to be audited quarterly, while those rated “high” shall be audited at least monthly.

- J. The president shall inform in writing, the Heads of each department/branch subject of the report of the details of the violations noted and shall require the department head/branch manager to correct the violations immediately and to submit written reports on the action taken on the violations noted and the status of the corrective actions taken. Whenever necessary, meetings/discussion between the Compliance Officer, the Department Head/Branch Manager shall be held.**

Such meetings shall be supported by minutes of the discussion and commitments made by the department head/branch manager to correct the exceptions noted.

- K. The President shall submit periodic reports, at least quarterly to the Board of Directors on violations noted by the compliance officer, the actions taken by the officer concerned to correct said violations and appropriate recommendations to prevent repetition thereof.

## **VI - RISK ASSESSMENT AND TESTING**

1. The Compliance Officer in coordination with the Internal Auditor or the Bank President shall establish a monitoring and assessment process, a checklist of regulations, to ensure that all directors, officers and staff of the bank are familiar with the compliance program.
2. Once the Compliance program is in place, a periodic compliance review/monitoring and assessment of each department/branch on a regular basis shall be enforced.
3. The internal and external auditors of the bank shall be required to inform the Compliance Officer of any violation of laws, rules and regulations noted in their audit work.

Reports on the monitoring and assessment shall be prepared and submitted to the President/Chief Operating Officer to documents findings, issues, concerns and remedial/corrective measures taken. The reports must be thoroughly reviewed and approved by the department/unit head/branch managers concerned before their submission to the President and the Board of Directors.

### **EVALUATION CRITERIA TO BE USED IN COMPLIANCE RISK ASSESSMENT**

- **Impact on the Business (Significant Rating Guide):**

ASSESSMENT	RATING	IMPACT ON BANK'S BUSINESS
High	1	Consequences will threaten the bank's survival or material impact on operations or could result in PCA or closure of the bank.
Medium	2	Consequences will result in monetary penalties or suspension of directors to be imposed by the regulatory agency.
Low	3	Consequences will result in minimal monetary penalties or failure to attain current objectives of the bank.
Negligible	4	No effect on the bank's operations.

• **Likelihood Rating Guide:**

ASSESSMENT	RATING	LIKELIHOOD OF EVENT TO HAPPEN
Almost Certain	1	High or strong possibility that the risk of non-compliance or sanction will occur if not given attention.
Likely or Possible	2	At some point, the risk of non-compliance or sanction will occur.
Unlikely	3	Slight or unexpected that risk of non-compliance or sanction will occur.
Rare	4	Risk of non-compliance or sanction is almost unlikely or almost no chance at all.

• **Required Action (Priority Rating Guide):**

ASSESSMENT	RATING	ACTION TO BE UNDERTAKEN
High-Severe	1	Immediate action is required and needs close monitoring in addition to inclusion in training and education.
Moderate-Significant	2	Needs proactive monitoring and mitigating through inclusion in training and education.
Low	3	Risk needs monitoring but no serious threat to the bank.
Trivial	4	Risk may not at all occur; but possibility is still possible, hence contingency plan is only needed.

**ORGANIZATIONAL STRUCTURE**

The **PANGASINAN BANK (A RURAL BANK), INC.**, is headed by a Chairman with members of the board. It consists of the following committees:

**AUDIT COMMITTEE**

- shall be composed of members of the board of directors, at least one (1) of whom shall be an independent director, being the Chairman, preferably with accounting, auditing or related financial management expertise. It shall address the company’s internal control, financial reporting and the risk management processes. It shall also provide an oversight to both the external and internal auditors.

## COMPLIANCE FUNCTION

- it is the bank's discipline to stay compliant with regulations on a going-concern basis that is essential to what makes it a bank.

## INTERNAL AUDIT FUNCTION

An essential counter-checking is provided by the internal audit function. Its importance is highlighted by the fact that governance principles require it to be a board-level responsibility. As the bank's conscience and counter-check, this function must be internalized and institutionalized within the workflow of any bank. The IAD personnel should be directly reporting to the Audit Committee.

## CREDIT COMMITTEE

- shall be composed of three (3) members:
  - the Bank President
  - the Corporate Secretary
  - the Credit Head

they shall meet at least once a week, to take up loan items within the approval authority of the Credit Committee scaled authority of P100,001.00 to P1,500,000.00M.

- shall formulate loan policies, principles and procedures to be recommended to the Board of Directors, prior to their implementation.
- shall adopt types of loan products; loan interest pricings and loan documentation standards that are in compliance with the various regulatory bodies;
- shall revise, upgrade the company's credit/loan manual, as the need arises.

The bank operations consists of the following departments headed by the **President**:

### I. ADMINISTRATION DEPARTMENT

> is hereby created to undertake the periodic review and assessment of Bank's operation.

### **REAL & OTHER PROPERTIES ACQUIRED (ROPA) DEPARTMENT**

- responsible for the administration of bank assets, performing the following functions:
  1. Maintaining proper accounting for all income and all expenses for each asset held.

- 2.) Making periodic reports to the board of directors regarding new acquisitions, sale and status of outstanding balance; properties covered by rental leases, as well as those under litigation or with court cases.
- 3.) Preparing periodic appraisal of asset values to update records with current market prices.
- 4.) Maintaining adequate insurance coverage.
- 5.) Updating Real Estate Tax Receipts annually

### **ACCOUNTING DEPARTMENT**

- it shall ensure the timely submission or reports to Bangko Sentral ng Pilipinas, Philippine Deposit Insurance Corporation, Bureau of Internal Revenue, Securities and Exchange Commission and other supervising agencies (SSS, PHIC, HDMF, NSO, etc.).

### **II. OPERATION DEPARTMENT\***

- performs the following functions:
  - 1.) Market loans, deposits and other bank products and services;
  - 2.) Accept loan application and conduct preliminary credit evaluation;
  - 3.) Perform customer care services
  - 4.) Perform customer identification process, receive account opening documents and facilitate account activation. Provided, that account opening approval and actual opening of deposit accounts shall be done only at the office.

\* The bank operations consists of the following departments headed by the **Branch Manager or Department Head:**

### **CASH DEPARTMENT**

- shall monitor the cash flow of the bank, derived from accepting deposits, loan transactions and capital investments, and other transactions such as expenditures.

### **ACCOUNTING DEPARTMENT**

- shall ensure the timely accounting and proper recording of all financial transactions of its offices and observe adequate internal control procedures to ensure the safety of funds and reliability of financial records and reports emanating from all transactions

### **CREDIT INVESTIGATION AND APPRAISAL UNIT (CIAU)**

- shall be the unit responsible for the centralized processing, maintenance and monitoring of the bank's lending operation being the bank's primary source of income. Although booking of loans remains in the book of the branches, all other transactions pertaining to loan documentations and supervision shall be the primary responsibility of the originating branch/operations.

## **Dividend Policy**

Declaration of Dividends. Dividends may be declared annually or oftener as the Board of Directors may determine. The Board may declare dividends only from the surplus profits of the Corporation after making proper provisions for the necessary reserves in accordance with law and regulations of the Bangko Sentral ng Pilipinas, and the deductions provided in Article X and XI.

Stock Dividends. With the approval of the Stockholders representing two-thirds (2/3) of all stock then outstanding and entitled to vote given at a general meeting or at a special meeting duly called for the purpose, the Board may declare that dividends be paid in stock.

## **Corporate Social Responsibility Initiatives**

The Board of Directors of Pangasinan Bank (A Rural Bank), Inc. is ultimately responsible in ensuring that consumer protection practices are embedded in the Bank's business operations. The bank must adhere to the highest service standards and embrace a culture of fair and responsible dealings in the conduct of its business through the adoption of a Financial Consumer Protection Framework embodied in the board-approved Financial Consumer Protection Manual.

**Role and Responsibility of the Board of Directors.** The Board is responsible for developing the Bank's consumer protection strategy and establishing an effective oversight over the Bank's consumer protection program.

## **Consumer Protection Practices**

### **PART II – ROLES AND RESPONSIBILITIES OF OVERSIGHT BODIES**

#### **SECTION 2. CONSUMER PROTECTION OVERSIGHT FUNCTION**

The Board of Directors of Pangasinan Bank (A Rural Bank), Inc. is ultimately responsible in ensuring that consumer protection practices are embedded in the Bank's business operations. The Bank must adhere to the highest service standards and embrace a culture of fair and responsible dealings in the conduct of its business through the adoption of a Financial Consumer Protection Framework embodied in this board-approved Financial Consumer Protection Manual.

##### **Section 2.1 Role and Responsibility of the Board of Directors**

1. Approve the Consumer Protection Risk Management System (CPRMS) and Financial Consumer Protection Assistance Mechanism (FCPAM) that take into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to risks to Financial Consumer;



2. Promote a culture of ethical behavior and ensure adherence to the Standards and all relevant laws and regulations;
3. Provide adequate resources and adopt policies to effectively implement training and competency requirements for officers and personnel, authorized representatives or any other party acting on behalf of the Bank;
4. Approve a policy on remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest; and performance review which includes provisions for incentives on positive reviews/assessment that could also serve as basis for renewal of contract of third-party service providers;
5. Approve product oversight and governance mechanisms designed to ensure that financial products or services meet the needs of Financial Consumers in target markets or market segments, as well as universal products which are simple to access so as not to exclude vulnerable groups;
6. Adopt a policy on the imposition of any fees and/or charges of the Bank's financial product or service which shall include among others, the basis and quantitative support for the setting of the fees/charges and rationalization of the fee structure or amount.
7. Approve and periodically review a Code of Conduct applicable to all Bank Directors, Officers, and Staff and Third-Party agents. The Board shall define the Bank's corporate culture and values. It shall establish standards of conduct and ethics and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body; and
8. Review periodically the implementation and effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms are in place to enable adequate

oversight; and put in place a regular mechanism to review the relevance of the CPRMS in case of changes in the Bank's business model and/or operating environment.

## **Section 2.2 Role and Responsibility of the Senior Management**

1. Ensure that approved CPRMS and FCPAM policies and procedures are clearly documented and appropriately implemented across all levels and business units. This includes the responsibility of identifying the officer which will head the internal complaints handling unit or handle the implementation and regular reporting of consumer-related issues to the Board;
2. Establish an effective monitoring and management information system to promptly identify, regularly measure, aggregate, and analyze FCP related issues to determine the level of Financial Consumer risks. An appropriate and clear reporting and escalation mechanism should also be integrated in the risk governance framework from any area of the Bank to Senior Management and/or from Senior Management to the Board.
3. Ascertain that weaknesses in the FCP practices or emerging risks are addressed and corrective actions are taken in a timely manner.



4. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit; and
5. Ensure that adequate information and actions taken are reported to the Board on a regular basis in terms of the measurement of FCP related risks, reports from FCPAM, compliance with the Standards and requirements, as well as other material FCP related developments that will impact the Bank's Financial Consumers. This includes the responsibility to put in place an effective system where reporting lines are established to promptly detect, analyze, and respond to Financial Consumer concerns and serious infractions.

### **Section 2.3 Role and Responsibility of Administrative Officer/Head Consumer Assistance Officer (HCAO)**

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

### **Section 2.4 Role and Responsibility of Consumer Assistance Officer (CAO)**

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

## **PART III – CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)**

### **Section 3. RISK MANAGEMENT COMPONENTS**

The CPRMS is a means by which the Bank identify, measure, monitor, and control consumer protection risks inherent in its operations. It provides the foundation for ensuring the Bank's adherence to Consumer Protection standards of conduct and compliance with relevant laws, rules and regulations in order to prevent risk to the Bank and any harm or financial loss to the consumer. Failure to establish a consumer protection risk-management structure that adequately identifies, measures, monitors, and controls the risks inherent in the Bank's various products and lines of business is considered unsafe and unsound conduct.

### Section 3.1 Identifying Risks

Principles of sound consumer protection risk management apply to the entire spectrum of compliance-related risks facing the Bank, including, but not limited to, compliance, legal, reputational, financial fraud, and operational risk. These risks can be described as follows:

1. **Compliance risk** is the risk of legal or regulatory sanctions, financial loss, or damage to reputation and franchise value for failure to comply with laws, regulations, or standards or the Bank's own policies, procedures, codes of conduct, and ethical standards, or an actual or perceived failure to adhere to principles of integrity and fair dealing in relation to consumer protection and other inherent operation of the Bank in general. Non-compliance may expose the Bank to fines, civil money penalties, legal damages, voided or unenforceable contracts, and reduce patronage value.
2. **Legal risk** arises from the potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of the Bank.
3. **Reputational risk** is the potential that negative publicity regarding the Bank's consumer protection practices, whether true or not, will cause costly litigation, a decline in the customer base, or a reduction in revenue.
4. **Financial fraud risk** takes many different shapes, and fraudsters wear different masks. Fraudsters consider banks as being "where the money is," and banks have always been vulnerable to fraud, particularly in a rapid growth environment in which internal controls may be compromised, and in economic downturn periods.
5. **Operational risk** arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses.

### Section 3.2 Consumer Protection Risk Monitoring

Effective risk monitoring requires the Bank to identify and measure all material consumer protection risk exposures. Consequently, risk-monitoring activities must be supported by management information systems (MIS) that provide senior managers and directors with timely report on consumer complaints, operating performance, compliance assessment and other consumer protection risk exposure of the Bank.

In line with this, the Bank shall implement an effective consumer risk monitoring embedded in its Consumer Protection Compliance Program (CPCP) and Consumer Assistance Management System (CAMS) which will reflect the overall consumer protection risk monitoring performance of the Bank.

### Section 3.3 Internal Controls

The Bank internal control structure is critical to the effectiveness of its consumer protection risk-management system. It promotes effective operations and reliable consumer protection regulatory reporting, safeguard assets, and helps to ensure compliance with relevant consumer protection laws, regulations, and the Bank's own policies. Internal controls should be regularly reviewed by the Internal Auditor.

Given the importance of appropriate internal controls, the Bank shall adequately document the results of audits or reviews, as should management's complex and sensitive consumer complaints to be reported directly to the Board of Directors. For this purpose, the CP Audit Program, CAMS and Code of Conduct in relation to consumer protection, has been established by the Bank as guidelines in setting this consumer protection standards.

### **Section 3.4 Board and Senior Management Oversight**

The Board of Directors and Senior Management shall periodically review the effectiveness of the CPRMS including how findings are reported and whether the audit mechanism in place enable adequate oversight. They must be certain the CP weaknesses are properly addressed and corrective actions are taken in a timely manner. They also ensure that sufficient resources are devoted to the program.

#### **1. Board Oversight Function to CPRMS:**

- Has the ultimate responsibility for the level of consumer protection risk taken by the bank;
- Approve the overall business strategies and significant policies, in relation to managing consumer protection risk appetite of the Bank;
- Responsible for developing and maintaining a sound CPRMS that is integrated into the over-all framework for the entire product and service life-cycle; and
- Ensure that Senior Management is fully capable of managing CPRMS activities that the Bank conduct and is taking the steps necessary to identify, measure, monitor, and control the risks associated with consumer protection.

#### **2. Senior Management Oversight Function to CPRMS:**

- Is responsible for implementing strategies in a manner that limits the consumer protection risk associated with each strategy and ensures compliance with laws, rules and regulations; and
- Shall be involved in the CPRMS activities of the Bank and possess sufficient knowledge of all major business lines to ensure that appropriate policies, controls, and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated.

### **Section 3.5 Consumer Protection Compliance Program (CPCP)**

A consumer Protection Compliance Program is an essential component of CPRMS. If carefully devised, fully implemented, and regularly monitored, a compliance risk-management program will provide the foundation for ensuring compliance with consumer banking laws and regulations and protect consumers from non-compliance and associated harms or loss. This Consumer Protection Compliance Program shall form part of the over-all Compliance System of the Bank in accordance with the Revised Compliance Framework under BSP Circular 747 dated 6 February 2012.

1. **Objective of Consumer Protection Compliance Program.** For the Bank to have an effective consumer protection risk management, the Bank's CPCP shall have the following objectives:
  - To inculcate in the minds of the implementers, from the Board down to the Staff, a corporate culture that emphasizes standard of honesty and integrity in dealing with financial consumers;
  - Identify and mitigate risks associated with consumer protection which may erode the franchise value of the Bank;
  - Provide a framework that allows regulators to evaluate whether the Bank is effectively implementing the board-approved Consumer Protection Program;
  - Ensure that all proponents of an effective consumer protection risk management system is in place, from Board oversight function to implementation and evaluation of the process; and
  - Ensures that all pertinent laws, rules and regulations pertaining to Financial Consumer Protection and their subsequent updates/amendments are compiled thereto.
  
2. **Compliance Reporting.** The procedure on internal and external reporting as embodied in the Bank's Consumer Assistance Management System (CAMS) approved by the Board per Resolution No. 049-2015 dated March 31, 2015, copy of which is hereto attached and mark as Appendix A, shall prevail. For clarity, a summary of the reporting process is hereby provided:

**Internal Reporting:**

- Branch Managers, also designated as Consumer Assistance Officer (CAO) in their respective branches, shall submit Complaints Report (CR) to the Head Consumer Assistance Officer (HCAO) on a monthly basis;
- CR submitted to the HCAO shall then be submitted on a monthly basis to the President. Should there be a need for escalation, the President shall report to the Board;

**External Reporting:**

- The Bank shall submit a consolidated Complaints Report to the Supervisory Data Center (SDC) of the Supervision and Examination Sector on a quarterly basis. Such report to the SDC shall not be later than one (1) month later after the end of every quarter. A Complaints Report is a Category B Report for purposes of applying the appropriate monetary penalty.

3. **Compliance Monitoring and Assessment.** The following procedures shall be applied in conducting Consumer Protection Risk Assessment and Testing, in accordance with the overall Compliance System of the Bank:
  - The Compliance Officer in coordination with the Internal Auditor shall establish a monitoring and assessment process, a checklist of regulations, to ensure that all directors, officers and staff of the Bank are familiar with the Consumer Protection Compliance Program;

- Once the CPCP is in place, a periodic compliance review/monitoring and assessment on consumer protection of each branch shall be enforced on a regular basis;
- The Internal Auditors shall be required to inform the Compliance Officer of any violation of laws, rules and regulations pertaining to consumer protection noted in their audit work; and
- Report on monitoring and assessment shall be prepared and submitted to the President/COO to documents findings, issues, concerns and remedial/corrective measures taken before their submission to the Board for resolution.

### **Section 3.6 Policies and Procedures**

Policies and procedures pertaining to Consumer Protection shall be embodied in the Bank's Consumer Assistance Management System (CAMS) prepared as a separate manual, copy of which is hereto attached and marked as Appendix A. All other policies and procedures already existing in the Bank's Manual of Operations which directly or indirectly affects consumer protection laws, rules and regulation and those provided in this Consumer Protection Manual are enjoined to form part of the policies and procedures of Pangasinan Bank, Inc. consumer protection.

