CARD SME Bank, Inc., A Thrift Bank

Audited Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
CARD SME Bank, Inc., A Thrift Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD SME Bank, Inc., A Thrift Bank (the Bank), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021 and 2020, and 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 audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those 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 Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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 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 that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Bank to cease to continue as a going concern.

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

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

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Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Notes 7, 17 and 22 and Revenue Regulations No. 15-2010 in Note 26 to the financial statements are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of CARD SME Bank, Inc., A Thrift Bank. 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.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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April 9, 2022

CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and other cash items (Note 6)	**₱57,091,793**	₱48,177,003
Due from Bangko Sentral ng Pilipinas (Note 6)	**1,634,133,584**	1,322,053,915
Due from other banks (Note 6)	**113,683,978**	331,307,862
Loans and receivables (Note 7)	**6,204,448,683**	6,216,007,185
Financial assets at amortized cost (Note 8)	**147,523,532**	50,850,000
Property and equipment (Note 9)	**285,032,871**	279,108,637
Investment properties (Note 10)	**5,348,046**	8,532,786
Intangible assets (Note 11)	**12,079,343**	17,321,211
Retirement asset (Note 20)	**82,867,797**	98,343,779
Deferred tax assets (Note 21)	**85,060,818**	66,300,305
Other assets (Note 12)	**98,751,170**	115,035,900
TOTAL ASSETS	**₱8,726,021,615**	₱8,553,038,583
LIABILITIES AND EQUITY		
Liabilities		
Deposit liabilities (Note 13)		
Demand	**₱51,590,609**	₱84,524,387
Savings	**6,631,280,978**	5,563,818,785
	6,682,871,587	5,648,343,172
Bills payable (Note 14)	**24,216,180**	1,090,908,588
Income tax payable	**23,497,807**	252,638
Accrued interest and other expenses (Note 15)	**79,569,967**	86,784,111
Other liabilities (Note 15)	**200,960,252**	185,994,363
	7,011,115,793	7,012,282,872
Equity		
Common stock (Note 17)	**1,432,614,900**	1,155,622,800
Surplus (Note 7)	**280,187,914**	372,235,003
Remeasurement gains on retirement plan (Note 20)	**2,103,008**	12,897,908
	1,714,905,822	1,540,755,711
TOTAL LIABILITIES AND EQUITY	**₱8,726,021,615**	₱8,553,038,583

See accompanying Notes to Financial Statements.

CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF INCOME

	Years Ended December 31	
	2021	2020
INTEREST INCOME		
Loans and receivables (Note 7)	**₱2,305,079,869**	₱1,601,546,693
Due from BSP and other banks (Note 6)	**34,317,409**	18,412,617
Financial assets at amortized cost (Note 8)	**3,476,738**	3,111,999
Security deposits	**622,580**	624,375
	2,343,496,596	1,623,695,684
INTEREST EXPENSE		
Deposit liabilities (Note 13)	**154,370,708**	136,351,979
Bills payable (Note 14)	**20,426,218**	49,642,444
Lease liabilities (Note 23)	**6,675,084**	8,973,203
	181,472,010	194,967,626
NET INTEREST INCOME	**2,162,024,586**	1,428,728,058
OTHER INCOME (LOSS)		
Net gain (loss) on sale of fixed and investment properties (Notes 9 and 10)	**1,348,207**	(144,087)
Miscellaneous (Note 18)	**27,164,096**	25,575,758
	28,512,303	25,431,671
TOTAL OPERATING INCOME	**2,190,536,889**	1,454,159,729
OPERATING EXPENSES		
Compensation and fringe benefits (Note 22)	**726,629,761**	614,756,571
Provision for credit losses (Note 7)	**358,139,543**	19,651,928
Taxes and licenses	**188,423,331**	132,235,176
Depreciation and amortization (Notes 9 and 11)	**127,439,895**	120,970,036
Transportation and travel	**124,354,541**	82,352,293
Information technology (Note 22)	**110,080,295**	115,195,114
Stationery and office supplies	**105,963,884**	78,880,111
Occupancy and equipment-related cost (Notes 22 and 23)	**82,159,346**	71,562,604
Security, messengerial and janitorial	**55,799,791**	51,361,029
Power, light and water	**41,321,320**	35,078,157
Employee trainings (Note 22)	**34,344,327**	25,677,542
Program monitoring	**10,237,219**	11,976,219
Representation and entertainment (Note 21)	**6,396,394**	6,463,363
Professional fees	**4,476,993**	4,157,122
Miscellaneous (Note 19)	**58,835,217**	36,291,826
TOTAL OPERATING EXPENSES	**2,034,601,857**	1,406,609,091
INCOME BEFORE INCOME TAX	**155,935,032**	47,550,638
PROVISION FOR INCOME TAX (Note 21)	**35,357,721**	32,735,436
NET INCOME	**₱120,577,311**	₱14,815,202

See accompanying Notes to Financial Statements.

CARD SME BANK, INC., A THRIFT BANK

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
NET INCOME	**₱120,577,311**	₱14,815,202
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not recycled to profit or loss in subsequent periods:		
Changes in remeasurement gains (losses) on retirement plan (Note 20)	**(14,393,202)**	4,076,432
Income tax effect (Note 21)	**3,598,302**	(1,222,930)
	(10,794,900)	2,853,502
TOTAL COMPREHENSIVE INCOME	**₱109,782,411**	₱17,668,704

See accompanying Notes to Financial Statements.

CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF CHANGES IN EQUITY

	Common stock (Note 17)	Surplus	Surplus reserves (Note 7)	Remeasurement gains on retirement plan (Note 20)	Total
Balance at January 1, 2021	**₱1,155,622,800**	**₱294,900,066**	**₱77,334,937**	**₱12,897,908**	**₱1,540,755,711**
Issuance through collection of subscriptions receivable (Note 17)	**157,742,500**	**–**	**–**	**–**	**157,742,500**
Total comprehensive income for the year	**–**	**120,577,311**	**–**	**(10,794,900)**	**109,782,411**
Stock dividends declared (Note 17)	**119,249,600**	**(119,249,600)**	**–**	**–**	**–**
Cash dividends declared (Note 17)	**–**	**(93,374,800)**	**–**	**–**	**(93,374,800)**
Balance at December 31, 2021	**₱1,432,614,900**	**₱202,852,977**	**₱77,334,937**	**₱2,103,008**	**₱1,714,905,822**
Balance at January 1, 2020	₱999,993,700	₱406,450,053	₱63,469,748	₱10,044,406	₱1,479,957,907
Transfers from surplus-to-surplus reserves (Note 17)	–	(13,865,189)	13,865,189	–	–
Issuance of new capital stock (Notes 17 and 24)	88,126,800	–	–	–	88,126,800
Issuance through collection of subscriptions receivable (Note 17)	6,300	–	–	–	6,300
Total comprehensive income for the year	–	14,815,202	–	2,853,502	17,668,704
Stock dividends declared (Note 17)	67,496,000	(67,500,000)	–	–	(4,000)
Cash dividends declared (Note 17)	–	(45,000,000)	–	–	(45,000,000)
Balance at December 31, 2020	₱1,155,622,800	₱294,900,066	₱77,334,937	₱12,897,908	₱1,540,755,711

See accompanying Notes to Financial Statements.

CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱155,935,032**	₱47,550,638
Adjustments for:		
Provision for credit losses (Note 7)	**358,139,543**	19,651,928
Depreciation and amortization (Notes 9 and 11)	**127,439,895**	120,970,036
Net pension expense (Note 20)	**15,403,749**	13,501,918
Amortization of discount on bills payable (Note 14)	**7,947,592**	10,522,597
Interest expense on lease liabilities (Note 23)	**6,675,084**	8,973,203
Net loss (gain) on sale fixed and investment properties (Notes 9 and 10)	**(1,348,207)**	144,087
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Other assets	**16,284,730**	(11,162,704)
Loans and receivables	**(346,581,041)**	61,936,714
Increase (decrease) in the amounts of:		
Deposit liabilities	**1,034,528,415**	791,486,852
Accrued interest and other expense	**(7,214,144)**	(8,806,402)
Other liabilities	**(11,668,502)**	(15,835,755)
Net cash generated from operations	**1,355,542,146**	1,038,933,112
Income taxes paid	**(27,274,764)**	(69,954,208)
Retirement contributions paid (Note 20)	**(14,320,969)**	(11,986,888)
Net cash provided by operating activities	**1,313,946,413**	956,992,016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Intangible assets (Note 11)	–	(19,301,616)
Property and equipment (Note 9)	**(29,202,723)**	(36,219,692)
Financial assets at amortized cost (Note 8)	**(96,673,532)**	–
Proceeds from sale of:		
Investment properties (Note 10)	**4,869,200**	1,058,125
Property and equipment (Note 9)	**1,050,000**	–
Net cash used in investing activities	**(119,957,055)**	(54,463,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of subscriptions receivable (Note 17)	**157,742,500**	6,300
Availments of bills payable (Notes 14 and 24)	–	1,338,147,300
Issuance of new shares (Notes 17 and 24)	–	48,338,650
Fractional stock dividends paid in cash (Note 17)	–	(4,000)
Payment of principal portion of lease liabilities (Notes 23 and 24)	**(80,346,483)**	(68,371,613)
Cash dividends paid (Note 17)	**(93,374,800)**	(45,000,000)
Settlement of bills payable (Notes 14 and 24)	**(1,074,640,000)**	(1,414,640,000)
Net cash used in financing activities	**(1,090,618,783)**	(141,523,363)

(Forward)

	Years Ended December 31	
	2021	2020
NET INCREASE IN CASH AND CASH EQUIVALENTS	**₱103,370,575**	₱761,005,470
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**48,177,003**	26,391,653
Due from Bangko Sentral ng Pilipinas	**1,322,053,915**	670,187,575
Due from other banks	**331,307,862**	243,954,082
	1,701,538,780	940,533,310
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)		
Cash and other cash items	**57,091,793**	48,177,003
Due from Bangko Sentral ng Pilipinas	**1,634,133,584**	1,322,053,915
Due from other banks	**113,683,978**	331,307,862
	₱1,804,909,355	₱1,701,538,780

OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	**₱2,329,721,578**	₱1,576,778,953
Interest paid	**188,079,603**	150,117,640

See accompanying Notes to Financial Statements.