### **Section 3.7 Consumer Protection Audit Program**

Independent of the compliance function, the Bank's audit program shall review its consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. The Bank internal audit of the different business units/functions shall include the Consumer Protection Audit Program. A well-designed and implemented Consumer Protection Audit Program ensures that the Board shall be able to make an assessment of the effectiveness of the implementation as well as adequacy of approved policies and standards in meeting the established consumer protection objectives.

1. **Objectives of CP Audit Program.** This Consumer Protection Audit Program (CPAP) shall:
  - Serve as a guide for the Internal Audit Department in evaluating and ensuring effectiveness in the implementation of the bank's Consumer Protection Program;
  - Ensure the Board's Credit Committee that approved policies and standards in meeting the established consumer protection objectives are adequate;
  - Review and appraise the soundness, application and control of policies, processes and procedures in the implementation of the bank's Consumer Protection Program in accordance with BSP Circular No. 857; and
  - Assist the Board and the Management in developing operational improvements in the implementation of the Program.
2. **Authority of the Internal Audit Department.** The Internal Audit Department has the full authority vested upon it to perform examinations, audits, and investigations of all records, operations, activities and affairs of the bank in dealing with and providing

- services with the customers. It shall have full access to all bank's records, properties and personnel relevant to the subject under review.
3. **Responsibility of the Internal Auditor.** Consistent with the internal audit program, the following are the Internal Auditor's responsibilities:
    - To inform and advise management and to discharge this responsibility in such manner that is consistent with and in compliance to BSP Circular No. 857 or the regulation on Financial Consumer Protection;
    - To coordinate consumer protection audit activities with the Board, Senior Management, employees and the customers themselves to best achieve the objective of the audit and the bank in general; and
    - To submit its reports to the Audit Committee in such manner as the Board of Directors may prescribe.
  4. **Frequency of Audit.** As a matter of policy, audit engagement for consumer protection activities shall be integrated in the annual regular audit of branches/units in its fullest extent covering all operational and procedural aspects of the Consumer Protection Program of the bank. In addition, periodic assessment of a branch's implementation of the program may be conducted, or as the need arises, such as, but not limited to, increased volume of complaints received by the branch.
  5. **Key Areas of Audit Activities.** Generally, the internal audit activities shall focus on the following key areas:
    - **Disclosure and Transparency** – ensure that the customers have a reasonable holistic understanding of the products and services which they may be acquiring or availing;
    - **Protection of Customer's Information** – financial transactions, as well as relevant personal information disclosed in the course of a transaction, are kept confidential;
    - **Fair Treatment** – ensure that the financial consumers are treated fairly, honestly, professionally, and are not sold inappropriate and harmful financial products and services;
    - **Effective Recourse** – financial consumers should be provided with accessible, affordable, independent, fair, accountable, timely and efficient means for resolving complaints with their financial transactions; and
    - **Financial Education and Awareness** – initiatives that give consumers the knowledge, skills, and confidence to understand and evaluate the information they receive and empower them to make informed financial decisions.
  6. **General Audit Procedures per Area of Activity**
    - **Disclosure and Transparency**
      - a. The Internal Audit Department (IAD) verifies if customers are provided with documents containing information about the products or services for the latter to make informed decision.



- b. Check if a written copy of the Terms and Condition (T&C) that apply to a product or service is readily and consistently available to the customer.
- c. IAD verifies if such copy of the T&C are signed before the actual delivery of the products or consummation of the service being procured.
- **Protection of Clients Information**
  - a. IAD periodically re-validates procedures in handling the personal information of the customers. Evaluates how these information's are gathered, stored, processed, used and distributed, and how are they eventually disposed.
  - b. Check if a written agreement is signed by the customer authorizing the bank to disclose specific information of the former when the account is past due, under litigation or already foreclosed before such information are shared or reported to a third party such as the NFIS or CMAP.
  - c. Check the reliability or vulnerability of the bank's Management Information System (MIS) in securing sensitive customer's information to ensure that no breach of confidentiality is committed.
  - d. Check if appropriate policies and practices for employment management and training to assess and address the risk to customer information.
- **Fair Treatment**
  - a. Conduct random interview from customers, taking into account their satisfaction level with the products or services availed with the bank. The interview should focus on ethical staff behavior and affordability or suitability of the product or service offered to them.
  - b. Coordinate with the designated Consumer Assistant Officer (CAO) to evaluate the effectiveness of the bank's consumer assistance mechanism in handling complaint from the customers. Recommend improvement to strengthen the Consumer Assistance Management System (CAMS).
  - c. Evaluate to ensure that all complaints have been attended to and resolved timely and efficiently in accordance with the guidelines and procedures governing the CAMS of the bank.
  - d. Check that none of the prohibitions embodied in the Consumer Protection Code of Conduct of the Bank is committed.
- **Effective Recourse**
  - a. Check if a written policy for an effective consumer assistance management system is in place which will ensure the accessible, affordable, independent, fair, accountable, timely and efficient means of resolving complaints.
  - b. Check if internal policies and practices, including timeframe for processing, complaint response and customer access are in place and operational.
  - c. Check if an up-to-date log and records of all complaints from customers subject to the complaints procedure is being maintained.
  - d. Check if information on how to make a complaint is clearly visible in the bank premises, and/or if a complaint/suggestion box is available and working in each branch where such complaint/suggestion can be lodged.

- **Financial Education and Awareness**
  - a. Verify if a clear and defined financial education and awareness program as part of a wider financial consumer protection and education strategy, is present within the system of the bank, such as, but not limited to distribution to customer, from initial stage of transaction, a pamphlet on questions, which consumers need to ask before accepting financial product or service.
  - b. Make an assessment on campaigns and programs and use the result of the evaluation for continuous improvement.
- 7. **Continuing Audit Files (CAF)** – Unless otherwise specified, all reports, records, documents, files, complaints, requests, suggestions and information including supporting and other relevant documents thereto, gathered as a result of the implementation of the Consumer Protection Program of the bank, shall be retained for a minimum period of 2 years from date of resolution, in accordance with the CAMS of the bank approved by the Board. As a matter of option, digital copies of original documents may be maintained from permanent keeping.

### **Section 3.8 Consumer Protection Training**

The Bank shall allow personnel to have a continuing education on CP laws, rules and regulations as well as internal policies and procedures to maintain a sound CP Compliance Program. It shall ensure that relevant Bank personnel with whose roles and responsibilities have customer interface, received specific and comprehensive training that reinforces and helps implement written policies and procedures, and provided in a timely manner.

1. **Training Programs.** The Human Resource Head, who is also designated as Head of Consumer Assistance Officer (CAO), shall be responsible in developing a training program for personnel assigned to handle customer interface, product marketing and promotion and Consumer Protection laws, rules and regulations, as part of it continuing education on consumer protection.
2. **Training Module, Schedule and Cost.** An annual training schedule relative to consumer protection shall be prepared by the HR Head/Head CAO in a manner consistent with the

General Compliance Program of the Bank, indicating therein, among other things, the module, projected date and cost. Such training shall include, but need not be limited to, relevant laws, rules and regulation on Consumer Protection, Customer Care and Communication Skills.



## **PART IV – CONSUMER PROTECTION STANDARDS OF CONDUCT**

### **Section 4. CONSUMER PROTECTION STANDARDS**

As reflection of core principles, the bank is expected to observe at all times in its dealings with financial consumer utmost consumer protection standards which shall be embedded in its corporate cultures, enhancing further its defined governance framework while addressing conflicts that are inimical to the interest of the financial consumer.

#### **Section 4.1 Disclosure and Transparency**

The Bank shall ensure that its customers have a reasonable holistic understanding of the products and services they are acquiring or availing in order to empower them to make informed financial decisions. These assurance shall include the following:

- Provide up to date information about the products and services to consumers;
- Provide clear, simple to understand, easily accessible, accurate, not misleading information on the products and services, including the potential risk that may be associated with them;
- Information that spell the rights and responsibility of each party;
- Information on the mechanism for either party to end the banking relationship; and
- Information on the details of fees, pricing and any potential penalties that the consumer may incur.

#### **1. Salient Features of Disclosure and Transparency** – To adhere with the objective of an efficient disclosure and transparency mechanism, the Bank shall observe the following:

- Offer documents (terms and conditions) that contains the information necessary for customer to be able to make an informed judgment;
- Advise customers to read and understand the applicable T&C when considering a loan or deposit in the Bank;
- Provide customers adequate time to review the T&C of the product or services, ask questions and received additional information prior to signing contracts or executing the transaction;
- Ensures that staff assigned to deal directly with customers are fully knowledgeable about the product or service being offered;
- Effective communication channel responsive to address the literacy limitations of the customer;
- Notifies customers in writing of any change in the T&C of the product or service availed by them. If the customer does not agree, he or she has the right to exit the contract without penalty within a reasonable period;
- Provides customers with a proof of the transaction immediately after the transaction has been completed. Hard copies of the following documents shall be provided: (a.) Disclosure Statement; (b.) Official Receipt/s; (c.) Promissory Note; (d.) Real Estate Mortgage; (e.) Terms and Conditions;

- Inform the customers of their rights and responsibilities including their right to complain and the manner of its submission
- 2. **Terms and Conditions** – The Bank shall readily and consistently provide to the customer a written copy of the Terms and Conditions (T&C) that apply to a product or service presented in a manner that facilitates the consumer’s comprehension.
- 3. **Minimum Information on Terms and Conditions.** The T&C shall include all or a combination of the following:
  - Full price or cost to the customer including all interest, fees, charges, and penalties and the method for computing said interest, fees and charges;
  - General information about the operation of the products or services including the customer’s obligations and liabilities;
  - Cooling-off period;
  - Cancellation of transactions policies and any related cost; and
  - Actions and remedies by the Bank in the event of a default by the customer.

#### **Section 4.2 Protection of Client Information.**

As trusted custodian of our customer’s financial transactions, as well as relevant personal information, the Bank is committed to protecting these financial and personal information disclosed during the course of transaction through appropriate control and protection mechanism. The Bank shall also actively and continuously works to protect our customer’s information.

1. **Policies and procedures.** In line with the responsibility of the Bank to protect the privacy of its customer’s information, the following policies and procedures shall be observed:
  - The MIS/IT is designated as accountable employee to coordinate its Information Security. She is in charge of assigning, resetting or deleting password required to access the Bank’s Management Information System (MIS);
  - The Byte per Byte Software Center is selected as the Bank’s service provider that will maintain appropriate safeguards in relation to securing customer’s information;
  - The HR Head shall make reference and background check before hiring an employee who will access the customer information system.
  - New employee shall be made to sign the Consumer Protection Code of Conduct of the Bank to follow confidentiality and security standards for handling customer information. The CPCC of the Bank is provided in succeeding section of this manual;
  - Access to customer information shall be limited only to authorized personnel having business to access the same. Any breach of confidentiality shall be meted with the penalty as provided in the Bank’s personnel policies;
  - Authorized user of customer information shall be required to use “strong” password and shall be changed on a regular basis;

- Require mandatory automatic time-out or log-off controls to lock employee computers after a period of inactivity;
  - Train employees to take basic steps to maintain the security, confidentiality, and integrity of customer information;
  - Regularly remind all employees of company policy to keep customer information secure and confidential;
  - Barring terminated employees from accessing customer information system by immediately deactivating their passwords and usernames.
2. **Sharing of Customer Information.** As a matter of policy, the Bank prohibits the sharing of customer information by any means or medium, except when a written consent, unless in situations allowed as an exception by law or BSP-issued regulations or confidentiality of customer's information, is obtained before sharing customer's personal information to third party such as credit bureaus and collection agencies. In this regard, the Bank requires an Addendum to the Terms of Condition to be signed by the applicant/borrowers at the initial stage of the loan process.
3. **Fair Treatment.** The Bank is committed to treat its customers fairly, honestly, professionally and are not sold inappropriate and harmful financial products and services. In treating its customers fairly, the following principle of fairness shall be exercised by the Bank's personnel:
- Ensure affordability and suitability of the product or service;
  - Counsel the customer not to engage in over-indebtedness;
  - Provide customer enough time (*cool-off period*) to think whether to pursue the transaction within 48 hours without penalty. The Bank may however collect or recover reasonable amount of processing fees;
  - Objectivity, that is, presenting the product or services of the Bank in a fair, honestly and balance perspective.

#### **Section 4.3 Consumer Protection Code of Conduct.**

To uphold the Bank's values and standards of professional conduct, the Board has approved its Consumer Protection Code of Conduct on July 14, 2015 per Resolution No. 098-2015, signed and acknowledged by the staff that they will abide by the Code and not engage in the behaviors prohibited as provided in the Code. The Code is embodied in a separate file, copy of which is hereto attached and marked as **Appendix B.**

#### **Section 4.4 Remuneration Structure/Accountability and Rewards**

1. **Remuneration and Rewards.** The Bank will include remuneration and rewards for Officers and Staff who have conducted fair treatment and avoidance/mitigation of conflict of interest in its annual gathering for excellent behavior.
2. **Disclosure.** Disclose to the customers the remuneration structure where appropriate, such as when potential conflicts of interest cannot be manage or avoided.

- 3. Procedures and Controls.** The Bank shall include in its HR Manual adequate procedures and controls to that sales staff are not remunerated based solely on sales performance but that other factors, including customers satisfaction (in terms of number of customer complaints served/settled) and compliance with regulatory requirements, best practices, guidelines, and Code of Conduct in which certain principles are related to best interest of customers, satisfactory audit/compliance review results and complaint investigation results, are taken into account.

#### **Section 4.5 Effective Recourse.**

The Bank shall provide consumers, accessible, affordable, independent, fair, accountable timely and efficient means for resolving complaints with their financial transactions. It is for this reason that a mechanisms for complaint handling and redness has been in place and embodied in the Bank's Consumer Assistance Management System (CAMS) approved by the Board on March 31, 2015 per Resolution No. 049-2015, a copy of which is hereto attached as **Appendix A** and made as integral part hereof.

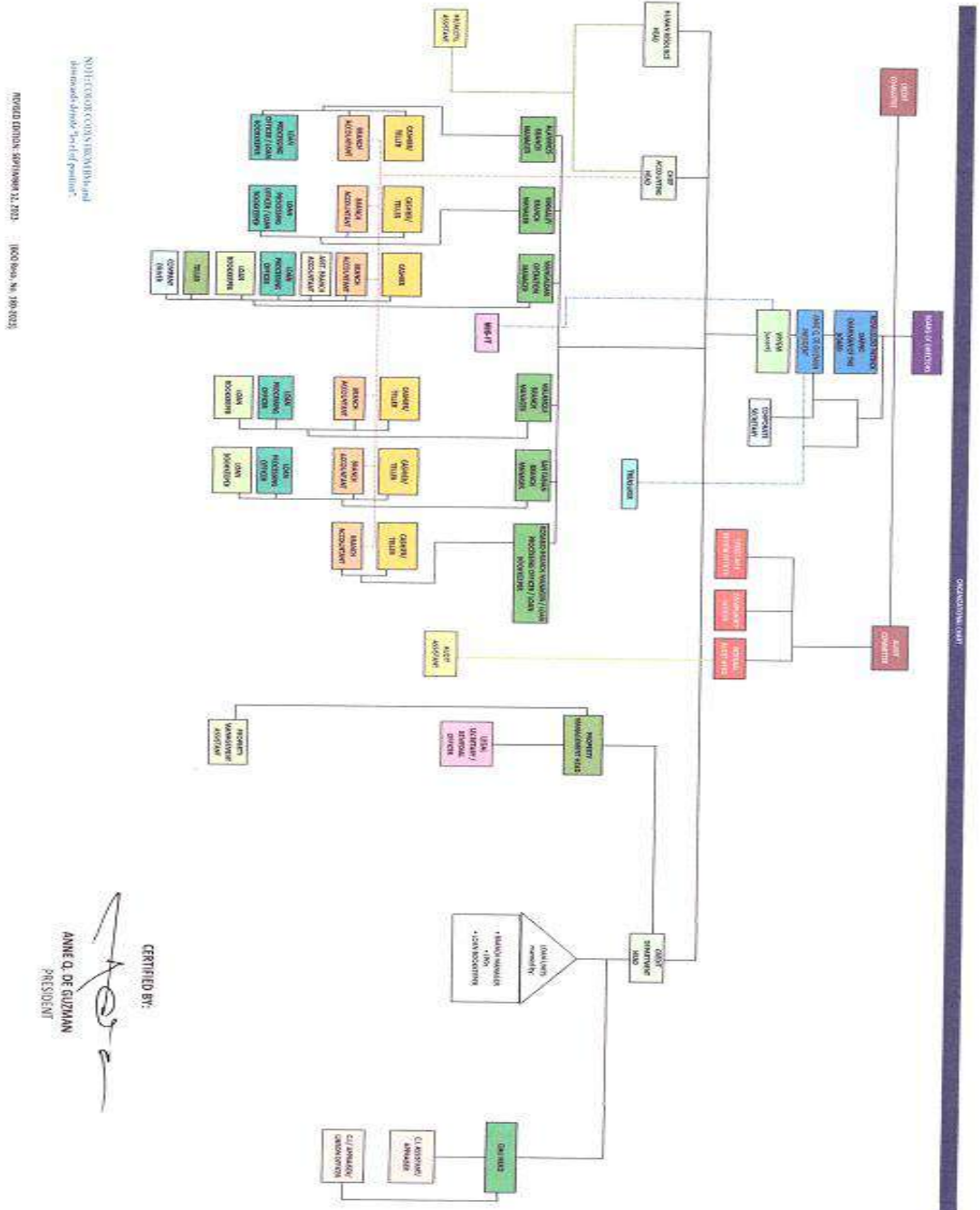




# **CORPORATE INFORMATION**

**F. CORPORATE INFORMATION**

**I. Bank's Organization Structure**





**II. List of Major Stockholders' of the Bank**

PANGASINAN BANK (A Rural Bank), INC.  
List of Major Directors  
Major Stockholders (5% Up)  
As of December 31, 2023

Name	Nationality	Common	Preferred	Total	Amount (In Million P)	Percent to Total Shares Paid-In
Siapno Family	Filipino	148,460	11,550	160,010	16.001	32.00
De Guzman Family	Filipino	108,416	10,139	118,555	11.855	23.72
Quinto Family	Filipino	73,584	19,165	92,749	9.275	18.55
Aquino Family	Filipino	57,268	2,235	59,503	5.950	11.90
Gubatan Family	Filipino	46,076	3,510	49,586	4.959	9.92
Others (47 Individual)	Filipino	16,196	3,401	19,597	1.960	3.91
<b>TOTAL</b>		<b>450,000</b>	<b>50,000</b>	<b>500,000</b>	<b>50.000</b>	<b>100.00</b>

**III. Products and Services Offered**

To help achieve its mission of encouraging the people to practice the habit of saving and the judicious use of credit in the communities that it serves, help eradicate usurious practices and provide quality services whether they are depositors or borrowers so that they can improve their economic standing, the bank hereby offers financial products which will help in nation-building in terms of giving economic benefits to the people.