1. Corporate Information

CARD SME Bank Inc., A Thrift Bank (the Bank), formerly known as Rural Bank of Sto. Tomas (Batangas), Inc., was incorporated in the Philippines on October 4, 1961. The Bank was granted the authority to operate by the Bangko Sentral ng Pilipinas (BSP) on May 10, 1962 as a Rural Bank with principal office in General Malvar Avenue, Sto. Tomas, Batangas. The Bank was granted by the BSP the authority to operate as a thrift Bank on June 15, 2011. On July 25, 2011, the Bank formally started its operations as a thrift Bank. Currently, its principal place of business is at 120 M. Paulino St., corner Burgos St., San Pablo City, Laguna. The Bank offers a wide range of products and services such as deposit and loan products mainly to the consumer market. As of December 31, 2021 and 2020, the Bank has 36 branches.

In 2007, the Bank (with existing branches in Sto. Tomas and Lipa City Batangas and Tagaytay City, Cavite) became a member of Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI) when CARD, Inc. and CARD Employees Multi-Purpose Cooperative (EMPC) acquired the majority of its voting stock. The rehabilitation court and the BSP approved the sale and transfer of shares of stock on September 5, 2007 and February 7, 2008, respectively. This strategic move supports the graduating microenterprises clients of CARD - MRI, by empowering them through continuous access to financial resources and nonfinancial services. CARD - MRI's social mission of poverty alleviation has been folded into Bank's operation through its microfinance operation.

On May 20, 2010, the Monetary Board of BSP approved the increase in the authorized capital stock of the Bank from ₱20.00 million to ₱500.00 million and the number of Board of Directors (BOD) from five (5) to nine (9) members. Likewise, on December 9, 2010, the Monetary Board of BSP thru its Resolution No. 1757 approved the conversion of the operation of the Bank from rural Bank category to a regular thrift Bank.

The BSP and Philippine Securities and Exchange Commission (SEC) approved on April 8, 2011 and May 11, 2011, respectively, the Bank's amended Articles of Incorporation (AOI) and new by-laws. The approved amendments to the Bank's AOI follow:

a. Change of the corporate name from 'Rural Bank of Sto. Tomas (Batangas), Inc.' to 'CARD SME Bank, Inc., A Thrift Bank';
b. Change of the primary and secondary purposes from that of rural Banking to thrift Banking; and
c. Change of the principal office address from 'General Malvar Avenue, Sto. Tomas, Batangas' to 'San Pablo City, Laguna'.

The Bank was granted by the BSP the authority to operate as a thrift Bank on June 15, 2011. On July 25, 2011, the Bank formally started its operations as a thrift Bank.

On December 7, 2017, the BSP approved the increase in the authorized capital stock of the Bank from 500 million to 1 billion and the change of principal office address from San Pablo City, Laguna to #120 M. Paulino Corner Burgos St. San Pablo City, Laguna. On March 16, 2018, the SEC approved the changes in the AOI.

On February 13, 2020, the BSP approved the increase in the authorized capital stock of the Bank from 1 billion to 1.5 billion. On August 20, 2020, the SEC approved the changes in the AOI.

As a thrift Bank, the Bank can (1) provide short-term working capital, medium, and long-term financing, to business engaged in agricultural services, industry, and housing; (2) provide diversified financial and allied services for its chosen market and constituents especially for small and medium enterprises, microfinance, and individuals; and (3) carry on activities specified under Section 10 of Republic Act (RA) No. 7906, otherwise known as *'Thrift Banks Act of 1995'*.

Based on the provisions of the Revised Corporation Code of the Philippines or RA No. 11232, the Bank has a perpetual existence.

As of December 31, 2021 and 2020, the Bank is 36.75% and 36.33% owned by CARD, Inc., respectively.

2. Summary Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine peso (₱), the Bank's functional currency, and all values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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 (noncurrent) is presented in Note 16.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or Bankruptcy of the Bank and all of the counterparties.

Income and expense are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Bank. This is not generally the case with master netting agreements, where the related assets and liabilities are presented gross amounts in the statement of financial position.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments and improvements to PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretation which became effective beginning on or after January 1, 2020. Except as otherwise indicated, the new and amended standards and interpretations did not have any significant impact on the financial position or performance of the Bank.

Amendments to Accounting Standards
The adoption of the following amendments and improvements to accounting standards as at January 1, 2020 did not have an impact on the financial statements of the Bank:

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

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

Future Changes in Accounting Standards
Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting Policies

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts 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 that are subject to an insignificant risk of changes in value.

Due from BSP includes statutory reserves required by the BSP, which the Bank considers as cash equivalents wherein drawings can be made to meet cash requirement. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

Fair Value Measurement
The Bank measures assets and liabilities at fair value on initial recognition date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 4.

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:

- in the principal market for the asset or liability, or
- 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 an asset or a liability measured at fair value has a bid price and ask price, the price within the bid ask spread that is most representative of fair value in the circumstance 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 nonfinancial 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 statement 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 in the absence of a principal market, in the most advantageous market for the asset or liability
- 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 statement at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing 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 Bank does not have assets and liabilities carried at fair value as of December 31, 2021 and 2020.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as disclosed above (Note 4).

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Regular way purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market, except for derivatives, are recognized on the settlement date. Settlement date is the date on which the transaction is settled by delivery of the assets that are the subject of the agreement. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income under 'Miscellaneous' unless it qualifies for recognition as some other type of asset. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification and Measurement of Financial Assets
As part of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (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 (e.g., if there are repayments of principal or amortization of the premium or 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 solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit or loss (FVTPL).

Business model assessment
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 assessed on an instrument-by-instrument basis and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- 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
- 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.

The solely payments of principal and interest (SPPI) test
As a second step of its classification process the Bank assesses the contractual terms of financial assets 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 judgement 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 solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets at amortized cost
Debt financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Bank's business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as 'Interest income' in the statement of income. The Bank classified 'Cash and other cash items (COCI)', 'Due from BSP', 'Due from other banks', 'Loans and receivables', 'Financial assets at amortized cost' and cash collateral deposits and security deposits (included under 'Other assets') as financial assets at amortized cost.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the debt financial asset been measured at amortized cost. As of December 31, 2021 and 2020, the Bank has not made such designation.

Financial Instrument - Impairment
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. A SICR is deemed present in SME loans with 1 day up to 89 days past due but does not demonstrate objective evidence of impairment as of reporting date. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

The Bank recognizes lifetime ECL on all of its non-impaired financial instruments since the Bank assessed that the expected life of its financial assets does not exceed 12 months. As a result, the Bank considers these instruments under Stage 1, regardless of whether SICR already exists since initial recognition.

The Bank uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes past due on its contractual payments (day 1) in case of microfinance loans and at least 90 days past due in case of SME loans and other credit exposures. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e. consecutive payments from the borrowers for 180 days).

Expected Credit Loss (ECL) is a function of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default. EAD represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held.

Write-off
Financial assets are written off either partially or in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Restructured receivables
Where possible, the Bank seeks to restructure receivables, which may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been renegotiated, the receivable is no longer considered past due. Management continuously reviews restructured receivables to ensure that all criteria are met and that future payments are likely to occur.

If modifications are considered by the Bank as substantial based on qualitative factors, the loan is derecognized. If a receivable has been renegotiated or modified without this resulting in derecognition, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). Modification gain or loss is recognized in 'Provision for credit losses' in the statement of income. The Bank also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Modification
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

When the contractual terms of a financial asset are renegotiated or otherwise modified due to reasons other than impairment (i.e., statutory relief) and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank shall recalculate the gross carrying amount of the financial asset and shall recognize the net modification gain or loss in the statements of income as a deduction in interest.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

The transfer of risks and rewards is evaluated by comparing the Bank's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The Bank has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer (e.g., because the entity has sold a financial asset subject to an agreement to buy it back at a fixed price or the sole price plus a lender's return). The Bank has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset (e.g., because the entity has sold a financial asset subject only to an option to buy it back at its fair value at the time of repurchase or has transferred fully proportionate share of the cash flows from a larger financial asset in an agreement).

Whether the Bank has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Prepayments
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account consists of prepaid rentals and prepaid expenses under 'Other assets' in the statement of financial position. Prepayments are apportioned over the period covered by the payments and charged to the appropriate accounts in the statements of income when incurred.

Property and Equipment
The Bank's property and equipment consist of land, building, equipment and right-of-use assets that do not qualify as investment properties.

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The initial cost of property and equipment consists of its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets. Leasehold improvements are amortized over lease term and the shorter of the terms of the covering leases and EUL of the improvements.