**DEPOSIT**

PRODUCT	DESCRIPTION	TERMS AND CONDITION
Regular Savings	Interest-bearing deposit which can be withdrawn on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook	<p><b>Term.</b> On demand</p> <p><b>Interest Rate.</b> 0.25% p.a.</p> <p><b>Maintaining Bal.</b> For an account to earn an interest, a balance of P500 must be maintained, otherwise, a maintaining fee of P10 per month is imposed as service charge.</p> <p><b>Dormancy Period.</b> An account is considered dormant if no transaction (<i>deposit or withdrawal</i>) has taken place within the period of 2 years.</p>



		<p><b>Dormancy Fee</b></p> <ol style="list-style-type: none"> <li>1. Imposition of dormancy fee, aside from the required 60 days prior notification, shall be done consistent with the provision of Section X263 of the MORB.</li> <li>2. Only dormant account falling under the minimum daily balance of PhP500.00 shall be charged with dormancy fee of P30.00 per month.</li> </ol>																																		
Basic Deposit Savings Account	Interest-bearing deposit which can be withdrawn on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook.	<p><b>Term.</b> On demand</p> <p><b>Interest Rate.</b> 0.25% p.a.</p> <p><b>Opening Amount.</b> Not more than P100.00</p> <p><b>Maintaining Bal.</b> None</p> <p><b>Dormancy Charges.</b> None</p> <p><b>Maximum Balance.</b> Not more than P50, 000.00; should the depositor exceed the P50, 000.00 maximum balance, the bank should convert the basic deposit account to a regular deposit account.</p>																																		
Special Savings	Interest-bearing deposit which can be withdrawn or renewed upon maturity, or on demand by depositor upon presentation of duly accomplished withdrawal slip and corresponding passbook	<p><b>Term.</b> – Minimum of 30 days and maximum of one (1) year but can be withdrawn/pre-terminated on demand upon presentation of duly accomplished withdrawal slip and corresponding passbook. In which case, the contracted interest rate is reduced to the rate given to RSD</p> <p><b>Interest Rate</b> – The Board shall determine the interest rate based on prevailing market prices without prior notice. It is understood that the bigger the amount and the longer the term, the higher the interest rate.</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th rowspan="2">Amount</th> <th colspan="6">0.50%</th> </tr> <tr> <th>30 days</th> <th>61 days</th> <th>91 days</th> <th>181 days</th> <th>365 days</th> <th>5 yrs + 1 day</th> </tr> </thead> <tbody> <tr> <td>50,000-99,999</td> <td>1.60%</td> <td>1.60%</td> <td>1.90%</td> <td>2.00%</td> <td>2.00%</td> <td>2.50%</td> </tr> <tr> <td>100,000-149,999</td> <td>1.70%</td> <td>1.70%</td> <td>2.00%</td> <td>2.00%</td> <td>2.10%</td> <td>2.60%</td> </tr> <tr> <td>150,000-</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Amount	0.50%						30 days	61 days	91 days	181 days	365 days	5 yrs + 1 day	50,000-99,999	1.60%	1.60%	1.90%	2.00%	2.00%	2.50%	100,000-149,999	1.70%	1.70%	2.00%	2.00%	2.10%	2.60%	150,000-						
Amount	0.50%																																			
	30 days	61 days	91 days	181 days	365 days	5 yrs + 1 day																														
50,000-99,999	1.60%	1.60%	1.90%	2.00%	2.00%	2.50%																														
100,000-149,999	1.70%	1.70%	2.00%	2.00%	2.10%	2.60%																														
150,000-																																				





199,999	1.70%	1.70%	2.00%	2.00%	2.10%	2.60%
200,000-299,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
300,000-399,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
400,000-499,999	1.90%	1.90%	2.20%	2.30%	2.30%	2.80%
500,000-599,999	2.00%	2.00%	2.30%	2.40%	2.40%	2.90%
600,000-999,999	2.00%	2.00%	2.30%	2.40%	2.40%	2.90%
1,000,000-2,999,999	2.30%	2.30%	2.60%	2.70%	2.70%	3.40%
3,000,000-3,999,999	2.60%	2.60%	2.80%	2.90%	3.00%	3.70%
4,000,000-4,999,999	2.70%	2.70%	3.00%	3.00%	3.20%	3.80%
5,000,000 - above	2.80%	2.80%	3.00%	3.20%	4.00%	4.00%

**Minimum placement of P 10,000.00**

**Dormancy Period.** Same as regular savings

**Manner of interest computation** – interest is computed as follows:

If the term is completed

$$\text{Interest} = \text{Principal} \times \text{Rate} \times (\text{Term}/365)$$

If pre-terminated

$$\text{Interest} = \text{Principal} \times \text{RSD rate} \times (\text{no. of days}/365)$$

**Depositor's Option** – The depositor has the following options under the circumstances:

Upon placement:

Make additional placement before maturity

Full or partial pre-termination

Upon maturity:

Withdraw the interest income earned, principal being rolled-over

Partial termination, the balance being rolled-over

Roll-over and additional placement

Full termination/closed account



		<p>For proper recognition of interest expense, the system computes the accrued interest at the end of each month to be recorded in the books of the Bank</p> <p><b>Documentary Stamp</b> – The Depositor is bound to pay the documentary stamp due in accordance to the applicable revenue regulation. There shall be three (3) instances when the DST will be collected from a SSD account:</p> <p>1st – All new account openings 2nd – Any additional placements 3<sup>rd</sup> – Any partial or full pre-termination made</p>

**LOANS**

<b>PRODUCT</b>	<b>DESCRIPTION</b>	<b>TERMS AND CONDITION</b>
Agrarian Reform Loan	<p>A credit extended to production and other types of loans granted to beneficiaries of agrarian reform for purposes of:</p> <p>a. Acquisition of work animals, farm equipment, seeds, fertilizer and other similar items</p> <p>b. Acquisition of lands authorized under existing laws</p> <p>c. Construction/acquisition of facilities for production, processing, storage and marketing</p>	<p><b>Term.</b> Minimum of 30 days and maximum of five (5) years, with possible extension of another 5 years, payable thru monthly amortization.</p> <p><b>Interest Rate.</b></p> <p>Loans 3 Million and below:</p> <p>1 yr. 16% (over the term) 2 yrs. 24% (over the term) 3 yrs. 32% (over the term) 4 yrs. 40% (over the term) 5 yrs. 48% (over the term)</p> <p>Service Charge (one time) 3%</p> <p>Loans more than 3 Million:</p> <p>1 yr. 12% (over the term) 2 yrs. 18% (over the term) 3 yrs. 24% (over the term) 4 yrs. 30% (over the term) 5 yrs. 36% (over the term)</p> <p>Service Charge (one time) 3%</p> <p><b>Other Charges.</b> Penalty charge of 5% p.a. of past due account; other charges incidental to the extension of the loan.</p>



		<p><b>Mode of Interest Payment.</b> Via an amortization schedule spread over the term of the loan using either the straight or diminishing balance method.</p>
Agricultural Loan	Loans granted to borrowers, whether beneficiaries of agrarian reform or not, to finance activities relating to agriculture, and for processing, marketing, storage, and distribution of products resulting from the activities of tillers, tenant-farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers' cooperatives and compact farms.	Same terms and conditions as with other loans, except for Auto Loan.
Real Estate Loan	A credit to finance the acquisition of lot, or improvement of residential units and down-payment to acquire a residential lot.	Same terms and conditions as with other loans, except for Auto Loan
Consumption Loan	A credit to purchase household or equipment for personal use, or meet expenses for educational, medical or emergency needs of the clients/borrowers and their immediate family and processing/placement fee for application of OFWs.	Same terms and conditions as with other loans, except for Auto Loan
Commercial Loan	A credit extended to small and medium enterprises engaged in any business activity in the industry, agri-business and/or services, whether single proprietorship, cooperative, partnership or corporation.	Same terms and conditions as with other loans, except for Auto Loan
Motor Vehicle Loan	Loans granted to individuals as well as businessman to acquire their motor vehicle and additional working capital in which the said motor vehicle unit (as evident of their original OR/CR) will serve as their collateral.	<p><b>Term.</b> Minimum of 1 year and maximum of 5 years, via monthly amortization schedule</p> <p><b>Interest Rate.</b> 10% to 58% add-on rate, depending on the term and status of collateral.</p>



		<b>Mode of Payment.</b> Based on amortization schedule Note: a separate Motor Vehicle Loan Manual is available for detailed policies and procedures
Employee Loan	Loans granted to officers and employees of the Bank under the Financial Assistance Program approved by the BSP	<b>Term.</b> Minimum of 1 year and maximum of 5 years. Other terms and condition in accordance with Sec. 135 of the MORB. <b>Interest Rate.</b> Real Estate Loan 12% Multi-Purpose Loan: Motor Vehicle Loan 10% Auto Vehicle Loan 10% Other Multi-Purpose 10% Salary Loan 10% Calamity Loan 8% <b>Mode of Payment.</b> Amortization schedule applied as deduction to payroll every 10 <sup>th</sup> and 25 <sup>th</sup> day of the month.

\*In addition to the preceding products, the bank is also an agent of ECPay for bills payment and other related services.

## IV. Bank's Website

[www.pangasinanbank.com](http://www.pangasinanbank.com)

The screenshot displays the Pangasinan Bank website interface. At the top, there is a navigation bar with links for Home, About Us, Products and Services, Properties, News & Events, and Contact Us. The main header features the bank's logo and name, along with its services: Agrarian Loan, Agricultural Loan, Consumption Loan, Commercial Loan, Real Estate Loan, Auto Loan, and OFW Loan. Contact information for the main office in Pangasinan is provided, including phone numbers and email addresses. Below this, five branch locations are listed: San Fabian, Malasiqui, Binmaley, Alaminos, and Rosario, each with its address and contact details. A central banner highlights '47 Years of Service' and describes the bank's focus on rural areas. A large banner for 'AGRICULTURAL LOAN' features an image of a tractor and a 'Fast and easy, provide better terms for our Filipino Farmers.' message. A 'Land Properties' section lists several real estate listings with images, descriptions, and 'VIEW DETAILS' buttons. The bottom section, 'Latest News and Events', features three news items: '22nd Depositor Protection and Awareness', 'PANGASINAN BANK ANNUAL REPORT 2022', and 'PDIC 5th PBI 21st Depositor...'. The footer includes the bank's logo, navigation links, and the PDIC logo.





**Products and Services**

**WE ASSIST**

- REGULAR SAVINGS DEPOSIT
- SUPER SAVINGS DEPOSIT

(Deposits are insured by PDIC up to P50,000 per depositor)

**WE CLANT**

- HOLD-OUT DEPOSIT
- AGRICULTURAL LOAN
- AGRARIAN REFORM LOAN
- REAL ESTATE LOAN
- COMMERCIAL LOAN
- CONSUMPTION LOAN
- CITY LOAN
- AUTO LOAN
- AGRI-MACHINERY LOAN
- TRAVEL ASSISTANCE/SHOW-MONEY LOAN

**OTHER SERVICES**

**SAVING DEPOSIT ACCOUNT**

A basic deposit account refers to an interest or non-interest-bearing account designed to promote financial inclusion.



**EC24/7**

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



**BCC ATM GO**

With the use of this service, the bank can now offer atm machine service using the ATM Go Unit for withdrawal, cash-in, balance transfer, bill payments and more.



**REAL ESTATE** – a credit to finance the acquisition, sale, or improvement of residential units and down-payment to acquire a residential lot.



**CONSUMER LOAN** – a credit to purchase a household appliance or equipment for personal use, most expenses for educational, medical or emergency needs of the client/borrowers and their immediate family, pre-paying/advance fee for repatriation of working/migrating abroad or **OPW LOAN**.



**COMMERCIAL LOAN** – a credit extended to small and medium enterprises engaged in any business activity in the industry, or business, whether single, partnership, cooperative, partnership, or corporation.

**AGRICULTURAL LOANS**



**AGRICULTURAL LOAN** – loans granted to borrowers to finance activities relating to agriculture, and for processing, marketing, storage, and distribution of products resulting from the activities of farmers, tenant farmers, settlers, agricultural lessees, agricultural workers, cooperatives, farmers' cooperative and contract farms.



**AGRARIAN REFORM** – credit extended to production and other types of loans granted to beneficiaries of agrarian reform for the following purposes:

- Acquisition of work animals, farm equipment and machinery, seeds, fertilizers, poultry, livestock, feeds, and other similar items;
- Acquisition of lands within need under existing laws;
- Construction and/or acquisition of facilities for production, processing, storage, and marketing.



**BEHIND THE WHEEL**

- Maximum Loan Amount: Up to 70% – 80% of the selling price
- Maximum Payment Terms: 5 years
- Downpayment: 20% – 30% of the purchase price

**BEHIND THE WHEEL**

- Maximum Loan Amount: 2018-2022 – Up to 70% of the appraised price; 2019-2017 – Up to 50% of the appraised price
- Maximum Payment Terms: 2018-2022 – 36 months; 2019-2017 – 24 months
- Downpayment: Minimum of 30% – 50% purchase price

**AUTO LOAN** – also known as car finance, car financing, or auto finance, refers to the range of financial products available that allow people to acquire a car with any arrangement other than a full-cash single lump payment (outright payment).



**AGRI-MACHINERY LOAN** – With our Agri-Machinery Loan, you can increase your income by increasing your production. Ask now and let us handle your agri-machinery financing needs.

**TRAVEL ASSISTANCE/SHOW-MONEY LOAN** – A travel assistance loan is a special type of loan for tourists, immigrants, and students who need to fulfil their visa application or show money requirements. This is known as a bank certificate of credit of funds loan. Some countries require proof that you have enough money to travel.

**RELATED LINKS**

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- REGULATIONS BANK ASSISTANCE
- PROPERTY FINANCING
- PRODUCTS AND SERVICES
- REAL ESTATE LOAN

**Latest News and Events**

**20th Depositor Protection and Relief Act (RA 11564)**  
The new law aims to provide assistance to depositors who are affected by the liquidation of a bank.

**PANGASINAN BANK ANNUAL REPORT 2023**  
The report provides a comprehensive overview of the bank's performance and financial results for the year 2023.

**PDIC 5th 23rd Depositor Relief Act (RA 11564)**  
The new law aims to provide assistance to depositors who are affected by the liquidation of a bank.



**Properties**



**2023 Isuzu Trviz L 10Ft...**

Posted on Feb 13, 2024 by MIS/IT OFFICER  
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Posted on Sep 23, 2023 by MIS/IT OFFICER  
STATUS: FOR SALE  
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**TD # 22107 & TD...**

Posted on Sep 25, 2022 by MIS/IT OFFICER  
STATUS: FOR SALE  
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**TCT NO. 189024**

Posted on Aug 26, 2020 by MIS/IT OFFICER  
STATUS: FOR SALE  
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**TCT NO. 026-2018005848/026-2018005849**

Posted on Aug 24, 2020 by MIS/IT OFFICER  
STATUS: FOR SALE  
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**TCT NO.193752**

Posted on Sep 9, 2017 by pinophbankadmin  
STATUS: FOR SALE  
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**TCT NO.236264**

Posted on Sep 5, 2017 by pinophbankadmin  
STATUS: FOR SALE  
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**TCT NO. 253668**

Posted on Sep 6, 2017 by pinophbankadmin  
STATUS: FOR SALE  
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**TCT NO. 220295-220299 (Lot 13-17,...**

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STATUS: FOR SALE  
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**TCT NO. 220272 (Lot 11,...**

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**TCT NO. 23360**

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**Latest News and Events**



**22nd Depositor Protection and Awareness...**  
Posted on June 11, 2024  
"Deposit Insurance: Proteksiyong Maasahan sa Iping Pangasinan"



**PANGASINAN BANK ANNUAL REPORT 2022**  
Posted on July 9, 2023  
PLEASE CLICK ANNUAL REPORT 2022 PREVIEW



**PDIC & PBI 21st Depositor ...**  
Posted on May 9, 2023  
As declared through President let Proclamation No. 358, s. 2003, the Philippine Deposit Insurance Corporation (PDIC) leads the annual observance...



**PANGASINAN BANK**  
A RURAL BANK (RBL) INC.

Hotline: (075) 663-1570

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### News & Events

**22nd Depositor Protection and Awareness...**

Posted on Jun 11, 2024

"Deposit Insurance: Proteksiyong Maasahan sa Ipong Pinaghirapan"

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**PANGASINAN BANK ANNUAL REPORT 2022**

Posted on Jul 3, 2023

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**PDIC & PBI 21st Depositor...**

Posted on May 31, 2023

As declared through Presidential Proclamation No. 356, s. 2003, the Philippine Deposit Insurance Corporation (PDIC) leads the annual observance...

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**CLIENT ADVISORY (April 4, 2023)**

Posted on Apr 4, 2023

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**PANGASINAN BANK ANNUAL REPORT 2021**

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**CUSTOMER ADVISORY ( JANUARY 13,...**

Posted on Jan 13, 2022

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**CUSTOMER ADVISORY ( DECEMBER 24,...**

Posted on Dec 24, 2021

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**Pangasinan Bank Annual Report 2020**

Posted on Nov 17, 2021

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**CUSTOMER ADVISORY ( OCTOBER 20,...**

Posted on Oct 20, 2021

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**Instituting Basic Deposit Account**

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- [What's New](#)

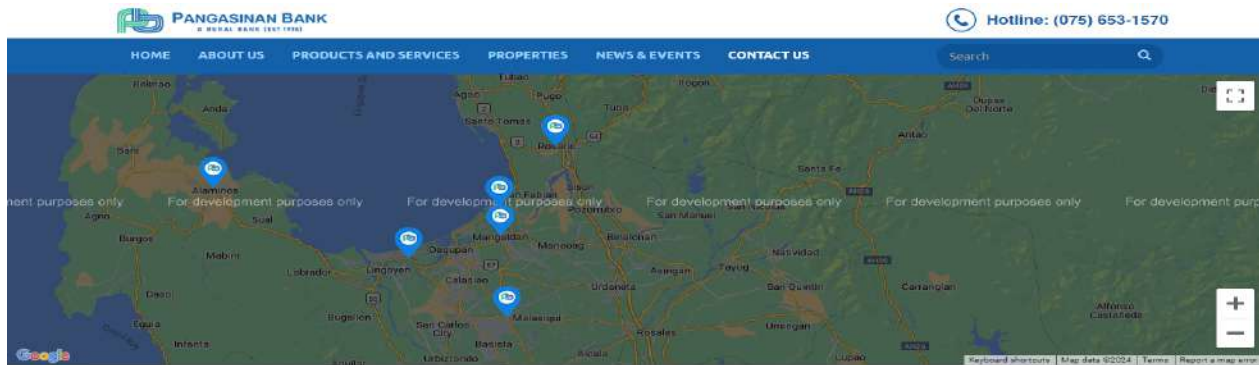
**PANGASINAN BANK**  
A RURAL BANK (RBL) INC.

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NEWS & EVENTS
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### Contact Us

#### Main Branch

Address: Rizal Street, Poblacion, Mangaldan, Pangasinan  
 Contact Person: Ms. Anne Q. De Guzman  
 Email: enna\_726@yahoo.com  
 Contact Person: Ms. Sebastina F. Nepacina  
 Email: ppbr@yahoo.com  
 Contact Numbers: (075) 653-1570 / (075) 513-5013 / 0933-037-1313 / 0906-556-5712

### Feedback or Suggestions


We are glad to serve you, do you have questions or comment? Use our online form.

Name:

Email:

Subject:

Message:

I'm not a robot 

[Send Message](#)

### Branch Info

**Mangaldan Branch (Main)**  
 Address: Rizal Ave., Poblacion Mangaldan, Pangasinan  
 Contact Person: Priscila B. Quidem  
 Landline: (075) 513-5013  
 CP No.: 09330371313 / 09065565712  
 Email: pbmangaldan@yahoo.com

**Alaminos Branch**  
 Address: 30 Quezon Ave, Poblacion, Alaminos City, Pangasinan  
 Contact Person: Lyn E. Rabanal  
 Landline: (075) 529-5972  
 CP No.: 09859556493/09513519858  
 Email: cityalaminos@yahoo.com

**Binmaley Branch**  
 Address: Public Market, Poblacion Binmaley, Pangasinan  
 Contact Person: Rachelle J. Sumoroy  
 Landline: (075) 633-9312  
 CP No.: 09330371331/09327269320  
 Email: pangbank.binmaley@yahoo.com.ph

**Malasiqui Branch**  
 Address: Don Vicente Quintons St. Poblacion, Malasiqui, Pangasinan  
 Contact Person: Cris John Dela Cruz  
 Landline: (075) 632-2407  
 CP No.: 09325971300/09310614606  
 Email: pbmalasiqui0421@yahoo.com

**Rosario Branch**  
 Address: Aquitania St., Poblacion East, Rosario, La Union  
 Contact Person: Gina O. Valdez  
 Landline: (072) 619-6524  
 CP No.: 09330371415/09062702864  
 Email: pangasinanbankrosario@yahoo.com

**San Fabian Branch**  
 Address: Rizal St., Poblacion San Fabian, Pangasinan  
 Contact Person: Lily B. Quejado  
 Landline: (075) 653-1446  
 CP No.: 09330371376/09063021745  
 Email: pbsanfabian@yahoo.com

### Latest News and Events



**22nd Depositor Protection and Awareness...**  
 Posted on June 11, 2024  
 "Deposit Insurance: Proteksyong Maaasahan sa Ipag Pmaghiropan"



**PANGASINAN BANK ANNUAL REPORT 2022**  
 Posted on July 3, 2023  
 PLEASE CLICK ANNUAL REPORT 2022 PREVIEW



**PDIC & PBI 21st Depositor...**  
 Posted on May 31, 2023  
 As declared through Presidential Proclamation No. 358, s. 2003, the Philippine Deposit Insurance Corporation (PDIC) leads the annual observance...



## **V. Banking Units**

### **MANGALDAN-HEAD OFFICE**

Rizal Avenue, Poblacion  
Mangaldan, Pangasinan

#### **Administration:**

Tel. No. 653-1570 (Admin)  
0930-771-8741 (Compliance)  
0923-991-4091 (ROPA Dept.)  
0922-478-0330 (CIAU Dept.)

#### Email Addresses:

[pbrb@pangasinanbank.com](mailto:pbrb@pangasinanbank.com)  
[ppbrb@yahoo.com](mailto:ppbrb@yahoo.com)

[enna\\_726@yahoo.com](mailto:enna_726@yahoo.com)  
[marie.aquino67@gmail.com](mailto:marie.aquino67@gmail.com)  
[ropapb@yahoo.com](mailto:ropapb@yahoo.com)  
[pbiauditdepartment@yahoo.com](mailto:pbiauditdepartment@yahoo.com)  
[pbhrd@yahoo.com](mailto:pbhrd@yahoo.com)  
[pbi\\_mis\\_it@yahoo.com](mailto:pbi_mis_it@yahoo.com)  
[pbriskdept@yahoo.com](mailto:pbriskdept@yahoo.com)  
[pbi.remedial@yahoo.com](mailto:pbi.remedial@yahoo.com)  
[pbi\\_ciau@yahoo.com](mailto:pbi_ciau@yahoo.com)

Bank's Official Email  
Compliance Officer/  
Chief Accounting Head  
President  
Credit Head  
ROPA Dept.  
Audit Dept.  
HR Dept.  
IT Dept.  
Credit Risk Review Dept.  
Remedial Dept.  
Appraisal Dept.

#### **Operations**

Tel. No. (075)-513-5013  
0906-556-5712  
0933-037-1313

#### Email Addresses:

[pbmangaldan.bm@yahoo.com](mailto:pbmangaldan.bm@yahoo.com)  
[pbmangaldan@yahoo.com](mailto:pbmangaldan@yahoo.com)





# PBI ADMINISTRATION OFFICERS AND STAFF



# PBI MANGALDAN OPERATIONS OFFICERS AND STAFF







# ALAMINOS BRANCH

30 Quezon Avenue, Poblacion  
Alaminos City, Pangasinan

Tel. No. (075) 529-5972  
0985-955-6493  
0951-351-9858

Email Addresses:

[pbalaminos.bm@yahoo.com](mailto:pbalaminos.bm@yahoo.com)  
[cityalaminos@yahoo.com](mailto:cityalaminos@yahoo.com)



# PBI ALAMINOS BRANCH OFFICERS AND STAFF





# BINMALEY BRANCH

Public Market, Poblacion  
Binmaley, Pangasinan

Tel. No. (075) 633-9312  
0933-037-1331  
0932-726-9320

Email Addresses:  
[pbbinmaley.bm@yahoo.com](mailto:pbbinmaley.bm@yahoo.com)  
[pangbank.binmaley@yahoo.com.ph](mailto:pangbank.binmaley@yahoo.com.ph)





# **PBI BINMALEY BRANCH OFFICERS AND STAFF**



# MALASIQUI BRANCH

Don Vicente Quintans Street  
Poblacion, Malasiqui, Pangasinan

Tel. No. (075) 632-2407  
0932-597-1300  
0931-061-4606

Email Addresses:  
[pbmalasiqui.bm@yahoo.com](mailto:pbmalasiqui.bm@yahoo.com)  
[pbmalasiqui0421@yahoo.com](mailto:pbmalasiqui0421@yahoo.com).





# PBI MALASIQUI BRANCH OFFICERS AND STAFF



# ROSARIO BRANCH

Aquitania, Poblacion  
Rosario, La Union

Tel. No. (072) 619-6524  
0933-037-1415  
0906-270-2864

Email Addresses:  
[pbrosario.bm@yahoo.com](mailto:pbrosario.bm@yahoo.com)  
[pangasinanbankrosario@yahoo.com](mailto:pangasinanbankrosario@yahoo.com).





# PBI ROSARIO BRANCH OFFICERS AND STAFF



# SAN FABIAN BRANCH

Rizal Street, Poblacion  
San Fabian, Pangasinan

Tel. No. (075) 653-1446  
0906-302-1745  
0933-037-1376

Email Addresses:  
[pbsanfabian.bm@yahoo.com](mailto:pbsanfabian.bm@yahoo.com)  
[pbsanfabian@yahoo.com](mailto:pbsanfabian@yahoo.com).





# **PBI SAN FABIAN BRANCH OFFICERS AND STAFF**



The background features several decorative elements: a large, light gray, semi-circular graphic at the top; a large, light gray, circular graphic on the left side; and a large, light gray, wavy graphic at the bottom right. The main text is centered and reads:

**AUDITED  
FINANCIAL  
STATEMENTS  
(AFS)  
WITH  
AUDITOR'S  
OPINION**



**G. AUDITED FINANCIAL STATEMENTS (AFS) WITH AUDITOR'S OPINION**

▪

**PANGASINAN BANK (A RURAL BANK), INC.**

*Rizal Avenue, Mangaldan Pangasinan*

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2023**

**DAROYA & CO.**

**Certified Public Accountants**

*4<sup>th</sup> Floor Benning Square Building, Arellano St., Dagupan City, Pangasinan  
Tel. Nos.: 522-7098 / 522-4333*



00\_AFS\_PanglBank-2.pdf


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

The Management of PANGASINAN BANK (A RURAL BANK), INC. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of PANGASINAN BANK (A RURAL BANK), INC. complete and correct in all material respects. Management likewise affirms that:

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

  
**ROMUALDO PATRICK F.  
SIAPNO**  
Chairman

(Signature over printed name)

  
**ANNE Q. DE GUZMAN**  
President

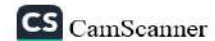
(Signature over printed name)

  
**CHIQUI T. UNGSON**  
Treasurer

(Signature over printed name)

April 8, 2024

4/15/2024, 8:37 AM





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

The Management of PANGASINAN BANK (A RURAL BANK), INC. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


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


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

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

DAROYA & CO., the independent auditors, appointed by the stockholders has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**ROMUALDO PATRICK F.  
SIAPNO**  
Chairman  
(Signature over printed name)

  
**ANNE Q. DE GUZMAN**  
President  
(Signature over printed name)

  
**CHIQUIT T. UNGSON**  
Treasurer  
(Signature over printed name)

April 8, 2024





**DAROYA & CO.**  
Certified Public Accountants

4<sup>th</sup> floor, Benning Square Building  
Arellano Street, Barangay Pantal  
Dagupan City, Pangasinan  
Philippines 2400  
Tel. Nos. (075) 522-7008 / (075) 522-4333  
Email address: benjedaroyn@daroya.com.ph

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Stockholders  
**PANGASINAN BANK (A RURAL BANK), INC.**  
Rizal Avenue, Mangaldan Pangasinan

**Opinion**

We have audited the financial statements of PANGASINAN BANK (A RURAL BANK), INC., which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

**Basis for Opinion**

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

**Emphasis of Matter**

The previously issued financial statements of the Bank for the year ended 31 December 2022 dated March 2, 2023 (Date of Auditor's report) have been withdrawn and are replaced by these issued comparative financial statements dated 08 April 2024 (Date of Auditor's report). The revision of 2022 financial statements were necessary as a result of the impact of correction of error pertaining to SI/DI classified as Prepaid expenses where it should have been part of Loans and Receivables.

**Other Information**

The Board of Directors is responsible for the other information. The other information comprises the submitted 'Comparison of Audited Financial Statement and Consolidated Statement of Financial Position and Income', 'Adjusting Journal Entries', 'Reconciliation between FRP and PFRS', 'Reconciliation of Retained Earnings Available for Dividend Declaration' and 'Certificate Authorizing Registration (if any)'. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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 auditor's report that includes our opinion. Reasonable

APR 17 2024

COLLECTION SECTION  
SIR-R004, Calasiao, Pangasinan



**DAROYA & CO.**  
Certified Public Accountants

4<sup>th</sup> Floor, Benning Square Building  
Arellano Street, Barangay Pantel  
Dagupan City, Pangasinan  
Philippines 2400  
Tel. Nos. (075) 522-7028 / (075) 522-4333  
Email address: benjledaroya@daroya.com.ph

assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

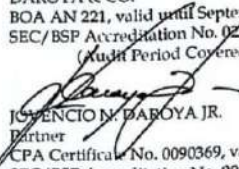
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on the Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and alike in the Notes to Financial Statements and the "Other Information" mentioned above are presented for purposes of additional analysis and filing with the Bureau of Internal Revenue, SEC and BSP and are not required to be part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAROYA & CO.  
BOA AN 221, valid until September 05, 2024  
SEC/BSP Accreditation No. 0221 (Group C)  
(Audit Period Covered 2020-2024)

  
JOSEPH M. DAROYA JR.  
Partner  
CPA Certificate No. 0090369, valid until April 10, 2026  
SEC/BSP Accreditation No. 90369 (Group C)  
(Audit Period Covered 2020-2024)

BIR AN. 010081190022023, valid until February 16, 2026  
TIN 161-520-408  
PTR No. 1501877 (2024) Dagupan City

Dagupan City, Pangasinan  
April 8, 2024

**RECEIVED**

APR 17 2024

COLLECTION SECTION  
BIR-R004, Malasao, Pangasinan





**DAROYA & C.O.**  
Certified Public Accountants

4<sup>th</sup> Floor, Benning Square Building  
Arellano Street, Barangay Pantel  
Dagupan City, Pangasinan  
Philippines 2400  
Tel. Nos. (075) 522-7098 / (075) 522-4333  
Email address: benjedaroya@daroya.com.ph

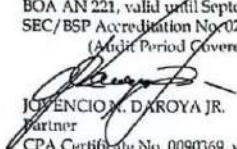
**SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS**

The Board of Directors and Stockholders  
**PANGASINAN BANK (A RURAL BANK), INC.**  
Rizal Avenue, Mangaldan Pangasinan

We have audited the financial statement of **PANGASINAN BANK (A RURAL BANK), INC.** for the year ended December 31, 2023, on which we have rendered the attached report dated April 8, 2024.

In compliance with SRC Rule 68, we are stating that the Company has 38 Stockholders owning 100 or more shares each as of December 31, 2023.

DAROYA & CO.  
BOA AN 221, valid until September 05, 2024  
SEC/BSP Accreditation No. 0221 (Group C)  
(Audit Period Covered 2020-2024)

  
JOSENCIO N. DAROYA JR.  
Partner  
CPA Certificate No. 0090369, valid until April 10, 2026  
SEC/BSP Accreditation No. 90369 (Group C)  
(Audit Period Covered 2020-2024)  
BIR AN. 010081190022023, valid until February 16, 2026  
TIN 161-520-408  
PTR No. 1501877 (2024) Dagupan City

Dagupan City, Pangasinan  
April 8, 2024

RECEIVED

APR 17 2024

COLLECTION SECTION  
BIR-RDO4, Calasiao, Pangasinan



**DAROYA & CO.**  
Certified Public Accountants

4<sup>th</sup> Floor, Banning Square Building  
Arellano Street, Barangay Pantat  
Dagupan City, Pangasinan  
Philippines 2400  
Tel. Nos. (075) 522-7098 / (075) 522-4333  
Email address: benjie.daroya@cdaroya.com.ph

To the Officer-in-Charge  
Bangko Sentral ng Pilipinas  
Manila, Philippines

SUBJECT: CERTIFICATION

Dear Sir/Madam:

In connection with our examination of the financial statements of PANGASINAN BANK (A RURAL BANK), INC., which is to be submitted to the Bangko Sentral Ng Pilipinas (BSP) we hereby represent the following certifications:

1. That we have evaluated the client's internal accounting control and risk management systems during our examination of the client's financial statements for year 2023;
2. That we have started the audit on January 27, 2024 and ended March 27, 2024;
3. That there are **matters to report** on items specified under information required in number 4 Appendix 55 of BSP Circular 1074 (Please see Letter of Comment);
4. That there are **no matters to report** on items specified under information required in number 7 Appendix 55 of BSP Circular 1074;
5. That all required disclosures under Section 174 (Financial Audit) are complied with;
6. That the bank allowed us as external auditors to read-only access to the BSP Reports of Examination (ROE). We, as external auditors, on the other hand, have treated the contents of the ROE appropriately and with utmost confidentiality; and
7. We have submitted a certification to the Board of Directors on April 8, 2024.

As a CPA engaged in public practice, we make these representations in my individual capacity and as a partner of DAROYA & COMPANY.

EVENCIO N. DAROYA JR.  
Partner

CPA Certificate No. 0090369, valid until April 10, 2026  
SEC/BSP Accreditation No. 90369 (Group C)  
(Audit Period Covered 2020-2024)  
BIR AN. 01-008119-002-2023, valid until February 16, 2026  
TIN 161-520-408  
PTR No. 1429886 (2023) Dagupan City

April 8, 2024

APR 16 2024

SUBSCRIBED AND SWORN to before me this \_\_\_th day of \_\_\_ 2024 affiant exhibited to me his Community Tax Certificate above noted.

Doc No. 277  
Page No. 5  
Book No. 11  
Series of 2024

ATTY. GERALD M. TABADERO  
Notary Public; Commission Expires on December 31, 2024  
PTR No. 1221768-1/2/2024  
TIN No. 997-683-988  
Roll No. 54416  
MCLE Compliance No. VII-0023673-10-03-2022

M-S-Cert-2024





**DAROYA & CO.**  
Certified Public Accountants

4<sup>th</sup> Floor, Benning Square Building  
Arellano Street, Barangay Pantal  
Dagupan City, Pangasinan  
Philippines 2400  
Tel. Nos. (075) 522-7098 / (075) 522-4333  
Email address: benjedaroya@daroya.com.ph

To the Board of Directors  
PANGASINAN BANK (A RURAL BANK), INC.  
Rizal Avenue, Mangaldan


SUBJECT: CERTIFICATION

Dear Sir/Madam:

In connection with our examination of the financial statements of PANGASINAN BANK (A RURAL BANK), INC., we hereby represent the following certifications:

1. That we have evaluated the internal accounting control and risk management systems during our examination of the financial statements for year 2023;
2. That we have started the audit on January 27, 2024 and ended March 27, 2024;
3. That there are matters to report on items specified under information required in number 4 Appendix 55 of BSP Circular 1074 (Please see Letter of Comment);
4. That there are **no** matters to report on items specified under information required in number 7 Appendix 55 of BSP Circular 1074;
5. That all required disclosures under Section 174 (Financial Audit) are complied with; and
6. That the bank allowed us as external auditors to read-only access to the BSP Reports of Examination (ROE). We, as external auditors, on the other hand, have treated the contents of the ROE appropriately and with utmost confidentiality.

As a CPA engaged in public practice, we make these representations in my individual capacity and as a partner of DAROYA & COMPANY.

  
EVENCIO N. DAROYA JR.  
Partner

CPA Certificate No. 0090369, valid until April 10, 2026  
SEC/BSP Accreditation No. 90369 (Group C)  
(Audit Period Covered 2020-2024)  
BIR AN. 01-008119-002-2023, valid until February 16, 2026  
TIN 161-520-408  
PTR No. 1429886 (2023) Dagupan City

April 8, 2024



**DAROYA & CO.**  
Certified Public Accountants

4<sup>th</sup> Floor, Benning Square Building  
Arelhano Street, Barangay Pantat  
Dagupan City, Pangasinan  
Philippines 2600  
Tel. Nos. (075) 522-7098 / (075) 522-4333  
Email address: benjardaro@daroya.com.ph

The Board of Directors  
PANGASINAN BANK (A RURAL BANK), INC.  
Rizal Avenue, Mangaldan

Thru: The Audit Committee Chairman

RE: \* EXTERNAL AUDIT ENGAGEMENT - LETTER OF COMMENTS - 2023

Ladies/Gentlemen:

In connection with the subject professional engagement with your Rural Bank, we are pleased to submit our Final Letter of Comments (LOC) containing our Audit Observations and Findings together with our Recommendations, as part of our Year-End Management Letter for the PANGASINAN BANK (A RURAL BANK), INC. as of and for the year ended December 31, 2023.