The range of the EULs of the property and equipment follows:

Building and improvements	3 to 10 years
Furniture, fixtures, and equipment	1 to 5 years
Transportation equipment	5 to 7 years
Leasehold improvements	3 to 5 years or term of the lease, whichever is shorter
ROU assets - office space	1.5 to 10 years or term of the lease, whichever is shorter

ROU assets – vehicles	1.5 to 2 years or term of the lease, whichever is shorter
ROU assets - IT equipment	1.5 years or term of the lease, whichever is shorter

The depreciation method and the EULs are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited against profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income under 'Net gain or loss on sale of asset' in the period the asset is derecognized.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized under 'Provision for credit and impairment losses' in the statement of income.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under 'Investment properties' upon either: a) entry of judgment in case of judicial foreclosure, b) execution of sheriff's certificate of sale in case of extra-judicial foreclosure; or c) notarization of the deed of dacion in case of payment in kind (dacion en pago).

The difference between the fair value of the asset acquired and the carrying amount of the asset given up is recognized under 'Other income' in the statement of income.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation (for depreciable investment properties) and accumulated impairment losses, if any.

Depreciation on buildings and improvements is calculated on a straight-line basis over the EUL of ten years from the time of acquisition of the depreciable investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the period of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against income in the period in which the costs are incurred.

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

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets consist of software costs which are amortized on a straight-line basis over three years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Impairment of Nonfinancial Assets
At each reporting date, the Bank assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the period in which it arises. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation and amortization expense are adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Retirement Benefits

Defined benefit plan
The Bank operates a defined benefit retirement plan and a hybrid retirement plan which require contribution to be made to a separately administered fund. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expenses in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income. Retirement expense is presented under ‘Compensation and fringe benefits’ in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the statement of financial position with a corresponding debit or credit to ‘Changes in remeasurement gain (loss) on retirement liabilities’ under other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Equity
Common stock
Common stock represents the aggregate amount of paid capital stock which is determined using the nominal or par value of shares that have been issued. When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against surplus.

Subscribed common stock is recognized at subscribed amount net of subscription receivable. This will be debited upon full payment of the subscription and issuance of the shares of stock. Subscriptions receivable pertains to uncollected portion of subscribed stocks. The subscription receivable is presented as asset when it is expected to be collected within 12 months or contra-equity when it is expected to be collected for more than 12 months.

Surplus
Surplus represents the accumulated earnings, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Own equity instruments which are reacquired (treasury stocks) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Bank's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified for the Bank and no dividends are allocated to them. When the stocks are retired, the 'Common stock' account is reduced by its par value and the excess of cost over par value upon retirement is debited to 'Capital paid in excess of par value' at the time the stocks were retired and to surplus for the remaining balance.

Dividends
Dividend distributions are at the discretion of the Bank. A dividend distribution to the Bank's shareholders is accounted for as a deduction from retained earnings. A proposed cash or stock dividend is recognized as a liability in the period in which it is approved by the BOD.

Deposit for Future Stock Subscription
Deposit for future stock subscription (DFS) shall be classified under equity account if all of the following conditions are present as of reporting date:

- the unissued authorized capital stock of the Bank is insufficient to cover the amount of shares indicated in the contract;
- there is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the Bank);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the BSP and the SEC.

DFS does not meet the foregoing provisions and is treated as a non-financial liability.

Other Comprehensive Income
OCI comprises items of income and expenses that are recognized directly in equity. OCI items are either reclassified to profit or loss or directly within equity in subsequent periods.

Revenue Recognition
Under PFRS 15, *Revenue from Contracts with Customers*, revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The following specific recognition criteria must also be met before the revenue is recognized:

Gain (loss) on sale of assets - net
Gain or loss from exchange or sale of assets is recognized upon completion of the earning process. For disposal of nonfinancial assets, this will include whether the collectability of the consideration is reasonably assured.

Loan fees, service fees and penalties
Loan fees are recognized over the term of the credit lines granted to each borrower. Service fees are accrued when earned. Penalties are recognized only upon collection or where there is a reasonable degree of certainty as to their collectability. These items are recognized under 'Miscellaneous income' in the statement of income.

Revenue outside the scope of PFRS 15

Interest income
For all financial assets measured at amortized cost, interest income is recorded at EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Under PFRS 9, when a financial asset becomes credit-impaired, the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Expense Recognition
Expense is recognized when it is probable that decrease in the future economic benefits related to decrease in an asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Bank. Expenses are recognized when incurred.

Interest expense
Interest expense for all interest-bearing financial liabilities is recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Leases

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

Bank as a lessee

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

- Right-of-use assets

  At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Bank recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Bank measures the right-of-use assets at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

  The Bank presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Bank's policy on impairment of nonfinancial assets.

- Lease liabilities

  At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Bank's incremental borrowing rate with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

  After the commencement date of the lease, the Bank measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

  The Bank applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of office spaces and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

Bank as a lessor
For finance leases where the Bank transfers substantially all the risks and rewards incidental to ownership of the leased item, the Bank recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Bank includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Bank recognizes rental income on a straight-line basis over the lease terms. The Bank adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Bank recognizes contingent rents as revenue in the period in which they are earned.

Income Taxes
Income tax on profit or loss for the year comprises current and deferred taxes. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused excess MCIT over RCIT and unused NOLCO can be utilized.

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

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes relating to items recognized directly in equity are recognized in OCI, and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions and Contingencies
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized under 'Interest expense' in the statement of income.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Any post-year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. Significant Accounting Judgments and Estimates

The preparation of the Bank's financial statements in accordance with PFRS requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments
(a) Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recognized or disclosed in the statements of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(b) Determination of the lease term for lease contracts with renewal and termination options
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

(c) Going concern assessment
Management has assessed the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Accordingly, the financial statements are prepared on a going concern basis.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(a) Expected credit losses on financial assets
The Bank reviews its financial asset sand commitments at each reporting date to determine the amount of expected credit losses to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Bank's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes; and
- sufficiency and appropriateness of data used, and relationships assumed in building the components of the Bank's expected credit loss models .

The related allowance for credit losses of financial assets are disclosed in Note 7.

(b) *Recognition of deferred tax assets*
The amount of deferred tax assets recognized by the Bank is based on the estimate of future taxable income. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning.

The Bank reviews the carrying amount of deferred tax asset at each reporting date and reduces this to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. The recognized and unrecognized deferred tax assets for the Bank are disclosed in Note 21.

(c) *Present value of defined benefit obligation*
The cost of defined benefit retirement plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout at reporting date, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. The present value of the retirement liability and fair value of plan assets are disclosed in Note 20.

(d) *Valuation of other long-term employee benefits*
Other long-term employee benefits pertain to the vacation leave credits that can be carried over and monetized by the employees. The valuation of the Bank's accrual for other long-term employee benefits are dependent on certain assumptions used by its internal actuary in calculating such amounts. Those assumptions include, among others, discount and salary rates, future salary increase and average remaining working lives of employees.

As at December 31, 2021 and 2020 the amount of other long-term employee benefits accrued by the Bank is ₱13.29 million and ₱13.08 million, respectively (Note 15).

(e) *Leases - Estimating the incremental borrowing rate*
The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using observable inputs (by reference to average bank lending rates).

The Bank's lease liabilities amounted to ₱141.73 million and ₱118.88 million as of December 31, 2021 and 2020, respectively (Notes 15 and 23).

4. Fair Value Measurement and Fair Value Hierarchy

Fair Value Measurement

As of December 31, 2021, and 2020, except as discussed below, the carrying values of the Bank's financial assets and financial liabilities as reflected in the statements of financial position and related notes approximate their fair values.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The methods and assumptions used by the Bank in estimating fair values of financial instruments and nonfinancial asset for which fair value is disclosed are as follows:

Cash and other cash items, due from BSP, due from other banks, current portion of receivables and unquoted debt securities, accrued interest receivable, refundable deposits, current portion of deposit liabilities, bills payable and finance lease liabilities, accrued expenses, accrued interest payable, accounts payable and dividends payable.

Fair values of these financial instruments approximate their carrying values in view of the short-term maturities of these instruments.

Noncurrent portion of unquoted debt securities and financial assets at amortized cost

Fair values of noncurrent portion of unquoted debt securities and financial assets at amortized cost were determined using the discounted cash flows method.

Noncurrent portion of refundable deposits and lease liabilities

Fair value of noncurrent portion of refundable deposits and lease liabilities were determined using the discounted cash flows method.

Investment properties

Fair values of the Bank's investment properties have been determined based on valuations made by independent external appraiser based on the recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made, and comparability of similar properties sold with the property being valued.

The Bank uses a hierarchy for determining and disclosing the fair value of its assets and liabilities (Note 2).

The following table summarizes the valuation techniques used and the significant unobservable inputs valuation used by the Bank:

	Valuation Techniques	**Significant Unobservable inputs**
Investment Property - Land	Market Data Approach	Location, size, shape, utility/neighborhood, improvements and time element
Investment Property – Building	Modified Quantity Survey Approach	Depreciated replacement cost
Noncurrent portion of unquoted debt securities and financial assets at amortized cost	Discounted cash flows method	Interpolated Philippine zero rates ranging from 1.01% to 4.64% and from 0.99% to 3.00% in 2021 and 2020, respectively.

	Valuation Techniques	Significant Unobservable inputs
Noncurrent portion of refundable deposits and lease liabilities	Discounted cash flows method	Incremental borrowing rates ranging from 3.55% to 7.19% and from 3.96% to 7.19% in 2021 and 2020, respectively.

Description of the valuation techniques, inputs and assumptions used to value the Bank's investment properties are as follows:

Valuation Techniques, Inputs and Assumptions	Description
Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Modified Quantity Survey Approach	A method wherein each building component is priced based on the current cost of materials and labor and indirect costs such as contractor's profits, overhead, taxes, fees and other related expenses are then added in lump sum.