Hereunder Observations and Findings were noted during the course of our audit and examination of books of accounts and financial statements of the PANGASINAN BANK (A RURAL BANK), INC. which commenced last January 27, 2024 and ended March 27, 2024.

In compliance with the requirement of Circular 1074, your Bank should submit the required Board Resolution containing the actions taken or actions to be taken on our findings and recommendations stated in this Letter of Comments, together with the Audited Financial Statements, not later than the prescribed period after the close of the calendar year.

Should you have any questions regarding this Letter of Comments, please don't hesitate to call us. Thank you and - God Bless!

Very truly yours,

  
ENCENCIO N. DAROYA, JR., CPA  
Partner

AFS-LOC-SCLD



**DAROYA & CO.**  
Certified Public Accountants

4<sup>th</sup> floor, Benring Square Building  
Arellano Street, Barangay Pantal  
Dagupan City, Pangasinan  
Philippines 2400  
Tel. Nos. (075) 522-7098 / (075) 522-4333  
Email address: benjedaro@daroya.com.ph

**PANGASINAN BANK (A RURAL BANK), INC.**  
Rizal Avenue, Mangaldan

**LETTER OF COMMENTS**  
December 31, 2023

**(Summary of AUDIT COMMENTS and RECOMMENDATIONS)**

**1. LOAN CONCENTRATION OF CREDIT**

Identified concentrations of credit risks are controlled and managed accordingly except those that are under 'Motor Loans'. This is a significant credit exposure since it is around 65% of the total loan exposure.

Recommendation: The Bank should maintain strict procedures in monitoring threshold for significant credit exposures. Loan concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.

**2. MINIMUM CAPITALIZATION OF RURAL BANKS**

The Monetary Board, in its resolution No. 1145 dated 4 August 2022, approved the amendments to the relevant provisions of the Manual of Regulations for Banks (MORB) aimed at increasing the minimum capital requirements for rural banks. The minimum capitalization for rural banks is P50 million up to 5 branches and P120 million for 6 to 10 branches. The bank maintains 6 operating locations, including head office.

Recommendation: Rural banks are given five (5) years to comply with the new minimum capital requirements. They may refer to available options such as merger, consolidation, acquisition, third party investment, voluntary surrender of banking license, conversion to branch lite unit and capital build-up program (CBUP).

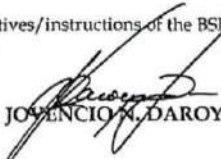
**3. REAL AND OTHER PROPERTIES ACQUIRED (ROPA)**

The bank has ROPA being held for more than 5 years.

The bank should prepare an effective disposal plan specifically for each ROPA to reduce its risks assets and convert it to liquid assets.

**4. COMPLIANCE TO BSP FINDINGS/OBSERVATIONS**

The bank is encouraged to comply with the directives/instructions of the BSP Examiner as enumerated under the report on examination.

  
**JOVENCIO N. DAROYA, JR., CPA**  
Partner





**PANGASINAN BANK (A RURAL BANK), INC.**  
Rizal Avenue, Poblacion, Mangaldan, Pangasinan

**STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2023 and 2022  
(Amounts in Philippine Pesos)

	Notes	2023	2022
<b>ASSETS</b>			
Cash and Cash Equivalents	2,5	3,172,617	2,713,809
Due from Bangko Sentral ng Pilipinas	2,6	5,418,764	10,522,781
Due from Other Banks	2,7	142,200,416	159,909,729
Loans and Receivables	2,8	208,717,467	198,778,553
Held-to-Maturity Financial Assets	2,9	26,829,841	25,972,932
Bank Premises, Furniture, Fixtures and Equipment	2,10	8,957,618	9,553,055
Investment Properties	2,11	11,079,711	10,428,404
Other Assets	2,12	3,858,105	4,432,561
<b>TOTAL ASSETS</b>		<b>410,234,540</b>	<b>422,311,823</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposit Liabilities	2,13	330,257,122	342,521,876
Unearned Income	2,14	3,142,034	4,291,661
Other Liabilities	2,15	2,117,176	2,493,082
Income Tax Payable	2,16	27,488	46,035
<b>Total Liabilities</b>		<b>335,543,820</b>	<b>349,352,654</b>
<b>EQUITY</b>			
Paid-in Capital	2,17	50,000,000	50,000,000
Retained Earnings Reserve	2,17	11,280,803	11,102,506
Retained Earnings Free	2,17	12,710,980	11,856,664
Accumulated Other Comprehensive Income	2	698,937	-
<b>Total Equity</b>		<b>74,690,719</b>	<b>72,959,170</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>410,234,540</b>	<b>422,311,823</b>

*This statement should be read in conjunction with the accompanying notes.*

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APR 17 2023  
COLLECTION SECTION  
BIR-R004, Calasiao, Pangasinan





**PANGASINAN BANK (A RURAL BANK), INC.**  
Rizal Avenue, Poblacion, Mangaldan, Pangasinan

**STATEMENT OF INCOME**  
For the years ended December 31, 2023 and 2022  
(Amounts in Philippine Pesos)

	Notes	2023	2022
<b>INTEREST INCOME</b>	18		
Loans and receivables		24,324,393	27,504,145
Held-to-maturity Investments		1,064,951	502,972
Deposits with banks		2,725,533	995,635
		<b>28,114,877</b>	<b>29,002,752</b>
<b>INTEREST EXPENSE</b>	19		
Deposit Liabilities		1,910,826	1,436,506
		<b>1,910,826</b>	<b>1,436,506</b>
<b>OTHER INCOME</b>	20		
Miscellaneous		6,292,087	7,670,688
<b>TOTAL OPERATING INCOME</b>		<b>32,496,138</b>	<b>35,236,934</b>
<b>OPERATING EXPENSES</b>	21		
Employees' compensation and other benefits		16,251,245	15,452,222
Director's Fees		290,800	300,900
Taxes and Licenses		2,956,474	2,643,864
Other Administrative Expenses		7,520,081	10,823,758
Depreciation/ Amortization		2,033,956	2,109,062
Losses/Recoveries of Financial Assets		(826,803)	-
		<b>28,225,753</b>	<b>31,329,806</b>
<b>INCOME BEFORE TAX</b>		<b>4,270,385</b>	<b>3,907,128</b>
<b>PROVISION FOR INCOME TAX</b>	16 & 22	<b>(435,453)</b>	<b>(725,765)</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>3,834,931</b>	<b>3,181,363</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Unrealized market gain on plan assets	2		
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3,834,931</b>	<b>3,181,363</b>

*This statement should be read in conjunction with the accompanying notes.*

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BTR-RUC, Calasiao, Pangasinan



**PANGASINAN BANK (A RURAL BANK), INC.**  
Rizal Avenue, Poblacion, Mangaldan, Pangasinan

**STATEMENT OF CHANGES IN EQUITY**  
For the years ended December 31, 2021 and 2022  
(Amounts in Philippine Pesos)

	Paid-in Capital		Retained Earnings			Accumulated Other Comprehensive Income	Total Equity
	Preferred	Common	Reserve	Free	Undivided Profits		
Balance at 31 December, 2021	5,000,000	45,000,000	11,069,562.84	4,287,913	3,888,931	1,133,349	70,379,756
Dividends				(3,650,000)			(3,650,000)
Reserve for contingencies and self-insurance			32,943	207,011	(174,210)		65,744
Adjustments - Corporate income tax 2021				(359,743)			(359,743)
Adjustments (see A)E				359,743			359,743
Deficiency tax 2019				(445,659)			(445,659)
Transfers				3,888,931	(3,888,931)		-
Unrealized market gain/loss on retirement fund						(1,133,349)	(1,133,349)
Remeasurement of defined benefit assets and liabilities				4,695,344			4,695,344
Adjustments - SIDI (PAS-I)				(134,000)			(134,000)
Undivided Profits ending 12/31/2022					3,181,363		3,181,363
<b>Balance at 31 December, 2022</b>	<b>5,000,000</b>	<b>45,000,000</b>	<b>11,102,506</b>	<b>8,849,511</b>	<b>3,007,153</b>	<b>-</b>	<b>72,959,170</b>
Dividends				(2,750,000)			(2,750,000)
Reserve for contingencies and self-insurance			178,297	128,625			306,921
Deficiency tax 2022				(452,125)			(452,125)
Transfers				3,007,153	(3,007,153)		-
Bank entries in 2023				(393,730)		937,638	(393,730)
Adjustment on amortized HTM				136,918			136,918
Reversal of adjustment				393,730		(937,638)	393,730
Remeasurement of defined benefit assets and liabilities						698,937	698,937
Adjustment of Provision for income tax				(46,034)			(46,034)
Undivided Profits ending 12/31/2023					3,834,931		3,834,931
<b>Balance at 31 December, 2023</b>	<b>5,000,000</b>	<b>45,000,000</b>	<b>11,280,803</b>	<b>8,876,048</b>	<b>3,834,931</b>	<b>698,937</b>	<b>74,690,719</b>

*This statement should be read in conjunction with the accompanying notes.*

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COLLECTION SECTION  
312, 2004 Caisesian, Pangasinan



**PANGASINAN BANK (A RURAL BANK), INC.**

Rizal Avenue, Poblacion, Mangaldan, Pangasinan

**STATEMENT OF CASH FLOWS**

For the years ended December 31, 2023 and 2022

(Amounts in Philippine Pesos)

	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
PROFIT BEFORE TAX		4,270,385	3,907,128
<i>Adjustments to reconcile net income/retained earnings to net cash provided by operating activities:</i>			
Depreciation - BPFTE	10	1,298,770	2,109,062
Depreciation - ROPA		735,186	
Acc. Depr - ROPA Disposal		(26,919)	
Adjustments (see SCE)		646,618	3,182,081
<i>Changes in operating assets and liabilities</i>			
Decrease (Increase) in:			
Loans and Receivables	8	(9,938,915)	(7,861,307)
Unearned Interest and Discounts	7	-	-
Other Asset	12	574,456	(4,162,026)
Increase (Decrease) in:			
Deposit Liabilities	13	(12,264,755)	(3,406,791)
Other Liabilities	15	(375,906)	(2,202,886)
Unearned Income	14	(1,149,627)	(388,141)
Cash generated from operations		(16,230,706)	(8,822,880)
Income Taxes	16	(454,000)	(1,039,473)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>(16,684,706)</b>	<b>(9,862,354)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) Decrease in:			
Held-to-Maturity Financial Assets	9	(856,909)	2,265,339
Investment Properties	11	(1,359,574)	1,614,209
Disposal, Acc. Depreciation, Adjustments	10	(165,049)	(253,476)
Bank Premises, Furniture and Equipment	10	(538,284)	(216,269)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(2,919,817)</b>	<b>3,409,803</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash Dividends		(2,750,000)	(3,650,000)
Capital Infusion			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(2,750,000)</b>	<b>(3,650,000)</b>
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(22,354,522)</b>	<b>(10,102,551)</b>
<b>CASH BALANCE AT BEGINNING OF YEAR</b>			
Cash and Cash Equivalents	5	2,713,809	3,082,880
Due from Bangko Sentral ng Pilipinas	6	10,522,781	10,581,544
Due from Other Banks	7	159,909,729	169,584,446
		173,146,319	183,248,870
<b>CASH BALANCE AT END OF YEAR</b>			
Cash and Cash Equivalents	5	3,172,617	2,713,809
Due from Bangko Sentral ng Pilipinas	6	5,418,764	10,522,781
Due from Other Banks	7	142,200,416	159,909,729
		150,791,797	173,146,319

This statement should be read in conjunction with the accompanying notes.

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COLLECTION SECTION  
1111-R004, Malasao, Pangasinan



**PANGASINAN BANK (A RURAL BANK), INC.**

Rizal Avenue, Poblacion, Mangaldan, Pangasinan

**NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2023 and 2022

**Note 1 - Company Information**

Pangasinan Bank (A Rural Bank), Inc. was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) under registration number 69494. The Bank's main purpose is to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries and enterprises and to have and exercise all authority and powers and to do and perform all acts and transacts all business which may legally be had and done by rural bank organized under and in accordance with the Rural Bank's Act and transacts all business which may legally exist or be amended and to have all other things thereto and necessary and proper in connection with said purposes within such authority as may be determined by the Monetary Board of Bangko Sentral ng Pilipinas.

The bank's principal place of business is located at Rizal Avenue, Mangaldan, Pangasinan with branches in Pangasinan in the towns of Binmaley, San Fabian, Alaminos, Malasiqui and in Rosario, La Union.

The Board of Directors (BOD) of the bank has reviewed and approved the release of the accompanying financial statements for the year ended December 31, 2023 (including comparative figures for December 31, 2022) on April 5, 2024.

**Note 2 - Material Accounting Policy Information**

A summary of more significant policies and practices of the bank are set forth below to facilitate the understanding of data presented in the financial statements.

**Basis of Preparation**

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

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

**Restatement of Financial Statements**

The previously issued financial statements of the Bank for the year ended 31 December 2022 dated March 2, 2023 (Date of Auditor's report) have been withdrawn and are replaced by these issued comparative financial statements dated 08 April 2024 (Date of Auditor's report). The revision of 2022 financial statements was necessary as a result of the impact of correction of error pertaining to SI/DI classified as Prepaid expenses where it should have been part of Loans and Receivables and made adjustments to ECL thereafter.

**Currency of Presentation**

Unless otherwise stated, all amounts are expressed in Philippine Pesos (Php), the domestic currency. All financial information presented in Philippine Peso has been rounded-off to the nearest peso.





**Presentation of Financial Statements**

The statements of financial position of the Bank are presented in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 4.3.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks that are highly liquid, readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and which are subject to insignificant risk of changes in value. Due from BSP includes statutory reserves required by the Bank which the Bank considers as cash and cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

**Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended standards, which became effective in year 2023. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Bank:

**i. Amendments to PAS 12, Deferred Tax related to Assets and Liabilities from a Single Transaction (effective January 1, 2023)**

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

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

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

a. A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- a. Right-of-use assets and lease liabilities
- b. Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset

b. The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date



Earlier application is permitted.

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

The amendments change the requirements in PAS 1 with regard to the disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates that immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Early application is permitted in applying amendments to PAS 1. The amendments are applied prospectively. The amendments to PFRS Practice Statement 2 do not contain an effective date or transition requirements.

**iii. Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors –Definition of Accounting Estimates**

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

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- a. A change in accounting estimate that results from new information or new developments is not the correction of an error; and
- b. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Earlier application is permitted.

At the date of authorization of these financial statements, the Bank has not applied the following new and revised PFRS Standards that have been issued but are not yet effective.

- i. Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – Comparative Information (effective January 1, 2025)
- ii. Amendments to PFRS 17, Insurance Contracts (effective January 1, 2025)
- iii. Amendments to PAS 1, Classification of Liabilities as Current or Non-current (effective January 1, 2024)
- iv. Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred effectivity)





v. Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

**Fair Value Measurement**

For measurement and disclosure purposes, the Bank determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: a.) in the principal market for the asset or liability, or b.) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The carrying amounts of the financial assets and liabilities as at December 31 for both years approximate their fair values based on the bank's fair value hierarchy.



### **Classification, Measurement and Reclassification of Financial Assets**

#### *Classification and measurement of financial assets*

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a nonderivative and meets the definition of 'equity' for the issuer (under PAS 32, Financial Instruments: Presentation). All other non-derivative financial instruments are 'debt instruments'. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTOCI, and FVTPL. The classification depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### **Business model test**

The Bank determines its business model at the level that best reflects how it manages Banks of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- a. How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- b. The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed
- c. How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- d. The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### **SPPI test**

As a second step of its classification process, the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

#### *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

1. The asset is held within a business model with the objective to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.





Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of income. Gains and losses are recognized in the statement of income when the financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such assets are recognized in the statement of income under 'Provision for credit and impairment losses - net'. The effects of restatement on foreign currency-denominated financial assets at amortized cost are recognized in the statement of income.

The Bank classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Loans and receivables', 'Investment securities at amortized cost', if any, and certain financial assets, if any, under 'Other assets' as financial assets at amortized cost. This will also include, as prescribed by BSP Circular 1011 Appendix 33 Annex A, Held-to-Maturity Financial Assets.

*Financial Assets at FVTOCI*

Financial assets at FVTOCI include Available for Sale (AFS) Financial Assets.

*Financial Assets at FVTPL*

Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Bank has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Investments in equity instruments are classified as at FVTPL, unless the Bank designates an equity instrument that is not held for trading as at FVTOCI at initial recognition. The Bank's financial assets at FVTPL include government securities and private bonds held for trading purposes, or Financial Assets Held for Trading.

*Derivative Instruments*

Derivative instruments are initially recorded at fair value and carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of PFRS 9 (for example, financial liabilities and non-financial host contracts) are treated as separate derivatives when their risks and economic characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. The Bank assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only when there is a change to the contract that significantly modifies the contractual cash flows.

**Reclassification of financial assets**

The Bank can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Bank is required to reclassify as follows:

1. From amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met;
2. From FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
3. From amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.



Reclassification of financial assets designated as at FVTPL or equity financial assets at FVTOCI at initial recognition is not permitted. A change in the objective of the Bank's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

**Classification and Measurement of Financial Liabilities**

Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL or other financial liabilities at amortized cost.

**Financial liabilities at amortized cost**

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

These financial liabilities are measured initially at fair value, net of directly attributable transaction costs. After initial measurement, these liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy relates to the statement of financial position captions 'Deposit liabilities', 'Bills payable', 'Outstanding acceptances', 'Manager's checks', and certain financial liabilities under 'Accrued interest, taxes and other expenses' and 'Other liabilities' which are not designated at FVTPL.

**Cash and Cash Equivalents**

Cash includes cash on hand and in vault and checks and other cash items. Cash equivalents include highly liquid investments, if any, that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

**Due from Bangko Sentral ng Pilipinas**

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

**Due from Other Banks**

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

**Financial Assets Held for Trading**

This refers to the debt and equity securities that are:

- (1) acquired principally for the purpose of selling or repurchasing them in the near term; or
- (2) part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.



HFT securities shall be measured upon initial recognition at their fair value. Transaction costs incurred at the acquisition of HFT securities shall be recognized directly in profit or loss. After initial recognition, a bank shall measure HFT securities at their fair values without any deduction for transaction costs that it may incur on sale or other disposal. A gain or loss arising from a change in the fair value of HFT securities shall be recognized in profit or loss under the account "Gain/(Loss) on Financial Assets and Liabilities Held for Trading".

The Bank has no Financial Assets Held for Trading for the two years ended 31 December.

**Available-for-Sale (AFS) Financial Assets**

This refers to securities that are designated as available-for-sale, which shall be measured upon initial recognition at their fair value plus transaction costs that are directly attributable to the acquisition of securities. After initial recognition, a bank shall measure AFS at their fair values, without any deduction for transaction costs it may incur on sale or other disposal. A gain or loss arising from a change in the fair value of an AFS security shall be recognized directly in equity under the account "Net Unrealized Gains/(Losses) on AFS Financial Assets" and reflected in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss. Dividends on an AFS equity security are recognized in profit or loss when the financial institution's right to receive payment is established.

The Bank has no AFS Financial Assets for the two years ended 31 December.

**Held-to-Maturity (HTM) Financial Assets**

This refers to debt securities, quoted in an active market with fixed or determinable payments and fixed maturity that a bank has the positive intention and ability to hold to maturity other than:

- (a) those that meet the definition of Financial Assets Designated at Fair Value Through Profit or Loss; or
- (b) those that the financial institution designates as Available for Sale Securities (AFS).

**Loans and Receivables**

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

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

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

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





- 1) Pass. These are loans and other credit accommodations that do not have a greater-than normal credit risk. The borrower has the apparent ability and willingness to satisfy obligations in full and therefore no loss in ultimate collection is anticipated.
- 2) Especially Mentioned (EM). These are loans and other credit accommodations that have potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may affect the repayment of the loan.
- 3) Substandard. These are loans and other credit accommodations that have well-defined weaknesses that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
- 4) Doubtful. These are loans and other credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors which strengthen the assets.
- 5) Loss. These are loans and other credit accommodations which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. This shall be viewed as a transitional category for loans and other credit accommodations which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

Credit exposures shall be classified into three stages using the following time horizons in measuring ECL:

Stage of credit impairment	Characteristics	Time horizon in measuring ECL
Stage 1	Credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	Twelve (12) months
Stage 2	Credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	Lifetime
Stage 3	Credit exposures with objective evidence of impairment, thus, considered as "non-performing."	Lifetime

Following the "Basic Guidelines in Setting Up of Allowance for Credit Loss", as a general rule, Especially Mentioned and Substandard - Underperforming [e.g., substandard accounts that are unpaid or with missed payment of less than ninety (90) days] shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss accounts shall be considered as Stage 3 accounts.

The loan loss estimation of the bank be subject to the following guidelines:

- 1. Individually Assessed Credit Exposure:(include investments in debt securities measured at fair value through other comprehensive income and amortized cost, loan commitments, sales contract receivables, accounts receivables, accrued interest receivables, and advances).





A. Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments as follows:

For unsecured loans and other credit exposures:			
No. of Days Unpaid/with Missed Payment	Classification	Minimum ACL	Stage
31 - 90 days	Substandard (underperforming)	10%	2
91 - 120 days	Substandard (non-performing)	25%	3
121 - 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3
For secured loans and other credit exposures:			
No. of Days Unpaid/with Missed Payment	Classification	Minimum ACL	Stage
31 - 90 days x	Substandard (underperforming)	10%	2
91 - 180 days x	Substandard (non-performing)	10%	3
181 - 365 days	Substandard (non-performing)	25%	3
Over a year-5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

x When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%.

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

B. Loans and other credit exposures that exhibit the characteristics for classified accounts described under Subsection x178.17/4178Q.17/4191N.16 shall be provided with ACL as follows:

Classification	Minimum ACL	Stage
Especially Mentioned	5%	2
Substandard - Secured	10%	2 or 3x
Substandard - Unsecured	25%	2 or 3x
Doubtful	50%	3
Loss	100%	3

x The stage depends on whether the accounts are classified as non-performing (Stage 3) or underperforming (Stage 2).

2. Collectively Assessed Loans and Other Credit Exposures. (include microfinance loans, micro enterprises and smallbusiness loans and consumer loans such as salary loans, credit card receivables, auto loans, housing loans and other consumption loans, and other loantypes which fall below the FI's materiality threshold for individual assessment.)

For unsecured loans and other credit exposures:		
No. of Days		



Unpaid/with Missed Payment *	Classification	Minimum ACL	Stage
1 - 30 days	Especially Mentioned	2%	2
31 - 60 days /1st restructuring	Substandard	25%	2 or 3 x
61 - 90 days	Doubtful	50%	3 #
91 days and over / 2nd restructuring	Loss	100%	3

\* Par for microfinance loans

x The stage depends on whether the accounts are classified as non-performing (Stage 3) or underperforming (Stage 2).

# Subsection X306.2/4306Q.2/4306N.2 provides that doubtful accounts are considered as non-performing hence, shall be classified under Stage 3 notwithstanding the number of missed amortizations.

For secured loans and other credit exposures:				
No. of Days Unpaid/with Missed Payment	Classification	ACL %		
		Other Types of Collateral	Secured by Real Estate	Stage
31 - 90 days	Substandard (underperforming)	10%	10%	2
91 - 120 days	Substandard (non-performing)	25%	15%	3
121- 360 days	Doubtful	50%	25%	3
351 days - 5 years	Loss	100%	50%	3
Over 5 years	Loss	100%	100%	3

**General and Specific Provisions for Loan Accounts**

1. The Bank shall treat Stage 1 provisions for loan accounts as General Provision (GP), while Stages 2 and 3 provisions shall be treated as Specific provisions (Sp).

2. The Bank shall set up general loan loss provision (GLLP) equivalent to one percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. The Banks is not required to provide a one percent (1%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments.

3. Allowance for credit losses for Stages 1, 2, and 3 accounts shall be recognized in profit or loss statement. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1 percent GP required, the deficiency shall be recognized by appropriating the Retained Earnings account (Bank shall use Retained Earnings Reserve - others as temporary account of Retained Earnings- General Provision).. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in RE shall be considered as Tier 2 capital subject to the limit provided under the Capital Adequacy Ratio (CAR) framework.

*(As a temporary presentation in CAR reports, the Retained Earnings (RE) included in Common Equity Tier (CET)/Core Tier 1 shall be net of RE-GP. In computing Tier 2 Capital, the General Loan Loss provision (GLLP) shall include the RE-GP. However, the GLLP added back to on-balance sheet assets subject to risk-weight shall not include the RE-GP since when appropriating the RE, total assets is not affected.)*



**Bank Credit Analysis**

Bank credit analysis involves verifying and determining the creditworthiness of a potential client by looking at their financial state, credit reports, and business cash flows. The goal of credit analysis is to determine the level of default risk that a client presents to the company and the losses that the bank will suffer if the client defaults. The risk level that a client presents determines whether the bank will approve or reject the loan application, and if approved, the amount to be awarded.

The Bank's system of credit analysis and methodology is in accordance with section 143 of the MORB. See 'Credit Risk' for additional information.

**Sales Contract Receivables**

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

**Investment in Associates**

This refers to the cost of the bank's investments in the equity instruments of associates, which shall be accounted for using the equity method. As provided under PAS 28, an associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist if an investor holds, directly or indirectly through subsidiaries, 20 percent or more of the voting power of the investee, unless it can be clearly demonstrated that that is not the case. Conversely, if the investor holds, directly or indirectly through subsidiaries, less than 20 percent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. Under the equity method, profit and loss from the investee increase the investment account by an amount proportionate to the bank's shares in the investee. This is known as the "equity pick-up." Dividends paid out by the investee are deducted from this account.

The Bank has no Investment in Associates for the two years ended 31 December.

**Unearned Income**

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

**Bank premises, furniture, fixtures and equipment**

Properties and equipment are initially measured at cost less any subsequent accumulated depreciation. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

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

Major spare parts and stand-by equipment qualify as properties and equipment when the bank expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of properties and equipment, they are accounted for as properties and equipment.





Estimated future dismantlement costs of items of properties and equipment arising from legal or constructive obligations are recognized as part of properties and equipment and are measured at present value at the time when the obligation was incurred.

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

Buildings and improvements	10-20 years
Office equipment	3-5 years
Furniture and fixtures	5-10 years
Transportation equipments	3-5 years
Information and technology	1-3 years
Leasehold improvement	3-5 years

Stand-by equipment is depreciated from the date it is made available for use over the shorter of the life of the stand-by equipment or the life of the asset the stand-by equipment is part of while major spare parts are depreciated over the period starting when it is brought into service, continuing over the lesser of its useful life and the remaining expected useful life of the asset to which it relates. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

**Investment Properties**

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dation in payment shall be booked initially at the carrying amount of the loan plus booked accrued interest less allowance for probable losses plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property); Provided, That where the booked amount of ROPA exceeds the appraised value of the acquired property, an allowance for probable losses equivalent to the excess of the amount booked over the appraised value shall be set up; Provided, further, That if the carrying amount of ROPA exceeds P5 million, the appraisal of the foreclosed/ purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

The carrying amount of ROPA shall be allocated to land, building, other non-financial assets and financial assets (e.g., receivables from third party or equity interest in an entity) based on their fair values, which allocated carrying amounts shall become their initial costs.

The non-financial assets portion of ROPA shall remain in ROPA and shall be accounted for as follows:

1. Land and buildings shall be accounted for using the cost model under PAS 40 "Investment Property"
2. Other non-financial assets shall be accounted for using the cost model under PAS 16 "Property Plant and Equipment"
3. Buildings and other non-financial assets shall be depreciated over the remaining useful life of the assets, which shall not exceed ten years and three years from the date of acquisition, respectively; and
4. Land, buildings and other non-financial assets shall be subject to the impairment provisions of PAS 36 "Impairment".

ROPAs that comply with the provisions of PFRS 5 "Non-Current Assets Held for Sale" shall be reclassified and accounted for as such.

**Other Assets**



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

**Financial Liabilities**

Financial liabilities include Deposit Liabilities, other non-interest bearing borrowings and advances from affiliates if any. Financial liabilities are recognized when the bank becomes a party to the contractual provisions of the instrument.

**Deposit Liabilities**

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

**Bills payable**

This refers to the amortized cost of obligations to the BSP or the amortized cost of borrowings from other banks and non-bank financial institutions with quasi-banking authority, other than those payable on call/demand.

**Other Liabilities**

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

**Paid-in Capital / Share Capital**

Share capital is determined using the nominal value of shares that have been issued and fully paid. The costs of acquiring bank's own shares are shown as a deduction from equity attributable to the bank's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the bank's equity holders.

**Deposits for Stock Subscription**

Deposits for stock subscription refer to payments made by existing stockholders or new subscribers of the bank on subscription to the increase in the authorized capital, which may be recognized either as a liability or equity. Deposits for stock subscription shall be recognized as part of equity for prudential reporting purposes when all of the conditions set forth in the 2020 MORB section 123.

**Retained Earnings**

Retained earnings include all current and prior period results as disclosed in the statement of income. Retained earnings free pertains to unappropriated portion of the retained earnings. Retained earnings reserve pertains to appropriated portion of the retained earnings. Accumulated Other Comprehensive Income pertains to unrealized gains and losses in the fair market value of retirement and other investment items.

**Revenue Recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Bank has concluded that it is acting as principal in all of its revenue arrangements.

PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:



- a. Identify the contract(s) with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligation in the contract
- e. Recognize revenue when (or as) the entity satisfies a performance obligation

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires the Bank to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The following specific recognition criteria must also be met before revenue is recognized:

*Service charges and penalties*

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectibility.

*Fees and commissions*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees, corporate finance fees, and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

*Miscellaneous income*

Income from the sale of services is recognized upon completion of service. Income from sale of properties is recognized upon completion of earnings process and the collectibility of the sales price is reasonably assured under 'Gain from sale of non-financial asset (ROPAY)' in the statement of income.

*Interest income*

Interest on interest-bearing financial assets at FVTPL and Held-for-Trading (HFT) investments are recognized based on the contractual rate. Interest on financial instruments measured at amortized cost and FVTOCI are recognized based on the effective interest method of accounting.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Bank estimates cash flows from the financial instrument (e.g., prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.





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

- Interest Income is recognized as the interest accrues (taking into account the effective yield on the asset).
- Service charges and commissions are recognized on an accrual basis, when the service has been provided, unless collectibility is in doubt.
- Gain on sale of acquired assets is recognized if transactions indicate that the full ownership is transferred to the acquiree
- Miscellaneous income comprise of processing fees, banking fees and insurance. These are recognized on an accrual basis when the service has been provided, unless collectibility is in doubt.

**Retirement Benefits**

The year-end status of the Bank's retirement plan is as follows:

The assets recognized for retirement/pensions consists of the following amounts:

	2023	2022
Fair Value of Plan Assets	10,783,687	10,573,481
Less: Benefit Obligations	(8,588,689)	(9,077,421)
<b>Net Defined Benefit Asset/(Liability)</b>	<b>2,194,998</b>	<b>1,496,060</b>

A reconciliation of the Bank's benefit obligation and plan assets to the amounts presented in the statement of financial position for each of the reporting periods is presented below:

**Plan assets**

	2023	2022
Principal beginning	8,999,283	7,495,230
Retained Earnings	1,461,203	1,549,204
Contributions		1,617,548
Withdrawals	(500)	(500)
Net Income	323,701	(88,001)
Unrealized Market Gain/(loss) - Other Comprehensive		
<b>Fair Value of Plan Assets</b>	<b>10,783,687</b>	<b>10,573,481</b>

**Defined benefit obligation**

	2023	2022
Defined benefit obligation, beginning	9,077,421	7,695,952
Current service cost	1,622,314	1,381,469
Remeasurement - actuarial demographic assumptions	(2,111,045)	
Benefits paid		
<b>Defined benefit obligation, end</b>	<b>8,588,689</b>	<b>9,077,421</b>

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy.

As additional information for funding, a 5-year cash flow projection is as follows: (assuming 3% annual interest to be earned by the retirement fund and no optional retirement availed)

Year	Fund beg.	Contribution	Benefit Payments	Interest	Fund end.
2024	10,783,687			323,511	11,107,198
2025	11,107,198			333,216	11,440,413



2026	11,440,413	343,212	11,783,626
2027	11,783,626	353,509	12,137,135
2028	12,137,135	364,114	12,501,249
<b>Total</b>		<b>1,717,562</b>	

**Maximum exposure to credit risk before collateral held**

	2023	2022
Loans and receivables	208,717,467	198,778,553
Loan Commitments	None	None

**Interest Rate Risk Management**

Interest rate risk results from mismatches between asset and liability positions which are subject to unfavourable movements in interest rates with potentially adverse impact on margins, net interest income and economic value of a bank's assets, liabilities and shareholders' value. Interest rate risk may be measured using methods which include sensitivity analysis and simulation modelling. The Bank has its Interest Rate Risk Policy in which risks limits are laid down. The Average Yield of Interest-Generating Assets and Average Cost of Interest-Bearing Deposits for both years are presented as follows:

2023	Average balance	Interest Inc./Exp	Average return/cost
<b>Assets</b>			
Loan and receivables	203,748,010	24,324,393	11.94%
Investments	26,401,386	1,064,951	4.03%
Due from local banks	151,055,072	2,725,533	1.80%
<b>Total interest-generating assets</b>	<b>381,204,469</b>	<b>28,114,877</b>	<b>7.38%</b>
<b>Total non-interest generating assets</b>	<b>24,154,728</b>	<b>-</b>	<b>0.00%</b>
<b>Total average assets</b>	<b>405,359,196</b>	<b>28,114,877</b>	<b>6.94%</b>
<b>Liabilities</b>			
Deposits	336,389,499	1,910,826	0.57%
Bills payable	-	-	0.00%
<b>Total interest-earning liabilities</b>	<b>336,389,499</b>	<b>1,910,826</b>	<b>0.57%</b>
<b>Total non-interest bearing liabilities</b>	<b>6,058,738</b>	<b>-</b>	<b>0.00%</b>
<b>Total average liabilities</b>	<b>342,448,237</b>	<b>1,910,826</b>	<b>0.56%</b>
Net interest income	26,885,149		
Net interest spread	24,240,603		
Net interest margin	6.93%		
<b>2022</b>			
<b>Assets</b>			
Loan and receivables	174,674,441	27,504,145	15.75%
Investments	26,938,251	502,972	1.87%
Due from local banks	174,125,424	995,635	0.57%
<b>Total interest-generating assets</b>	<b>375,738,116</b>	<b>29,002,752</b>	<b>7.72%</b>
<b>Total non-interest generating assets</b>	<b>44,789,577</b>	<b>7,670,688</b>	<b>17.13%</b>
<b>Total average assets</b>	<b>420,527,693</b>	<b>36,673,440</b>	<b>8.72%</b>
<b>Liabilities</b>			
Deposits	340,423,377	1,436,506	0.42%
Bills payable	-	-	0.00%
<b>Total interest-earning liabilities</b>	<b>340,423,377</b>	<b>1,436,506</b>	<b>0.42%</b>
<b>Total non-interest bearing liabilities</b>	<b>6,919,076</b>	<b>-</b>	<b>0.00%</b>
<b>Total average liabilities</b>	<b>347,342,452</b>	<b>1,436,506</b>	<b>0.41%</b>



Net interest income	25,806,664
Net interest spread	23,390,939
Net interest margin	6.89%

**4.3 Liquidity Risk Management**

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

The liquidity policy of the Bank is to ensure that it:

- can meet its financial obligations as they fall due in the normal course of business; and
  - maintains an adequate stock of highly liquid assets to enable it to meet unexpected funding needs at short notice.
- The Bank's liquidity policy requires establishment and maintenance of three lines of defense:
- Cashflow management where the Bank creates a continuously maturing stream of assets and liabilities;
  - Maintenance of a liquid assets portfolio; and
  - Maintenance of a diversified liability base.