Fair Value Hierarchy

The following table summarizes the carrying values and the fair values by level of the fair value hierarchy of the Bank's assets and liabilities that are carried at fair value or for which fair values is disclosed as at December 31, 2021 and 2020:

	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets and liabilities for which fair values are disclosed*:					
Financial assets					
Loans and receivables					
SME (Small and medium-sized enterprises) loans	**₱802,531,029**	**₱–**	**₱–**	**₱737,227,714**	**₱737,227,714**
Unquoted debt securities	**96,736,871**	–	–	**83,983,082**	**83,983,082**
Financial assets at amortized cost	**147,523,532**	–	–	**148,844,571**	**148,844,571**
Other asset - refundable deposits	**15,721,995**	–	–	**15,721,995**	**15,721,995**
Nonfinancial asset					
Investment properties	**5,348,046**	–	–	**11,274,900**	**11,274,900**
Financial liabilities					
Deposit liabilities	**1,596,149,907**	–	–	**1,586,409,931**	**1,586,409,931**
Bills payable	**24,216,180**	–	–	**25,313,898**	**25,313,898**
Lease liabilities	**70,058,331**	–	–	**70,058,331**	**70,058,331**
Accrued vacation leave credits	**13,294,515**	–	–	**13,294,515**	**13,294,515**

**Pertains to noncurrent assets and liabilities*

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets and liabilities for which fair values are disclosed*:					
Financial assets					
Loans and receivables					
SME (Small and medium-sized enterprises) loans	₱710,231,623	₱–	₱–	₱665,646,770	₱665,646,770
Unquoted debt securities	128,868,750	–	–	117,239,884	117,239,884
Financial assets at amortized cost	30,850,000	–	–	34,162,752	34,162,752
Other asset - refundable deposits	6,258,354	–	–	6,258,354	6,258,354
Nonfinancial asset					
Investment properties	8,532,786	–	–	21,517,900	21,517,900
Financial liabilities					
Deposit liabilities	709,233	–	–	704,162	704,162
Bills payable	24,429,446	–	–	24,817,510	24,817,510
Lease liabilities	63,163,907	–	–	63,163,907	63,163,907
Accrued vacation leave credits	13,076,063	–	–	13,076,063	13,076,063

**Pertains to noncurrent assets and liabilities*

As of December 31 ,2021 and 2020, the Bank has no financial instruments carried at fair value.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2021 and 2020.

5. Financial and Operational Risk Management Policies and Procedures

Financial Risk Management Policies and Procedures
In the course of the business cycle, the Bank has exposure to the following risks from its use of financial instruments: (a) credit risk; (b) market risk; and (c) liquidity risk.

The Bank adheres to the proactive and prudent approach of managing the business that recognizes and manages risks to continuously provide quality financial services to clients and to protect shareholders' value.

Risk management process involves setting of revenue goals, definition of risk philosophy and creating risk culture, determining opportunities that would create risk in the future, identifying and assessing the risk, evaluating and defining risk tolerance, taking actions to mitigate and control the risks through defined roles and responsibilities, close monitoring of the scenarios, reporting of risk taking performance, revalidation of risk methodologies and adjustment of the systems and policies necessary to effectively minimize risk level.

The BOD through its Credit Risk Management Committee (CRMC) is responsible for the development and oversight of the Bank's risk management program, identification and evaluation of risk exposures, monitoring the Bank's implementation of risk management policies and procedures, and for reviewing and evaluating the adequacy of risk management framework in relation to the risks faced by the Bank. The CRMC regularly reports to the BOD the results of reviews of actual implementation of risk management policies. Risk management of the Bank is strengthened in conjunction with Audit Committee (AC) and Internal Audit (IA) functions. IA undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

Credit risk

Credit risk is the risk of financial loss to the Bank if the counterparty to a financial instrument fails to meet its contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Management of credit risk

Credit risk is being managed by instilling credit discipline both among the Bank's staff and the borrowers. The Bank's staff performs in-depth credit evaluation and close monitoring of account throughout the borrowing period, hence, on-time service delivery motivates the borrowers to fulfill their financial obligation to the highest standards. Borrowers are well-oriented on the credit repayment design they undertake.

For microfinance loans, loan portfolio is diversified in different economic activities or projects. There is geographical diversification to spread the risk brought about by natural calamities. Proper target market selection, rigorous character and background investigation, members' or borrowers' education or training on credit discipline in microfinance and validation of utilization of loan proceeds are applied. Intensive monitoring of all branches is conducted by the Area Manager (AM), Regional Director (RD) and Executive Vice President (EVP). Staff skills and competencies are regularly updated. Strategies are identified to manage competitors. Development of new client or market-oriented loan or deposit products and enhancement of product design systems and procedures, monitoring of members without loans and motivating qualified members to borrow are regularly done. Cost-cutting measures were planted to achieve improved profitability. Financial ratios and evaluation of compliance with BSP standards are regularly monitored.

Furthermore, the Bank has a preventive delinquency management approach through proper and strict credit delivery, monitoring and collection. Close monitoring through conduct of weekly center meetings is being implemented allowing the early determination of early warning signals on each borrower-member. A daily monitoring on the number of defaulted members and intensive follow-up areas are strictly being implemented. Various remedial measures are likewise being implemented to allow rehabilitation of defaulted borrowers. Defaulted borrowers which failed to cooperate despite remedial efforts done are referred to the Bank's legal counsel for collection or filing of appropriate legal action.

In general, borrowers are also perpetual savers. Consequently, their Pledge Savings accounts are pledged and serve as guarantee to their loans, which increase their borrowing capacity. Each business unit has a Unit Manager who reports on all credit-related matters to the local management consisting of the AM, RD and EVP.

Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular audits of business units and credit processes are undertaken by Internal Auditors.

All past due or impaired accounts are reported on a daily, weekly and monthly bases to the BOD. Consistent monitoring for this group of accounts is established by competent and diligent staff to maximize recovery. Incentives have been established and subjected to review and assessment periodically. These are given to staff to recover from the accounts and to fully instill credit discipline to borrowers. Restructuring of loan payments are done after full compliance of approved policies and procedures. Writing-off bad accounts is approved by the BOD and reported to the BSP in compliance with the Manual of Regulations for Banks.

Modification
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

On March 24, 2020, Republic Act No. 11469 or the "Bayanihan to Heal as One Act" (Bayanihan 1) was enacted declaring a state of national emergency over the entire country to control the spread of the Coronavirus Disease 2019 (COVID-19). Among the provisions of Bayanihan 1 is the implementation of a 30-day grace period for all loans with principal and/or interest falling due within the period of the Enhanced Community Quarantine without incurring interest on interest, on penalties, fees and other charges. Further, on September 11, 2020, Republic Act No. 11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2) was enacted and part of the provisions of the Bayanihan 2 is the implementation of a one-time 60-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of said loans. In addition, Bayanihan 2 allows loans to be settled on a staggered basis without interest on interests, penalties, fees or other charges until December 31, 2020 or as may be agreed upon by both parties.

The impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱140.92 million. For the year ended December 31, 2020, the net impact of the loan modifications (i.e., after subsequent accretion of the modified loans) amounted to a loss of ₱12.94 million recorded as a deduction to the interest income from loans and receivables. In 2021, the Bank recouped as a subsequent accretion of the modified loans amounting to ₱10.29 million as an to interest income. The remaining unamortized amount of interest income amounted to ₱2.65 million and ₱12.94 million as of December 31, 2021 and 2020, respectively.

Maximum exposure to credit risk
The tables below provide the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those where the carrying values as reflected in the statements of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements.

	2021			
	Maximum Exposure to Credit Risk*	**Fair Value of Collateral and Credit Enhancements**	**Financial Effect of Collateral or Credit Enhancements**	**Net Exposure to Credit Risk**
Loans and receivables:				
Microfinance loans	**₱4,958,699,162**	**₱1,257,345,847**	**₱1,225,323,528**	**₱3,733,375,634**
SME loans	**1,112,870,990**	**322,469,085**	**196,435,886**	**916,435,104**
	₱6,071,570,152	**₱1,579,814,932**	**₱1,421,759,414**	**₱4,649,810,738**

**Includes accrued interest receivable and net of unearned discount and allowance for credit losses.*

	2020			
	Maximum Exposure to Credit Risk*	Fair Value of Collateral and Credit Enhancements	Financial Effect of Collateral or Credit Enhancements	Net Exposure to Credit Risk
Loans and receivables:				
Microfinance loans	₱5,123,802,876	₱1,179,369,356	₱1,159,300,182	₱3,964,502,694
SME loans	948,168,950	310,148,531	193,883,526	754,285,424
	₱6,071,971,826	₱1,489,517,887	₱1,353,183,708	₱4,718,788,118

**Includes accrued interest receivable and net of unearned discount and allowance for credit losses.*

Credit enhancement for microfinance loans pertains to deposit hold-out from center fund savings equivalent to 15.00% of the loaned amount of the member as of December 31, 2021 and 2020. For SME loans, collateral includes real and chattel mortgages while credit enhancement consists of deposit hold-out equivalent to 10.00% of the loaned amount or the related actual savings account balance in excess of the minimum maintaining balance, whichever is lower.

As of December 31, 2021 and 2020, the Bank has no financial assets with rights to offset in accordance with Amendments to PAS 32, *Financial Instruments-Offsetting Financial Assets and Financial Liabilities.* There are also no financial instruments that are subject to an enforceable master netting arrangements or similar agreements which require disclosure in the financial statements in accordance with PFRS.

Additionally, the tables below show the distribution of maximum credit exposure by industry sector of the Bank as of December 31, 2021 and 2020:

	2021				
	Due from BSP and other banks	**Loans and receivables**	**Financial assets at amortized cost**	**Refundable deposits***	**Total**
Wholesale trade and retail trade repair of motor vehicles, motorcycles, and personal and household goods	**₱–**	**₱3,227,158,328**	**₱–**	**₱–**	**₱3,227,158,328**
Government	**1,634,133,584**	**–**	**–**	**–**	**1,634,133,584**
Financial intermediation	**113,683,978**	**498,468,960**	**147,523,532**	**–**	**759,676,470**
Real estate, renting and business activities	**–**	**563,141,958**	**–**	**15,721,995**	**578,863,953**
Restaurant and hotels	**–**	**573,326,084**	**–**	**–**	**573,326,084**
Agriculture	**–**	**543,233,780**	**–**	**–**	**543,233,780**
Fishery and forestry	**–**	**124,399,953**	**–**	**–**	**124,399,953**
Manufacturing	**–**	**124,230,707**	**–**	**–**	**124,230,707**
Transport, storage, and communication	**–**	**65,855,263**	**–**	**–**	**65,855,263**
Education	**–**	**35,641,263**	**–**	**–**	**35,641,263**
Private households with employed persons	**–**	**23,082,938**	**–**	**–**	**23,082,938**
Construction	**–**	**7,525,871**	**–**	**–**	**7,525,871**
Health and social work	**–**	**7,015,160**	**–**	**–**	**7,015,160**
Mining and quarrying	**–**	**119,495**	**–**	**–**	**119,495**
Other community, social, and personal service activities	**–**	**665,984,228**	**–**	**–**	**665,984,228**
	1,747,817,562	**6,459,183,988**	**147,523,532**	**15,721,995**	**8,370,247,077**
Allowance for credit losses	**–**	**(381,324,425)**	**–**	**–**	**(381,324,425)**
Unearned interest and discount	**–**	**(6,289,411)**	**–**	**–**	**(6,289,411)**
Total	**₱1,747,817,562**	**₱6,071,570,152**	**₱147,523,532**	**₱15,721,995**	**₱7,982,633,241**

**Included under 'Other assets' (Note 12)*

	2020				
	Due from BSP and other banks	Loans and receivables	Financial assets at amortized cost	Refundable deposits*	Total
Wholesale trade and retail trade repair of motor vehicles, motorcycles, and personal and household goods	₱–	₱3,385,957,428	₱–	₱–	₱3,385,957,428
Government	1,322,053,915	128,862,608	–	–	1,450,916,523
Agriculture	–	796,895,161	–	–	796,895,161
Restaurant and hotels	–	487,651,852	–	–	487,651,852
Construction	–	466,826,051	–	–	466,826,051
Financial intermediation	331,307,862	1,568,173	50,850,000	–	383,726,035
Manufacturing	–	362,781,612	–		362,781,612
Real estate, renting and business activities	–	195,546,423	–	19,919,927	215,466,350
Transport, storage, and communication	–	167,780,255	–	–	167,780,255
Health and social work	–	145,433,638	–	–	145,433,638

(Forward)

	2020				
	Due from BSP and other banks	Loans and receivables	Financial assets at amortized cost	Refundable deposits*	Total
Electricity, gas, and water	₱–	₱123,520,223	₱–	₱–	₱123,520,223
Fishery and forestry	–	102,557,558	–	–	102,557,558
Education	–	42,561,134	–	–	42,561,134
Private households with employed persons	–	4,185,894	–	–	4,185,894
Mining and quarrying	–	1,045,050	–	–	1,045,050
Other community, social and personal service activities	–	86,353,953	–	–	86,353,953
	1,653,361,777	6,499,527,013	50,850,000	19,919,927	8,223,658,717
Allowance for credit losses	–	(267,919,267)	–	–	(267,919,267)
Unearned interest and discount	–	(15,600,561)	–	–	(15,600,561)
Total	₱1,653,361,777	₱6,216,007,185	₱50,850,000	₱19,919,927	₱7,940,138,889

**Included under 'Other assets' (Note 12)*

Credit quality per class of financial assets
In compliance with BSP Circular No. 855, the Bank is developing and continually reviews and calibrates its internal risk rating system for credit exposures aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security and limit the duration of exposures to maintain and even further enhance the quality of the Bank's credit exposures.

The credit quality of financial assets is monitored and managed using internal ratings.

For SME Loan exposures, the credit quality is generally monitored using its internal borrower risk ratings system. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risk and the comparison of credit exposures across all lines of business, demographics, and products. The rating system is supported by a variety of financial analytics, combined with assessment qualitative factors such as of management and market information to provide the main inputs for the measurement of credit or counterparty risk. All PD ratings are tailored with various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated every time client will avail loans.

The Bank uses PD Ratings to classify the credit quality of its receivable's portfolio. This is currently undergoing upgrade to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. The description of the loan grades used by the Bank for SME loan receivable from customers are as follows:

SME Loans Receivable
The Bank has five (5) SME Loan types, differentiated according to the purpose of loans. All loan types produce a 6-grade scale with each grade having a corresponding probability of default (PD).

High Grade (PD Rating of 0 to 1)
Accounts in this category have a low probability of defaulting on their obligations over the next 12 months. A comfortable degree of stability and diversity can be found in these borrowers.

Medium Grade (PD Rating of 2 to 3)
The probability of default (PD) of accounts in this category is slightly higher than high grade borrowers. Accounts whose financial ratios exhibit an amount of buffer though somewhat limited. These accounts can withstand minor economic weaknesses but may suffer if conditions deteriorate in a significant way and therefore, default risk is present under such adverse conditions. Repayment ability is more or less assured if economic and industry conditions remain stable.

Low Grade (PD Rating of 4 to 5)
Accounts for which default risk are very much present and those that have defaulted already are included in this category.

It is the Bank's policy to dispose repossessed properties in an orderly transaction. The proceeds are used to reduce or repay the outstanding claims. In general, the Bank does not occupy repossessed properties for business use. The Bank has a program of disposal of its investment properties to reduce the nonperforming assets in its books. Investment properties may be disposed through redemption, negotiated sale or lease purchase.

For Microfinance Loan and Other Loan exposures, the credit rating for this type is still being developed, however continuous and extensive monitoring of past-due is being practiced by the management to ensure that past due rate will not exceed the 3.00% minimum threshold. However, PD ratings are already tailored depending on the days past due of Microfinance loan.

The description of the loan grades used by the Bank for microfinance loan receivable from customers are as follows:

Microfinance Loan and Other Loan Receivables
The Bank has variety of Microfinance and Other Loan types, differentiated according to the purpose of loans. All loan types produce a 6-grade scale with each grade having a corresponding probability of default (PD). However, since Microfinance loan and Other loan are observing day 1 past due, only two grades are being assigned for this loan group.

High Grade (PD Rating of 0)
Accounts in this category have a low probability of defaulting on their obligations over the next 12 months. A comfortable degree of stability and diversity can be found in these borrowers.

Low Grade (PD Rating of 1 to 5)
Accounts for which default risk are very much present and those that have defaulted already are included in this category.

Loans and receivables rated as high and standard grades refer to those accounts that do not have greater than normal risk or have potential weaknesses only.

The following tables illustrate the Bank's credit exposures as at December 31, 2021 and 2020:

	2021			
	ECL Staging			
Microfinance Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Neither past due nor impaired				
High grade	₱–	₱–	₱–	₱–
Standard Grade	4,447,124,347	–	–	4,447,124,347
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	648,367,467	648,367,467
	₱4,447,124,347	₱–	₱648,367,467	₱5,095,491,814

Microfinance Loans	2020 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱–	₱–	₱–	₱–
Standard Grade	4,650,946,332	–	–	4,650,946,332
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	569,802,633	569,802,633
	₱4,650,946,332	₱–	₱569,802,633	₱5,220,748,965

SME Loans	**2021** **ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Neither past due nor impaired				
High grade	**₱–**	**₱–**	**₱–**	**₱–**
Standard Grade	**1,085,952,111**	**–**	**–**	**1,085,952,111**
Past due but not impaired	**–**	**5,047,527**	**–**	**5,047,527**
Past due and impaired	**–**	**–**	**122,423,503**	**122,423,503**
	₱1,085,952,111	**₱5,047,527**	**₱122,423,503**	**₱1,213,423,141**

SME Loans	2020 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱–	₱–	₱–	₱–
Standard Grade	875,533,714	–	–	875,533,714
Past due but not impaired	–	9,987,938	–	9,987,938
Past due and impaired	–	–	107,274,104	107,274,104
	₱875,533,714	₱9,987,938	₱107,274,104	₱992,795,756

The tables below show the credit quality per class of financial assets (gross of allowance for credit losses and unearned interest income) as of December 31, 2021 and 2020:

	December 31, 2021 **Stage 1**	**Stage 2**	**Stage 3**	**Total**
Due from BSP (Note 6)	**₱1,634,133,584**	**₱–**	**₱–**	**₱1,634,133,584**
Due from other banks (Note 6)	**113,683,978**	**–**	**–**	**113,683,978**
Loans and receivables (Note 7):				
Loans and discounts:				
Microfinance	**4,447,124,347**	**–**	**648,367,467**	**5,095,491,814**
SME	**1,085,952,111**	**5,047,527**	**122,423,503**	**1,213,423,141**
Unquoted debt securities	**128,555,491**	**–**	**–**	**128,555,491**
Other receivables:				
Accrued interest receivable	**150,913,860**	**–**	**–**	**150,913,860**
Accounts receivable	**6,705,923**	**–**	**–**	**6,705,923**
Sales contract receivable	**2,095,265**	**–**	**–**	**2,095,265**
Financial assets at amortized cost (Note 8)	**147,523,532**	**–**	**–**	**147,523,532**
Other assets – refundable deposits (Note 12)	**15,721,995**	**–**	**–**	**15,721,995**
	₱7,732,410,086	**₱5,047,527**	**₱770,790,970**	**₱8,508,248,583**

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP (Note 6)	₱1,322,053,915	₱–	₱–	₱1,322,053,915
Due from other banks (Note 6)	331,307,862	–	–	331,307,862
Loans and receivables:				
Loans and discounts:				
Microfinance	4,650,946,332	–	569,802,633	5,220,748,965
SME	875,533,714	9,987,938	107,274,104	992,795,756
Unquoted debt securities	126,792,049	–	–	126,792,049
Other receivables:				
Accrued interest receivable	137,138,842	–	–	137,138,842
Accounts receivable	19,956,136	–	–	19,956,136
Sales contract receivable	2,095,265	–	–	2,095,265
(Forward)				
Financial assets at amortized cost (Note 8)	50,850,000	–	–	50,850,000
Other assets – refundable deposits (Note 12)	19,919,927	–	–	19,919,927
	₱7,536,594,042	₱9,987,938	₱677,076,737	₱8,223,658,717

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Asset-Liability Management Committee is responsible in formulating the Bank's liquidity risk management policies. Liquidity management is among the most important activities conducted within the Bank. The Bank manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

Liquidity risk is managed by the Bank through holding sufficient liquid assets and appropriate assessment to ensure short-term funding requirements are met and by ensuring the high collection performance at all times.