The following table presents the Bank's assets and liabilities for both years, analyzed according to when they are expected to be recovered or settled within one year and beyond one year:

2023	Within 1 year	1-5 years	5 years over
Cash and Cash Equivalents	3,172,617		
Due from Bangko Sentral ng Pilipinas	5,418,764		
Due from Other Banks	142,200,416		
Loans and Receivables (gross less discount)	208,717,467		
Held-to-Maturity Financial Assets	26,829,841	-	
Bank premises, furniture, fixtures and equipment		8,957,618	
Investment properties		11,079,711	
Other assets		3,858,105	
Deposit liabilities	(330,257,122)		
Unearned Income	(3,142,034)		
Other liabilities	(2,144,665)		
<b>Total</b>	<b>50,795,285</b>	<b>23,895,435</b>	<b>-</b>

2022	Within 1 year	1-5 years	5 years over
Cash and Cash Equivalents	2,713,809		
Due from Bangko Sentral ng Pilipinas	10,522,781		
Due from Other Banks	159,909,729		
Loans and Receivables (gross less discount)	198,778,553		
Held-to-Maturity Financial Assets		25,972,932	
Bank premises, furniture, fixtures and equipment		9,553,055	
Investment properties		10,428,404	
Other assets		4,432,561	
Deposit liabilities	(342,521,876)		
Unearned Income	(4,291,661)		
Other liabilities	(2,493,082)		
<b>Total</b>	<b>22,618,252</b>	<b>50,386,952</b>	<b>-</b>

The Minimum Liquidity Ratios for both years are shown below:

	2023	2022
A. Stock of Liquid Assets		





Cash on hand	3,172,617	2,713,809
Bank reserves on the BSP	5,418,764	10,522,781
Deposits with other local banks	142,200,416	159,909,729
<b>Total</b>	<b>150,791,797</b>	<b>173,146,319</b>
<b>B. Qualifying Liabilities</b>		
Total on-balance sheet liabilities	335,516,332	349,352,654
<b>Minimum Liquidity Ratio (after audit adjustments)</b>	<b>44.94%</b>	<b>49.56%</b>

**4.5 Capital Risk Management**

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

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

**Composition of managed capital**

	Note	2023	2022
Share Capital	17	50,000,000	50,000,000

**Note 5 - Cash and cash equivalents**

	2023	2022
Cash on hand and in vault	3,172,617	2,713,809

**Note 6 - Due from Bangko Sentral ng Pilipinas**

	2023	2022
Due from Bangko Sentral ng Pilipinas	5,418,764	10,522,781

'Due from BSP' account represents the aggregate balance of noninterest-bearing peso deposit account with the BSP which the Bank maintains primarily to meet reserve requirements.

Circular 1092 series of 2020 prescribed the required rates on the required reserves against demand, savings and time deposits of 2%. However, BSP issued Circular 1175 series of 2023 prescribes a 1% reserve requirements effective 30 June 2023. The bank has complied with this provision. The required reserves are broken down as follows:

	2023	2022
Savings deposits	4,953,857	6,850,438
Time Certificate of Deposits		
Demand Deposits		
<b>Required Reserves</b>	<b>4,953,857</b>	<b>6,850,438</b>

**Note 7 - Due from Other Banks**

	2023	2022



Private Banks		
Commercial Banks	114,924,032	110,409,271
Rural Banks & Thrift Banks	11,286,989	11,980,198
Government Banks		
Land Bank of the Phils	5,137,705	4,962,429
Development Bank of the Phils	10,851,690	32,557,830
	<u>142,200,416</u>	<u>159,909,729</u>

**Note 8 - Loans and Receivables**

	2023	2022
Receivables from borrowers	211,943,747	203,416,208
Sales Contract Receivable	3,553,864	5,169,631
	<u>215,497,611</u>	<u>208,585,840</u>
Allowance for credit losses		
Receivable from borrowers	(6,780,144) ✓	(9,807,287)
SCR		
	<u>(6,780,144)</u>	<u>(9,807,287)</u>
Unearned interest and discounts		
Loans and receivables, net	<u>208,717,467</u>	<u>198,778,553</u>

The following table shows the percentage of loans receivable, net of unamortized discount, to equity as at December 31:

	2023	2022
Percentage of loans to equity	298%	299%
Percentage of DOSRI to equity	0%	0%
Percentage of RPT to equity	5%	2%

The movements in allowance for credit losses on loans and receivables from borrowers are as follows:

	2023	2022
Balance at beginning of year	9,807,287	9,673,257
Provision for credit losses on loans and receivables	11,053	
Others (Transfer to ROPA/write-offs/other adjustments)	(3,038,197)	134,030
Balance at end of year	<u>6,780,144</u> ✓	<u>9,807,287</u>

The following table shows the secured and unsecured portions of receivables from borrowers, as at December 31:

	2023		2022	
	Amount	%	Amount	%
NON-DOSRI				
Secured portion				
REM Residential	2,811,036	1%	3,027,192	1%
REM Commercial	17,222,420	8%	16,021,105	8%
REM Agricultural	6,016,142	3%	6,013,572	3%
Other Collateral	185,364,397	87%	177,933,760	87%
Unsecured portion	529,751	0%	420,579	0%
	<u>211,943,747</u>	<u>100%</u>	<u>203,416,208</u>	<u>100%</u>

The following table shows the receivables from borrowers, classified as to terms as at December 31:



Classified as to terms:	2023	2022
Short term (1 year or less)	4,206,625	1,518,349
Medium term (Over 1 year to 5 years)	41,853,630	72,660,162
Long term (Over 5 years)	165,883,492	129,237,698
	211,943,747	203,416,208

As at December 31 information on the concentration of loans and receivables, as to industry follows:

	2023		2022	
	Amount	%	Amount	%
Agriculture, Forestry and Fishing	4,826,900	2%	6,013,572	3%
Construction	3,842,258	2%		
Wholesale and Retail Trade				
Repair of Motor Vehicles and Motorcycles	5,591,508	3%	16,021,105	8%
Transportation, Storage & Comm	46,758,176	22%		
Financial Intermediation	593,201	0%		
Real Estate Activities	3,540,562	2%	3,027,192	1%
Public Administration & Defense	421,886	0%		
Education	347,238	0%		
Health and Social Work	111,159	0%		
Other Community, Social & Pet.	5,439,133	3%		
Private Households	983,308	0%		
Other Service Activities			1,794,445	1%
Motor loans	138,677,324	65%	176,139,315	87%
For Household Consumption	811,094	0%	420,579	0%
	211,943,747	100%	203,416,208	100%

The BSP considers that loan concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentrations of credit risks are controlled and managed accordingly except those that are under 'Motor Loans'.

As per MORB section 344, the Bank discloses loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.0% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.0% of total loan portfolio, whichever is lower. As at December 31 the Bank is in compliance with the regulatory requirements. As at December 31 DOSRI accounts under the existing regulations are shown in the table below (as reported to BSP):

	2023		2022	
	DOSRI loans	Related Party Loans	DOSRI loans	Related Party Loans
Outstanding loans	-	3,366,820	-	1,311,256
Percentage to total loan portfolio	0%	1.59%	0%	0.69%
Percentage of unsecured to total loan portfolio	0%	1.59%	0%	0.69%
Percentage of past due to total loan portfolio	0%	0%	0%	0%
% of unsecured to DOSRI/RPL	0%	100%	0%	100%





% of non-performing unsecured to DOSRI/RPL	0%	0%	0%	0%
Percentage of non-performing to total loan portfolio	0%	0%	0%	0%

The following table shows the receivables from borrowers, net of unamortized discount, classified as to status as at December 31:

**Classified as to status of loans for 2023**

	Current	Past Due	Non-Performing	Total
1. Agrarian reform/Other agri. Cr.				
a. Agrarian reform loans			42,512	42,512
b. Other agricultural credit loans	2,360,299		3,613,331	5,973,630
2. SME loans				
a. Small scale	11,530,060	1,390,141	69,462	12,989,663
b. Medium scale	4,232,757			4,232,757
3. Loans for housing purposes	2,361,832	232,210	216,994	2,811,036
4. Loans for auto loans	168,568,991	8,967,719	3,530,167	181,066,876
5. Loans for other personal use	529,751			529,751
6. Loans for other purposes	3,971,249		326,272	4,297,521
<b>Total</b>	<b>193,554,939</b>	<b>10,590,070</b>	<b>7,798,738</b>	<b>211,943,747</b>

**Classified as to status of loans for 2022**

	Current	Past Due	Non-Performing	Total
1. Agrarian reform/Other agri. Cr.				
a. Agrarian reform loans			114,991	114,991
b. Other agricultural credit loans	2,164,803		3,733,778	5,898,581
2. SME loans				
a. Small scale	8,971,493	634,540	2,141,600	11,747,632
b. Medium scale	4,273,473			4,273,473
3. Loans for housing purposes	2,494,045		533,148	3,027,192
4. Loans for auto loans	162,449,185	7,263,770	6,426,360	176,139,315
5. Loans for other personal use	420,579			420,579
6. Loans for other purposes	1,044,715	362,732	386,998	1,794,445
<b>Total</b>	<b>181,818,292</b>	<b>8,261,042</b>	<b>13,336,874</b>	<b>203,416,208</b>

**Note 9 - Held-to-Maturity Financial Assets**

	2023	2022
HTM Investments	27,012,000	26,166,104
Unamortized interest and discounts	(182,159)	(193,172)
	<b>26,829,841</b>	<b>25,972,932</b>

Classified as Financial Assets at Amortized Cost, these quoted T-bills and bonds have fixed annual interest rates ranging from 3.150% to 10.00%. The terms of these investments range from 1 to 7 years. These refer to debt securities, quoted in an active market with fixed or determinable payments and fixed maturity that a bank has the positive intention and ability to hold to maturity.

**Note 10 - Bank Premises, Furniture, Fixtures and Equipment**

Cost	2023			Ending Balance
	Beg. Balance	Additions	Disposal	



Land	2,449,774			2,449,774
Bank premises-building	20,400,626			20,400,626
IT Equipment	4,419,727	3,093		4,422,820
Furniture and Fixtures	3,041,623	23,727		3,065,350
Transportation equipment	3,199,049	511,464		3,710,513
Leasehold improvement	463,192			463,192
<b>Total</b>	<b>33,973,991</b>	<b>538,284</b>	<b>-</b>	<b>34,512,276</b>

<b>Accumulated Depreciation and Amortizations</b>				
Bank premises-building	14,445,182	715,745		15,160,927
IT Equipment	3,986,370	248,732	60,525	4,174,578
Furniture and Fixtures	2,645,220	242,171	104,524	2,782,867
Transportation equipment	3,182,047	45,803		3,227,849
Leasehold improvement	162,117	46,319		208,436
<b>Total</b>	<b>24,420,936</b>	<b>1,298,770</b>	<b>165,049</b>	<b>25,554,657</b>

	2022			
<b>Cost</b>	<b>Beg. Balance</b>	<b>Additions</b>	<b>Disposal</b>	<b>Ending Balance</b>
Land	2,449,774			2,449,774
Bank premises-building	20,400,626			20,400,626
IT Equipment	4,222,935	196,792		4,419,727
Furniture and Fixtures	3,022,145	19,477		3,041,623
Transportation equipment	3,199,049			3,199,049
Leasehold improvement	463,192			463,192
<b>Total</b>	<b>33,757,722</b>	<b>216,269</b>	<b>-</b>	<b>33,973,991</b>

<b>Accumulated Depreciation and Amortizations</b>				
Bank premises-building	13,596,722	848,460		14,445,182
IT Equipment	3,689,958	313,114	16,702	3,986,370
Furniture and Fixtures	2,665,163	216,832	236,775	2,645,220
Transportation equipment	3,182,047			3,182,047
Leasehold improvement	115,798	46,319		162,117
<b>Total</b>	<b>23,249,687</b>	<b>1,424,725</b>	<b>253,476</b>	<b>24,420,936</b>

<b>Carrying Values</b>	<b>2023</b>	<b>2022</b>
Land	2,449,774	2,449,774
Bank premises-building	5,239,699	5,955,444
IT Equipment	248,243	433,357
Furniture and Fixtures	282,483	396,403
Transportation equipment	482,664	17,002
Leasehold improvement	254,756	301,075
<b>Total</b>	<b>8,957,618</b>	<b>9,553,055</b>

<b>Schedule of Depreciation</b>	<b>2023</b>	<b>2022</b>
Bank premises-building	715,745	848,460
IT Equipment	248,732	313,114
Furniture and Fixtures	242,171	216,832
Transportation equipment	45,803	-
Leasehold improvement	46,319	46,319
<b>Total Depreciation</b>	<b>1,298,770</b>	<b>1,424,725</b>



**Note 11 - Investment Properties**

	2023	2022
Real and other properties acquired	15,057,539	13,697,965
Accumulated depreciation	(3,688,913)	(2,980,647)
Allowance for losses	(288,915)	(288,915)
	11,079,711	10,428,404

**Note 12 - Other Assets**

	2023	2022
Petty cash fund	13,000	13,000
Accounts receivable	9,281,036	8,791,160
Stationeries and supplies	121,332	101,451
Prepaid expenses	69,023	113,199
Deficiency judgment receivable	166,070	166,070
Other investments - telecom/others	70,602	1,688,149
Net defined benefit asset	2,194,998	1,496,060
Miscellaneous assets	454,456	575,883
Deposits with Closed Banks	16,101,323	16,101,323
Impairment allowance	(24,613,735)	(24,613,735)
	3,858,105	4,432,561

**Note 13 - Deposit Liabilities**

	2023	2022
Savings deposits - active	330,257,122	342,521,876
Savings deposits - dormant	-	-
Total Deposit Liabilities	330,257,122	342,521,876

	2023		2022	
	No. of Accounts	Amount	No. of Accounts	Amount
Savings deposits - active	5,326	330,257,122	5,281	342,521,876
Savings deposits - dormant	-	-	-	-
Total	5,326	330,257,122	5,281	342,521,876

Interest rates for regular deposits is at 0.25% per annum. Time deposits, however, is at .5% to .75% per annum depending on the amount and duration of the holding period.

**Note 14 - Unearned Income**

	2023	2022
Other deferred credits	19,313	9,732
Deferred gross profit in asset sold	3,122,721	4,281,928
Total Unearned Income	3,142,034	4,291,661

**Note 15 - Other Liabilities**

	2023	2022
Accrued interest payable	352,416	130,988



Contributions payable	237,834	220,178
Accrued expenses	886,896	945,688
Net defined benefit liability		-
Other liabilities	508,946	434,186
Accounts payable - ROPA	-	679,731
Withholding taxes payable	131,084	82,311
<b>Total Other Liabilities</b>	<b>2,117,176</b>	<b>2,493,082</b>

**Note 16 - Income Tax Payable / (Income Tax Credit)**

Income Tax Payable is computed as follows:

	Note	2023	2022
Minimum Corporate Income Tax	22	195,462	271,044
Regular Income Tax	22	435,453	725,765
Regular Income tax / MCIT (whichever is higher)		435,453	725,765
Add: Previous year's accountability			
Less: Payments			
Prior year's excess credit			
Quarterly tax payments			
Creditable tax withheld (see attached schedule)		(407,965)	(679,731)
<b>Income tax payable/(Income tax credit)</b>		<b>27,488</b>	<b>46,035</b>

**Note 17 - Share Capital / Retained Earnings**

	2023		2022	
	Common	Preferred	Common	Preferred
<b>Authorized Capital Stock</b>				
Amount	45,000,000	5,000,000	45,000,000	5,000,000
No of shares	450,000	50,000	450,000	50,000
Par value per share	100	100	100	100
<b>Issued and Outstanding</b>				
Amount	45,000,000	5,000,000	45,000,000	5,000,000
No of shares	450,000	50,000	450,000	50,000

Preferred shares has the following features: (a) Both Class A and B with a total of 50,000 shares have a fixed 10.0% cumulative dividends and are non-voting, (b) 25,000 Class A preferred shares are convertible after five (5) years and its optional, and (c) 25,000 Class B preferred shares are non-convertible.

The bank, in its BOD meeting dated November 8, 2022 announced the intention to apply for a downgrade of its Rosario branch into a Branch Lite unit in order to comply with the new capitalization requirement for rural banks under Circular No. 1151. The downgrade of its branch is still under pending approval by BSP.

**Dividend Declaration**

On January 26, 2022, the board of directors has approved the declaration of 7% cash dividends to all common shares and 10% cash dividend to all preferred shares with a total amount of P 3,650,000 based on the list of stockholders as of December 31, 2020.

On January 28, 2023, the board of directors has approved the declaration of 7% cash dividends to all common shares and 10% cash dividend to all preferred shares with a total amount of P 3,650,000 based on the list of stockholders as of December 31, 2022.





**Note 18 - Interest Income**

	2023	2022
Loans and receivables	24,324,393	27,504,145
Held-to-maturity investments	1,064,951	502,972
Deposits with banks	2,725,533	995,635
<b>Total Interest Income</b>	<b>28,114,877</b>	<b>29,002,752</b>

This account refers to interest earned and/ or actually collected from the borrowers. The banks follows the accrual method of accounting in recognizing interest income on customer accounts. Accordingly, unearned discount is amortized over the term of the loan.

The interest rates applied to loans and receivables varies depending on type of loans or services provided. It ranges from 8% to 31% for terms 12 months to 60 months respectively for financing of brand new cars. Rates of financing second hand cars, REM loans and Hold-out deposits charge different rates.

**Note 19 - Interest Expense**

	2023	2022
Interest expense	1,910,826	1,436,506
	1,910,826	1,436,506

This account refers to payments and or monthly accruals of interest on deposits. The computation of savings deposit is on quarterly basis while the time/special savings deposit are on monthly accruals.

**Note 20 - Non - Interest income**

	Note	2023	2022
Service charges and commissions		119,371	147,838
Gain from sale of non-financial asset (ROPA)		4,023,446	5,955,911
Miscellaneous income	2	2,149,271	1,566,938
<b>Total Non-Interest Income</b>		<b>6,292,087</b>	<b>7,670,688</b>

**Note 21 - Non - Interest expenses**

	2023	2022
<b>Employees' Compensation &amp; Other Benefits</b>		
Salaries and Wages	9,847,662	9,464,976
Fringe Benefits	3,075,657	3,186,556
SSS, Philhealth, and other contributions	1,290,411	1,162,775
Medical, Dental and Hospitalization	415,201	256,446
Contribution to Retirement/Provident Fund	1,622,314	1,381,469
Director's Fees	290,800	300,900
Taxes and Licenses	2,956,474	2,643,864
<b>Other Administrative Expenses</b>		
Advertising and publicity	67,425	48,044
Documentary stamps used	176	24,712
Donations and charity	6,500	33,508
Fines and penalties	40,500	-

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Fuels and lubricants	246,181	493,259
Information and technology	39,299	89,171
Insurance PDIC	674,486	711,032
Insurance expenses	216,096	228,031
Litigation	357,234	265,194
Management & other professional fees	380,605	343,000
Membership fees and dues	78,106	97,324
Other expenses	556,096	3,042,473
Periodicals and magazines	6,414	8,467
Postage, telephone, cable and telegrams	676,817	685,551
Power, light and water	664,270	766,278
Rent	253,200	253,200
Reparis and maintenance	747,135	597,940
Representation and entertainment	196,665	398,871
Security, clerical, messenger & janitorial	1,779,805	2,005,894
Stationery and supplies used	184,142	241,843
Supervision	63,517	58,763
Travelling expenses	285,413	431,205
Depreciation/Amortization	2,033,956	2,109,062
Losses/Recoveries of Financial Assets	(826,803)	-
<b>Total Non-Interest Expenses</b>	<b>28,225,753</b>	<b>31,329,806</b>

The bank is a lessee under cancellable operating lease. The lease have a one-year term with renewal options. The future minimum rentals payable under these cancellable operating lease as of December 31 are as follows:

	2023	2022
Within one year	253,200	253,200
After one year but not more than five years	253,200	253,200
More than five years	-	-

Other expenses include notarial expenses, local fares, seminars and trainings, foreign currency exchange losses (if any), PR-related expenses, some meals during official meetings, bookbinding costs, and other small value expenses that are non-recurring.