The Treasury Group uses liquidity forecast models that estimate the Bank's cash flow needs based on the Bank's actual contractual obligations and under normal circumstances and extraordinary circumstances.

Analysis of financial assets and financial liabilities by remaining maturities

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

	2021				
	On demand and up to 1 month	**More than 1 month to 6 months**	**More than 6 months to 1 year**	**Beyond 1 year**	**Total**
Financial Assets					
Due from BSP (Note 6)*	**₱1,634,665,424**	**₱–**	**₱–**	**₱–**	**₱1,634,665,424**
Due from other Banks (Note 6)	**113,683,978**	**–**	**–**	**–**	**113,683,978**
Loans and receivables:					
Loans and discounts*	**759,890,345**	**3,577,889,445**	**2,335,900,072**	**2,621,738,708**	**9,295,418,570**
Unquoted debt securities*	**26,175,540**	**1,217,337**	**978,976**	**114,027,388**	**142,399,241**
Other receivables:					
Accounts receivable	**6,705,923**	**–**	**–**	**–**	**6,705,923**
Sales contract receivable	**–**	**–**	**–**	**2,095,265**	**2,095,265**
Financial assets at amortized cost*	**–**	**–**	**–**	**160,131,388**	**160,131,388**
Other assets - refundable	**–**	**–**	**–**	**15,721,995**	**15,721,995**
	2,541,121,210	**3,579,106,782**	**2,336,879,048**	**2,913,714,744**	**11,370,821,784**

(Forward)

	2021				
	On demand and up to 1 month	**More than 1 month to 6 months**	**More than 6 months to 1 year**	**Beyond 1 year**	**Total**
Financial Liabilities					
Deposit liabilities:					
Demand	**₱51,590,609**	**₱–**	**₱–**	**₱–**	**₱51,590,609**
Savings* / **	**5,035,131,572**	**1,160,218,118**	**443,616,290**	**4,854,147**	**6,643,820,127**
Bills payable	**–**	**–**	**24,530,554**	**–**	**24,530,554**
Accrued expenses and other liabilities:					
Lease liabilities	**7,399,402**	**31,702,014**	**28,694,992**	**73,000,328**	**140,796,736**
Accrued interest payable	**–**	**46,963,443**	**–**	**–**	**46,963,443**
Accrued other expenses	**–**	**32,606,524**	**–**	**–**	**32,606,524**
Accrual for vacation leave credits	**–**	**–**	**–**	**13,294,515**	**13,294,515**
Accounts payable	**5,470,962**	**–**	**–**	**–**	**5,470,962**
Dividends payable	**320,590**	**–**	**–**	**–**	**320,590**
	5,099,913,135	**1,271,490,099**	**496,841,836**	**91,148,990**	**6,959,394,060**
Net undiscounted financial assets (liabilities)	**(₱2,558,791,925)**	**₱2,307,616,683**	**₱1,840,037,212**	**₱2,822,565,754**	**₱4,411,427,724**

** Includes future interest*
*** Based on behavioral expectations*

	2020				
	On demand and up to 1 month	More than 1 month to 6 months	More than 6 months to 1 year	Beyond 1 year	Total
Financial Assets					
Due from BSP (Note 6)*	₱1,322,418,544	₱–	₱–	₱–	₱1,322,418,544
Due from other Banks (Note 6)*	331,307,862	–	–	–	331,307,862
Loans and receivables:					
Loans and discounts*	1,070,817,862	2,611,427,451	1,957,848,850	710,589,400	6,350,683,563
Unquoted debt securities*	–	–	–	128,868,750	128,868,750
Other receivables:					
Accounts receivable	19,956,136	–	–	–	19,956,136
Sales contract receivable	–	–	–	2,095,265	2,095,265
Financial assets at amortized cost*	–	–	20,000,000	30,850,000	50,850,000
Other assets - refundable	–	–	13,661,573	6,258,354	19,919,927
	2,744,500,404	2,611,427,451	1,991,510,423	878,661,769	8,226,100,047
Financial Liabilities					
Deposit liabilities:					
Demand	84,524,387	–	–	–	84,524,387
Savings* / **	4,134,243,741	409,519,174	102,379,794	917,676,076	5,563,818,785
Bills payable	154,957,778	630,166,051	317,231,324	25,697,361	1,128,052,514
Accrued expenses and other liabilities:					
Lease liabilities	6,184,158	27,366,547	24,680,469	67,803,548	126,034,722
Accrual for vacation leave credits	–	–	–	13,076,063	13,076,063
Accounts payable	–	9,628,654	–	–	9,628,654
Accrued interest payable	–	53,571,036	–	–	53,571,036
Dividends payable	187,583	–	–	–	187,583
Accrued other expenses	–	20,137,113	–	–	20,137,113
	4,380,097,647	1,150,388,575	444,291,587	1,024,253,048	6,999,030,857
Net undiscounted financial assets (liabilities)	(₱1,635,597,243)	₱1,461,038,876	₱1,547,218,836	(₱145,591,279)	₱1,227,069,190

** Includes future interest*
*** Based on behavioral expectations*

As of December 31, 2021 and 2020, the Bank had a total of ₱2,060.00 million and ₱2,010.00 million credit lines with local Banks, respectively, out of which, nil and ₱1,350.00 million had been drawn as of December 31, 2021 and 2020, respectively.

Market Risk

Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates. The financial instruments of the Bank have fixed interest rates, and therefore are not subject to any interest rate risk.

Interest rate risk

The Bank's nominal interest rate for REM loans is set at a fixed rate of 21.00% in 2021 and 2020. Microfinance loans earn nominal interest rates ranging from 0.64% to 54.00% and from 2.60% to 28.00% with equivalent effective interest rate ranging from 11.95% to 69.41% and from 9.57% to 86.44% per annum in 2021 and 2020, respectively. For SME loans, interest rate charged to a borrower depends on the credit risk rating classification, the deposit level of the client as a percentage of the loan, and the internal basic interest rate.

As of December 31, 2021 and 2020, repricing debt instrument only comprise 2.00% of total loan, thus the effect of interest repricing on loans is immaterial to the Bank.

The Bank's savings deposit liabilities include compulsory and voluntary savings that earn 0.50% to 3.00% and 1.00% to 6.00% interest per annum in 2021 and 2020, respectively. Special savings deposits earn 0.50% to 3.00% and 1.00% to 6.00% interest per annum in 2021 and 2020, respectively. These special savings deposits are concentrated on 30 days to one year maturity.

The Bank pays fixed interest rates on bills payable from 3.00% to 6.56% in 2021 and 2020, respectively.

In order to manage its interest rate risk, the Bank places its excess funds in high yield investments and other short-term time deposits and treasury notes. It also matches its interest rate and maturity to avoid negative gaps between the sources and applications.

Foreign currency risk

The Bank has no foreign currency-denominated transactions; thus, it has no exposure to changes in foreign exchange rates.

Operational Risk Management Policies and Procedures

Operational risk is the probability of risk to capital or earnings, or potential loss arising from fraud, unauthorized activities, errors, omissions, system failures or from external events. This is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

Operational risk management is considered a critical element in the Bank's commitment to sound management and corporate governance. Under the Bank's operational risk management framework and operational risk manual, a risk-based approach is used in mapping operational risks along critical/key business processes, addressing any deficiencies/weaknesses through the proactive process of identifying, assessing and limiting impact of risk in every business/operational area.

Bank policies on internal control, information security, and other operational risk aspects have been established. Key risk indicators and risk assessment guidelines have been implemented and disseminated to different sectors of the Bank to provide alerts for operational risk vulnerabilities. The Bank has instituted a risk and control assessment process, as well as an issue escalation procedure to ensure that issues or incidents where lapses in controls occur are captured, evaluated and elevated for correction. The bank has an established a business continuity plan to ensure continued bank operations in the face of potential disruptions to operations as well as fraud management framework for the prevention, detection, investigation and recovery strategies to manage fraud, both internal and external.

6. Cash and Cash Equivalents

The composition of this account follows:

	2021	2020
Cash and other cash items	**₱57,091,793**	₱48,177,003
Due from BSP	**1,634,133,584**	1,322,053,915
Due from other banks	**113,683,978**	331,307,862
	₱1,804,909,355	₱1,701,538,780

Cash includes cash in vault and in automated teller machines.
Due from BSP consists of:

	2021	2020
Demand deposit	**₱205,133,584**	₱174,499,562
Time deposit facility	**1,100,000,000**	140,000,000
Securities facility	**200,000,000**	–
Overnight deposit facility	**129,000,000**	749,000,000
Overnight reverse repurchase facility	**–**	258,554,353
	₱1,634,133,584	₱1,322,053,915

Due from BSP includes the aggregate balance of noninterest-bearing peso savings and demand deposit account which the Bank maintains in compliance with the BSP requirements to meet regular and liquidity reserves on deposits. As of December 31, 2021 and 2020, the Bank is compliant with the applicable reserve requirements (Note 13).

Time deposit facility is a key liquidity absorption facility used by the BSP for active liquidity management. Time deposit facilities earn interests ranging from 1.59% to 1.87% and 1.50% to 4.13% in 2021 and 2020, respectively, with maturity ranging from 30 to 90 days.

Securities facility is one of BSP's liquidity mopping tool to manage inflation which is offered only under a 28-day tenor. Securities facility earn interests ranging from 1.72% to 1.79% in 2021 with a maturity of 28 days.

Overnight deposit facility is a standing liquidity window that absorbs residual or leftover liquidity from BSP operations. Overnight deposit facilities earn an interest rate of 1.50% in 2021 and 2020 with a maturity of one day.

Overnight reverse repurchase is a placement made by the Bank to BSP. The reverse repurchase facility of the BSP is an overnight facility where BSP acts as a seller of government securities. The securities are offered using a fixed-rate and full-allotment method, where individual bidders are awarded a portion of the total offer depending on their bid size. Overnight reverse repurchase facility earn an interest rate of 2.00% in 2021 and 2020 with a maturity of one day.

Interest income on BSP placements amounted to ₱33.84 million and ₱16.71 million in 2021 and 2020, respectively.

Due from other banks consists of:

	2021	2020
Demand deposit	**₱102,804,668**	₱302,193,460
Savings deposit	**10,879,310**	29,114,402
	₱113,683,978	₱331,307,862

Due from other banks consist of funds deposited in domestic banks which are used as part of the Bank's working capital. Demand and savings deposits bear annual interest rates ranging from 0.05% to 0.63% and from 0.30% to 3.25% for the years ended December 31, 2021 and 2020, respectively.

Interest income on due from other banks amounted to ₱0.48 million and ₱1.70 million in 2021 and 2020, respectively.

7. Loans and Receivables

This account consists of:

	2021	2020
Loans and discounts:		
Microfinance	**₱5,095,491,814**	₱5,220,748,965
SME	**1,213,423,141**	992,795,756
	6,308,914,955	6,213,544,721
Unquoted debt securities	**128,555,491**	126,792,049
	6,437,470,446	6,340,336,770
Unearned interest income	**(6,289,410)**	(15,600,561)
	6,431,181,036	6,324,736,209
Other receivables:		
Accrued interest receivable	**150,913,860**	137,138,842
Accounts receivable (Note 22)	**6,705,923**	19,956,136
Sales contract receivable	**2,095,265**	2,095,265
	6,590,896,084	6,483,926,452
Less allowance for credit and impairment losses	**386,447,401**	267,919,267
	₱6,204,448,683	₱6,216,007,185

Microfinance loans amounting to ₱44.16 million and ₱492.00 million were held as collateral for borrowings with the International Finance Corporation as of December 31, 2021 and 2020 (Note 14).

Loans and discounts earn the following interest rates:

	2021	2020
Loans and discounts:		
Microfinance	**11.95%-69.41%**	9.57%-86.44%
SME	**4.20%-90.93%**	5.90%-88.67%

Unquoted debt securities include Micro, Small and Medium Enterprise Notes and Agrarian Reform Bonds with maturity ranging from one to ten years and interest ranging from 1.01% to 4.64% and from 2.00% to 5.36% in 2021 and 2020, respectively. Amortization of discount or premium on loans amounted to ₱1.76 million premium and ₱5.88 million discount in 2021 and 2020, respectively.

The following table shows the interest income per class of loans and receivables:

	2021	2020
Loans and discounts:		
Microfinance	**₱2,180,577,200**	₱1,503,791,337
SME	**121,744,918**	93,707,067
Unquoted debt securities	**2,757,751**	4,048,289
	₱2,305,079,869	₱1,601,546,693

The tables below illustrate the movements of the allowance for credit losses of microfinance loans during the year (effect of movements in ECL due to transfers between stages are shown in the total column):

	2021			
	ECL Staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Loss allowance at January 1, 2021	**₱12,858,252**	**₱–**	**₱145,873,354**	**₱158,731,606**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	**(12,437,855)**	–	**12,437,855**	–
Transfer from Stage 3 to Stage 1	**90,966**	–	**(90,966)**	–
New financial assets originated or purchased	**121,612,129**	–		**121,612,129**
Changes in PDs/LGDs/EADs	**34,697,002**	–	**206,253,578**	**240,950,580**
Financial assets derecognized during the period	**(61,219,612)**	–		**(61,219,612)**
Total net P&L charge during the period	**82,742,630**	–	**218,600,467**	**301,343,097**
Other movements without P&L impact				
Write-offs, foreclosures and other movements		–	**(206,289,031)**	**(206,289,031)**
Total movements without P&L impact		–	**(206,289,031)**	**(206,289,031)**
Loss allowance at December 31, 2021	**₱95,600,882**	**₱–**	**₱158,184,790**	**₱253,785,672**

	2020			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2020	₱49,681,643	₱–	₱130,978,843	₱180,660,486
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	(4,579,449)	–	4,579,449	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	697,443	–	(697,443)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	35,485,380	–	–	35,485,380
Changes in PDs/LGDs/EADs	(16,544,638)	–	52,770,413	36,225,775
Financial assets derecognized during the period	(51,882,127)	–	(32,787,372)	(84,669,499)
Total net P&L charge during the period	(36,823,391)	–	23,865,047	(12,958,344)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	(8,970,536)	(8,970,536)
Total movements without P&L impact	–	–	(8,970,536)	(8,970,536)
Loss allowance at December 31, 2020	₱12,858,252	₱–	₱145,873,354	₱158,731,606

The tables below illustrate the movements of the allowance for credit losses of SME loans during the year (effect of movements in ECL due to transfers between stages are shown in the total column):

	2021			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2021	**₱40,218,618**	**₱988,706**	**₱61,101,686**	**₱102,309,010**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(753,447)	753,447	–	–
Transfer from Stage 1 to Stage 3	(14,470,459)	–	14,470,459	–
Transfer from Stage 2 to Stage 1	396,781	(396,781)	–	–
Transfer from Stage 2 to Stage 3	–	(987,598)	987,598	–
Transfer from Stage 3 to Stage 1	3,812,538	–	(3,812,538)	–
New financial assets originated or purchased	48,338,538			48,338,538
Changes in PDs/LGDs/EADs	21,824,098	2,515,709	98,556,874	122,896,681
Financial assets derecognized during the period	(37,544,506)	(605,101)	(76,019,705)	(114,169,312)
Total net P&L charge during the period	21,603,543	1,279,676	34,182,688	57,065,907
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	(31,836,164)	(31,836,164)
Total movements without P&L impact			(31,836,164)	(31,836,164)
Loss allowance at December 31, 2021	**₱61,822,161**	**₱2,268,382**	**₱63,448,210**	**₱127,538,753**

	2020			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2020	₱10,335,798	₱5,564,361	₱76,027,936	₱91,928,095
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(823,294)	823,294	–	–
Transfer from Stage 1 to Stage 3	(500,076)	–	500,076	–
Transfer from Stage 2 to Stage 1	5,451,654	(5,451,654)	–	–
Transfer from Stage 2 to Stage 3	–	(914,635)	914,635	–
Transfer from Stage 3 to Stage 1	12,051,052	–	(12,051,052)	–
Transfer from Stage 3 to Stage 2	–	637,837	(637,837)	–
New financial assets originated or purchased	5,832,613	–	–	5,832,613
Changes in PDs/LGDs/EADs	10,742,869	7,889,110	44,000,032	62,632,011
Financial assets derecognized during the period	(2,871,998)	(7,559,607)	(32,301,398)	(42,733,003)
Total net P&L charge during the period	29,882,820	(4,575,655)	424,456	25,731,621
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	(15,350,706)	(15,350,706)
Total movements without P&L impact	–	–	(15,350,706)	(15,350,706)
Loss allowance at December 31, 2020	₱40,218,618	₱988,706	₱61,101,686	₱102,309,010

The movements in microfinance loans (gross of allowance for credit losses) and corresponding accrued interest receivable between stages follow:

	2021			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount and accrued interest receivables as at January 1, 2021	**₱4,764,621,050**	**₱–**	**₱569,802,633**	**₱5,334,423,683**
Transfers:				
Transfer from Stage 1 to Stage 2	(379,448,165)	–	379,448,165	–
Transfer from Stage 3 to Stage 1	2,775,155	–	(2,775,155)	–
New financial assets originated or purchased	7,125,029,471	–	–	7,125,029,471
Collections of principal and interest	(2,408,788,627)	–	(91,819,146)	(2,500,607,773)
Financial assets derecognized during the period	(4,523,093,683)	–	–	(4,523,093,683)
Financial assets written-off during the period	–	–	(206,289,031)	(206,289,031)
Gross carrying amount and accrued interest receivables as at December 31, 2021	**₱4,581,095,201**	**₱–**	**₱648,367,466**	**₱5,229,462,667**