#### Note 22 - Income Tax Expense

President Rodrigo Duterte has signed into law the RA 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability.

RA 11534 cuts corporate income tax rate to 25 percent from the current 30 percent. This is retroactive from July 1, 2020. Corporations with net taxable income not exceeding PHP5 million and with total assets not exceeding PHP100 million, excluding land on which the particular business entity's office, plan, and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20 percent.

RA 11534 cuts minimum corporate income tax rate to 1 percent from the current 2 percent. This is retroactive from July 1, 2020 to June 30, 2023. This means that starting 1 July 2023, the MCIT for corporations (except non-profit proprietary educational institutions and hospitals, and non-resident foreign corporations) will now revert to its original 2% rate based on the gross income of such corporations. Furthermore, non-deductible interest expense is 33% of interest income subjected to final tax.





Revenue Regulation No. 25-2020 of the Bureau of Internal Revenue prescribes that the operating loss of the business for taxable years 2020 and 2021, if applicable, shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

Minimum Corporate Income Tax is computed as follows:

	2023	2022
GROSS INCOME	34,406,964	36,673,440
Less: Non-taxable income & income subjected to final tax	3,790,484	1,498,607
Gross taxable income	30,616,480	35,174,833
COST OF SERVICE		
Interest expense, net of tax arbitrage	659,966	941,966
Employees' compensation and other benefits	16,251,245	15,452,222
Insurance - PDIC	674,486	711,032
COST OF SERVICE	17,585,698	17,105,219
GROSS INCOME FOR MCIT PURPOSES	13,030,783	18,069,614
MCIT, January 1 to December 31		
MCIT, January 1 to June 30 (1%)	65,154	90,348
MCIT, July 1 to December 31 (2%)	130,308	180,696
TOTAL MCIT	195,462	271,044

Regular Income Tax is computed as follows:

	2023	2022
Profit (loss) per books	4,270,385	3,907,128
Non-deductible expense (including tax arbitrage)	1,250,860	494,540
Provision for credit losses on loans and receivables	11,053	-
Total	5,532,298	4,401,669
Less: Non-taxable income & income subjected to final tax	(3,790,484)	(1,498,607)
Net taxable income (loss)	1,741,814	2,903,061
RCIT, January 1 to December 31	435,453	725,765
RCIT, January 1 to June 30 (30%)		
RCIT, July 1 to December 31 (25%)		
Regular Income Tax / Income Tax Expense	435,453	725,765

Note 23 - Earnings Per Share / Book Value Per Share 11,288,969

The earnings per share is computed as follows:

	2023	2022
Profit for the period	3,834,931	3,181,363
Less: Preference dividends for the current year	(383,493)	(318,136)
Net Income to common share	3,451,438	2,863,227

Weighted average number of shares:

Outstanding and issued shares	450,000	450,000
Less treasury shares		
	450,000	450,000
Earnings Per Share	8	6

The book value per share is computed as follows:

	2023	2022
Total equity	74,690,719	72,385,631

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Less: Preferred equity		
50,000 Shares at P100 per share	(5,000,000)	(5,000,000)
Common equity with 450,000 shares	69,690,719	67,385,631
Book Value Per Share	155	150

**Note 24 - Related Party Transactions**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. The Bank's related parties include:

1. Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
2. post-employment benefit plans for the benefit of the Bank's employees, and
3. other related parties within the Bank.

*Remunerations of Key Management Personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the senior management to constitute key management personnel for purposes of PAS 24. The compensation of key management personnel included under 'Compensation and benefits' in the statements of income are as follows:

	2023	2022
Short-term employee benefits	16,251,245	15,452,222
Post-employment benefits	1,622,314	1,381,469
	17,873,559	16,833,690

*BSP-Approved Financial Assistance Program*

The Bank has loans extended to officers and employees not classified as DOSRI transactions but a financial assistance program which has been approved by BSP. As of December 31, 2023 and 2022, outstanding balances amounted to P3,366,820 and P1,311,256 respectively. These transactions are non-secured and interest bearing and loan repayment is made on a monthly basis through salary deduction over the agreed term.

*Deposit Liabilities*

The Bank, in the ordinary course of business, has deposit transactions with certain DOSRI and with outstanding deposit balance as of December 31, 2023 and 2022.

**Note 25 - Events After the Reporting Period**

No any significant events took place after the Balance Sheet date that could affect the presentation of the financial statements.

**Note 26 - Disclosures on Capital Adequacy**

For disclosure on computed capital adequacy, refer to the submitted of Computation of the Risk-based Capital Adequacy Ratio Covering Credit Risks as of December 31, 2023 as submitted by the Bank.



The deployment of assets in loans is good at 51%. The bank has minimized its total assets deployed as cash and cash equivalents at just 1% and has liquid deposits with BSP and other banks at high 36%. On the liability side, the bank has relied primarily on savings. Savings mobilized from the clients constitute 98% of total liabilities.

The risk weighted capital adequacy ratio of the bank, as reported, has moved to 17.75 as at December 31, 2023 from 16.91 as at December 31, 2022.

The following table presents the components in the computation of the Risk-based Capital Adequacy Ratio, before audit adjustments:

	2023	2022
Net Tier 1 Capital	69,164,353	67,832,126
Net Tier 2 Capital	6,383,283	6,383,283
Total Qualifying Capital	75,547,636	74,215,409
Total Risk-Weighted Assets	425,528,307	438,906,708
Risk-based Capital Adequacy Ratio	17.75%	16.91%
Tier 1 ratio	16.25%	15.45%
Common Tier 1 Ratio (after audit adjustments)	16.38%	15.35%
Risk-based Capital Adequacy Ratio (after audit adjustments)	17.88%	16.81%
Other pertinent indicators in relation to CAR as follows:		
Minimum Liquidity Ratio	44.94%	70.24%
Leverage ratio	16.80%	16.00%
Total Exposure Measure (Total assets, gross of GLLP)		
Total Assets	410,234,540	422,445,853
GLLP	1,383,283	1,383,283
	411,617,823	423,829,136

**Note 27 - Supplementary Information Required under Revenue Regulations 15-2010**

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2023, follow:

	2023	2022
Gross receipt tax (GRT)	1,882,861	1,961,977
Business permits and licenses	299,117	296,752
Real property tax	197,718	161,221
Others	576,777	223,915
	2,956,474	2,643,864

**Note 28 - Quantitative Indicators of Financial Performance**

	2023	2022
<b>I. AT YEAR END</b>		
Current assets	386,339,105	397,897,803
Current liabilities	330,257,122	342,521,876
Current ratio	1.17	1.16
Past due	18,388,808	21,597,916
Total loan portfolio	211,943,747	203,416,208
Past due ratio	8.68%	10.62%

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Total liabilities	335,543,820	349,352,654
Total equity	74,690,719 ✓	72,959,170
Debt-to-equity ratio	4.49	4.79
<b>II. FOR THE YEAR</b>		
Gross income	34,406,964	36,673,440
Total expenses	30,136,579	32,766,312
Net profit (before income tax)	4,270,385 ✓	3,907,128
Net profit margin rate (before income tax)	12.41%	10.65%
Expenses over income rate	87.59%	89.35%
Net profit (after tax)	3,834,931	3,181,363
Average assets	416,273,181	420,527,693
Average share capital	50,000,000	50,000,000
Average equity	73,824,945	73,162,223
Return on average assets	0.92%	0.76%
Return on average share capital	7.67%	6.36%
Return on average equity	5.19%	4.35%
Net interest income	26,204,051	27,566,246
Average interest earning assets	389,175,241	386,321,578
Net interest spread	22,413,567	26,067,639
Net interest margin	6.73%	7.14%

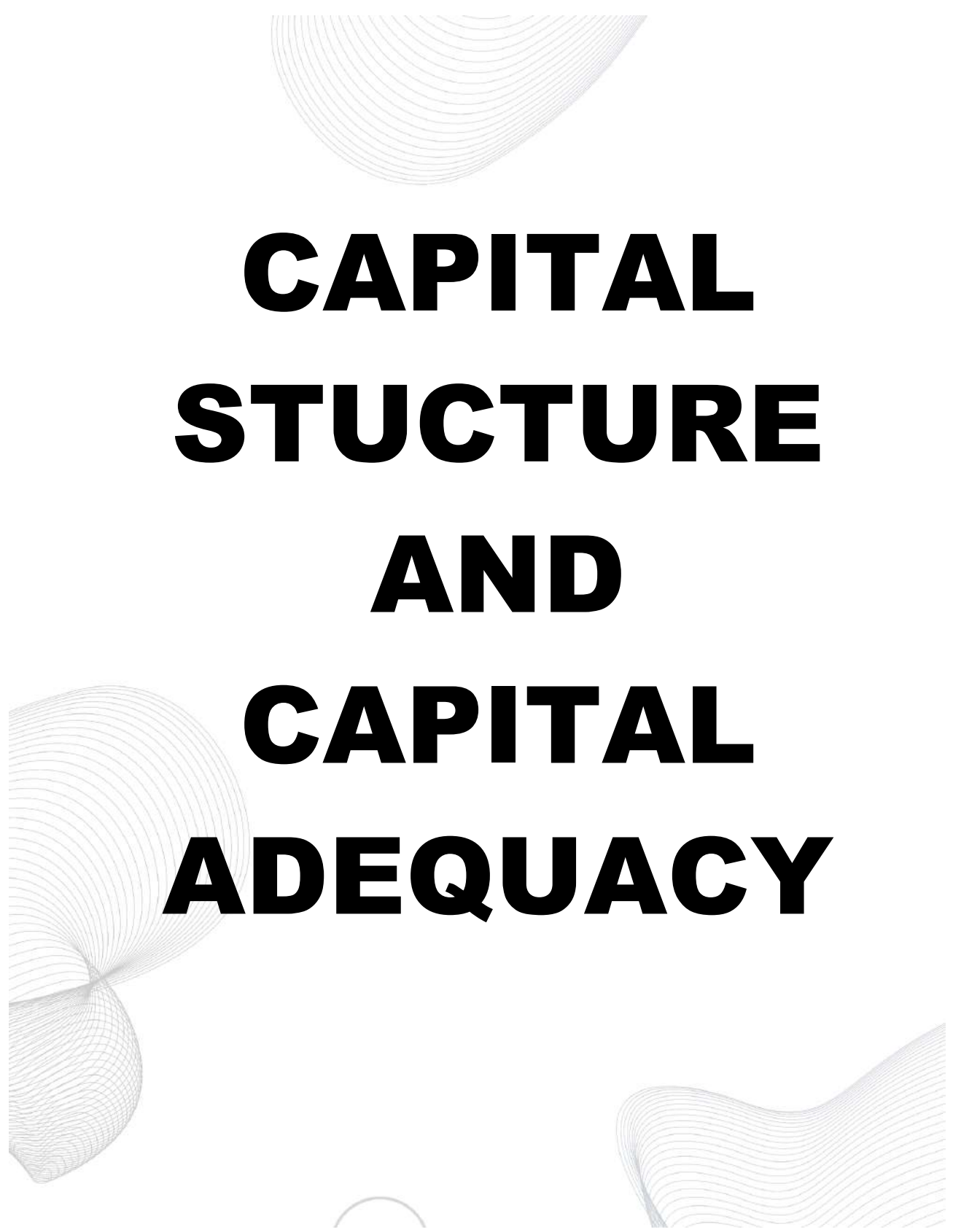
**Note 29 - Implications of COVID -19 on our Business**

Since the start of the pandemic, the spread of COVID-19 has severely impacted many local economies and around the globe. In across the country, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses, resulting in an economic slowdown. Stock markets have also experienced great volatility and a significant weakening. Government have responded with monetary and fiscal interventions to stabilize economic conditions. As the bank continue to assess the impacts of COVID-19 on its financial performance, management have considered the following: (1) Evaluate whether the bank can determine income and expenses that relate to COVID-19 on a non-arbitrary basis; (2) Consider how the presentation of determinable COVID-19 impacts would fit into the current structure of the income statement; and (3) Determine the nature and extent of information to be given inside and outside the financial statements to supplement the information about the bank's financial performance in the income statement.

The bank has determined that these events are non-adjusting subsequent events and currently these hypothetical scenarios no longer a factor in the Bank's operation.

## QUANTITATIVE INDICATORS OF FINANCIAL PERFORMANCE

	2023	2022
<b><u>I. AT YEAR END</u></b>		
Current Assets	386,339,105	397,897,803
Current Liabilities	330,257,122	342,521,876
Current Ratio	1.17	1.16
Past Due	18,388,808	21,597,916
Total Loan Portfolio	211,943,747	203,416,208
Past Due Ratio	8.68%	10.62%
Total Liabilities	335,543,820	349,352,654
Total Equity	74,690,719	72,959,170
Debt-to-equity Ratio	4.49	4.79
<b><u>II. FOR THE YEAR</u></b>		
Gross Income	34,406,964	36,673,440
Total Expenses	30,136,579	32,766,312
Net Profit (before income tax)	4,270,385	3,907,128
Net Profit Margin Rate (before income tax)	12.41%	10.65%
Expenses over Income Rate	87.59%	89.35%
Net Profit (after tax)	3,834,931	3,181,363
Average Assets	416,273,181	420,527,693
Average Share Capital	50,000,000	50,000,000
Average Equity	73,824,945	73,162,223
Return on Average Assets	0.92%	0.76%
Return on Average Share Capital	7.67%	6.36%
Return on Average Equity	5.19%	4.35%
Net Interest Income	26,204,051	27,566,246
Average Interest Earning Assets	389,175,241	386,321,578
Net Interest Spread	22,413,567	26,067,639
Net Interest Margin	6.73%	7.14%

The page features several decorative elements: a large, light gray, semi-circular graphic composed of concentric lines at the top; a large, light gray, abstract graphic on the left side consisting of overlapping, curved lines; and a light gray, wavy graphic at the bottom right. The main title is centered and reads:

# **CAPITAL STRUCTURE AND CAPITAL ADEQUACY**



## **H. CAPITAL STRUCTURE AND CAPITAL ADEQUACY**

PANGASINAN BANK (A Rural Bank), INC.  
Risk-Based Capital Adequacy Ratio  
As of December 31, 2023

Total Qualifying Capital <b>(Schedule A below)</b>	<b>75.548</b>
Risk-Weighted On-Balance Sheet Assets	384.151
Operational Risk-Weighted Assets	<u>41.377</u>
Net Risk Weighted Assets	<u>425.528</u>
Adjusted CAR covering credit and operational risk	<b><u>17.75</u></b>

### **Schedule A: Computation of Capital**

#### **Tier 1 (Core) Capital**

Paid up Common Stock	45.000
Surplus, Reserves, and Undivided Profits	
Retained Earnings	19.379
Undivided Profits	3.827
Other Comprehensive Income	<u>0.958</u>
 Total Tier 1 Capital	 <u>69.164</u>

#### **Tier 2 (Supplementary) Capital**

##### Upper Tier 2 Capital

Paid-up perpetual and cumulative preferred stock	5.000
General Loan Loss Provision	<u>1.383</u>
(Limited to 1.00% of gross risk-weighted assets)	
Total Tier 2 Capital (limited to 100% of Tier 1 capital)	<u>6.383</u>

<b><u>TOTAL QUALIFYING CAPITAL</u></b>	<b><u>75.548</u></b>
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**PANGASINAN BANK (A RB), INC.**

Name of Bank

**COMPUTATION OF THE RISK-BASED CAPITAL ADEQUACY RATIO COVERING COMBINED CREDIT MARKET AND OPERATIONAL RISKS**

**SIMPLIFIED SOLO BASIS**


As of DECEMBER 31, 2023

**CONTROL PROOFLIST**

**PART I. CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO (in absolute amounts)**

Item	Nature of Item	Account Code	Amount
<b>A.</b>	<b>Calculation of Qualifying Capital</b>		
A.1	Tier 1 Capital (Sum of A.2 and A.3)	39500000000710000	69,164,353.21
A.2	Common Equity Tier 1 Capital	39500000000711000	68,176,613.22
A.3	Additional Tier 1 Capital	39500000000712000	
A.4	Tier 2 Capital	39500000000720000	6,383,283.18
A.5	Total Qualifying Capital [Sum of A.1 and A.4]	39500000000700000	75,547,636.39
<b>B.</b>	<b>Calculation of Risk-Weighted Assets</b>		
B.1	Total Credit Risk-Weighted Assets [B.1(d) minus B.1(h)]	1959310000000000000	384,151,270.18
(a)	Risk-Weighted On-Balance Sheet Assets	10000000000811000	384,151,270.18
(b)	Risk-Weighted Off-Balance Sheet Assets	40000000000812000	
(c)	Counterparty Risk-Weighted Assets	11010000000813000	
(d)	Total Credit Risk-Weighted Assets [Sum of B.1(a), B.1(b) and B.1(c)]	10000000000810000	384,151,270.18
(e)	Deductions from Total Credit Risk-Weighted Assets		
(f)	General Loan Loss Provision (in excess of the amount permitted to be included in Tier 2 capital) [Part III, Item G (1)(b) minus Part II, Item B.1 (7)]	17515050000000000	
(g)	Unbooked allowance for credit losses and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	36505200000711000	
(h)	Total Deductions [Sum of B.1(f) and B.1(g)]	16508000000810000	0.00
B.2	Total Operational Risk-Weighted Assets	19500000000830000	41,377,036.76
B.3	Total Market Risk-Weighted Assets	10000000000820000	
B.4	Total Risk-Weighted Assets [Sum of B.1, B.2 and B.3]	10000000000800000	425,528,306.94
<b>C.</b>	<b>Minimum Capital Ratios</b>		
C.1	RISK-BASED CAPITAL ADEQUACY RATIO [A.5 divided by B.4 multiply by 100]	99000000000000000	17.76
C.2	Common Equity Tier 1 Ratio [A.2 divided by B.4 multiply by 100]	99000000000000001	16.02
C.3	Capital Conservation Buffer [C.2 minus 6]	99000000000000002	15.06
C.4	Tier 1 Capital Ratio [A.1 divided by B.4 multiply by 100]	99000000000000003	16.25

I hereby certify that all matters set forth in this Computation of the Risk-Based Capital Adequacy Ratio Covering Combined Credit Market and Operational Risks are true and correct to the best of my knowledge and belief.

  
**ANNE Q. DE GUZMAN - President**  
Authorized Signatory