	2020			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount and accrued interest receivables as at January 1, 2020	₱5,100,354,815	₱–	₱131,339,481	₱5,231,694,296
Transfers:				
Transfer from Stage 1 to Stage 3	(532,997,326)	–	532,997,326	–
Transfer from Stage 3 to Stage 1	1,090,047	–	(1,090,047)	–
New financial assets originated or purchased	6,707,657,072	–	–	6,707,657,072
Collections of principal and interest	(1,908,267,706)	–	(68,445,092)	(1,976,712,798)
Financial assets derecognized during the period	(4,603,215,852)	–	(16,028,499)	(4,619,244,351)
Financial assets written-off during the period	–	–	(8,970,536)	(8,970,536)
Gross carrying amount and accrued interest receivables as at December 31, 2020	₱4,764,621,050	₱–	₱569,802,633	₱5,334,423,683

The movements in SME loans (gross of allowance for credit losses) and corresponding accrued interest receivable between stages follow:

	2021			
	ECL Staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Gross carrying amount and accrued interest receivables as at January 1, 2021	**₱896,927,279**	**₱9,987,938**	**₱107,274,104**	**₱1,014,189,321**
Transfers:				
Transfer from Stage 1 to Stage 2	**(16,817,953)**	**16,817,953**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(119,942,800)**	**–**	**119,942,800**	**–**
Transfer from Stage 2 to Stage 1	**3,662,916**	**(3,662,916)**	**–**	**–**
Transfer from Stage 2 to Stage 3		**(5,276,290)**	**5,276,290**	**–**
Transfer from Stage 3 to Stage 1	**9,166,072**	**–**	**(9,166,072)**	**–**
New financial assets originated or purchased	**704,306,595**	**–**	**–**	**704,306,595**
Collections of principal and interest	**(344,204,157)**	**(2,445,414)**	**(66,446,751)**	**(413,096,322)**
Financial assets derecognized during the period	**(41,156,427)**	**–**	**(2,685,682)**	**(43,842,109)**
Financial assets written-off during the period	**–**	**–**	**(31,836,164)**	**(31,836,164)**
Gross carrying amount and accrued interest receivables as at December 31, 2021	**₱1,091,941,525**	**₱15,421,271**	**₱122,358,525**	**₱1,229,721,321**

	2020			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount and accrued interest receivables as at January 1, 2020	₱965,010,882	₱108,719,615	₱101,991,373	₱1,175,721,870
Transfers:				
Transfer from Stage 1 to Stage 2	(14,723,777)	14,723,777	–	–
Transfer from Stage 1 to Stage 3	(58,203,285)	–	58,203,285	–
Transfer from Stage 2 to Stage 1	44,114,000	(44,114,000)	–	–
Transfer from Stage 2 to Stage 3	–	(7,401,099)	7,401,099	–
Transfer from Stage 3 to Stage 1	18,834,822	–	(18,834,822)	–
Transfer from Stage 3 to Stage 2	–	971,198	(971,198)	–
New financial assets originated or purchased	328,177,081	–	–	328,177,081
Collections of principal and interest	(287,296,384)	(5,913,317)	(19,030,784)	(312,240,485)
Financial assets derecognized during the period	(98,986,060)	(56,998,236)	(6,134,143)	(162,118,439)
Financial assets written-off during the period	–	–	(15,350,706)	(15,350,706)
Gross carrying amount and accrued interest receivables as at December 31, 2020	₱896,927,279	₱9,987,938	₱107,274,104	₱1,014,189,321

While the Bank recognizes in the statements of income the movements in the expected credit losses computed using the models, the Bank also complies with BSP's regulatory requirement to appropriate a portion of its surplus at an amount necessary to bring at least the allowance for credit losses to 1.00% of all outstanding Stage 1 loan accounts. In 2021 and 2020, the amount of surplus reserve for this purpose increased by nil and ₱77.33 million, respectively.

Regulatory Reporting
In accordance with BSP regulations, the Bank considers loans with one-day past due as part of its portfolio-at-risk (PAR). As of December 31, 2021 and 2020, the Bank's PAR amounted to ₱783.72 million and ₱687.06 million, respectively. The allowance for credit losses recognized for past due loans amounted to ₱225.02 million and ₱207.96 million as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, performing and nonperforming loans (NPLs) based on Circular No. 772 and as reported to the BSP amounted as follows:

	2021	2020
Microfinance Loans		
Performing loans		
Business	**₱3,575,387,956**	₱4,020,541,817
Educational	**26,035,566**	28,195,115
Others	**845,700,826**	602,209,400
	4,447,124,348	4,650,946,332
Nonperforming loans		
Business	**573,415,221**	479,143,782
Educational	**7,267,766**	12,847,328
Others	**67,684,479**	77,811,523
	648,367,466	569,802,633
Balance at end of year	**₱5,095,491,814**	₱5,220,748,965
SME Loans		
Performing loans		
Agricultural	**₱79,965,621**	₱71,410,246
Business	**651,408,631**	450,056,109
Housing	**230,832,694**	220,771,782
Fringe	**15,343,285**	19,065,515
Car	**98,093,114**	114,230,062
	1,075,643,345	875,533,714
Past due but not impaired		
Agricultural	**3,777,761**	1,712,358
Business	**9,984,930**	6,762,701
Housing	–	1,091,333
Fringe	**794,406**	–
Car	**864,174**	421,546
	15,421,271	9,987,938
Nonperforming loans		
Agricultural	**23,039,505**	20,345,362
Business	**79,221,969**	72,529,165
Housing	**11,536,378**	9,229,909
Fringe	**2,858,538**	1,726,358
Car	**5,702,135**	3,443,310
	122,358,525	107,274,104
Balance at end of year	**₱1,213,423,141**	₱992,795,756

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans that are payable in lump sum and loans that are payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total receivable balance.

In the case of microfinance loans, past due/PAR accounts shall be considered as NPLs.

The following table shows the secured and unsecured portions of loans and discounts as of December 31, 2021 and 2020:

	2021	2020
Secured portion		
Deposit hold-out (Note 13)	**₱1,277,225,771**	₱1,187,459,709
Chattel mortgage	**144,533,643**	165,033,982
	1,421,759,414	1,352,493,691
Unsecured portion	**4,887,155,541**	4,861,051,030
	₱6,308,914,955	₱6,213,544,721

Information on the concentration of credit as to industry of loans (gross of unearned discounts and allowance for impairment and credit losses) follows:

	2021		2020	
	Amount	**%**	Amount	%
Wholesale trade and retail trade repair of motor vehicles, motorcycles, and personal and household goods	**₱3,145,589,148**	**49.86**	₱3,313,045,861	53.32
Restaurant and hotels	**559,246,266**	**8.86**	477,293,995	7.68
Real estate, renting and business activities	**552,681,025**	**8.76**	191,520,941	3.08
Agriculture	**529,416,759**	**8.39**	779,219,046	12.54
Financial intermediation	**493,857,958**	**7.83**	1,540,648	0.02
Fishery and forestry	**121,432,168**	**1.92**	100,135,121	1.61
Manufacturing	**121,278,546**	**1.92**	354,263,872	5.70
Transport, storage and communication	**64,180,180**	**1.02**	164,361,236	2.65
Education	**34,785,394**	**0.55**	42,064,069	0.68
Private households with employed persons	**22,506,934**	**0.36**	4,089,141	0.07
Construction	**7,346,817**	**0.12**	458,529,848	7.38
Health and social work	**6,866,963**	**0.11**	142,766,210	2.30
Mining and quarrying	**116,171**	**0.00**	1,037,126	0.02
Electricity, gas and water	–	**0.00**	120,840,185	1.94
Other community, social, and personal service activities	**649,610,626**	**10.30**	62,837,422	1.01
	₱6,308,914,955	**100.00**	₱6,213,544,721	100.00

The BSP considers that loan concentration exists when 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.

8. **Financial Assets at Amortized Cost**

As of December 31, 2021 and 2020, held-to-collect investments have an outstanding balance amounting to ₱147.52 million and ₱50.85 million, respectively. This account represents investments in government securities acquired through Land Bank of the Philippines and Bank of the Philippine Islands bearing coupon rates and effective rates ranging from 2.38% to 6.25% and 4.88% to 6.25% with terms of three (3) to five (5) years in 2021 and 2020, respectively. The Bank's purpose for the investment is for compliance with the 20.00% minimum liquidity ratio requirement by BSP (see Note 17).

Financial assets at amortized cost earned interest income amounting to ₱3.48 million and ₱3.11 million in 2021 and 2020, respectively.

9. **Property and Equipment**

The composition of and movements in this account follow:

	2021								
	Land	**Building and improvements**	**Leasehold improvements**	**Furniture, fixtures and equipment**	**Transportation equipment**	**Construction in progress**	**ROU assets - Office space**	**ROU assets - Vehicles and IT equipment**	**Total**
Cost									
Balance at beginning of year	**₱46,915,616**	**₱54,430,165**	**₱92,474,038**	**₱88,647,446**	**₱7,234,307**	**₱944,000**	**₱213,480,356**	**₱13,141,474**	**₱517,267,402**
Additions	–	–	**74,009**	**20,507,999**	**7,600,715**	**1,020,000**	**84,905,769**	**15,400,022**	**129,508,514**
Disposals/Terminations	–	–	–	–	**(882,530)**	–	**(63,984,398)**	**(10,250,474)**	**(75,117,402)**
Transfers	–	–	**1,964,000**	–	–	**(1,964,000)**	–	–	
Balance at end of year	**46,915,616**	**54,430,165**	**94,512,047**	**109,155,445**	**13,952,492**	–	**234,401,727**	**18,291,022**	**571,658,514**
Accumulated depreciation									
Balance at beginning of year	–	**27,593,402**	**48,058,730**	**53,136,111**	**3,130,300**	–	**98,928,730**	**7,311,492**	**238,158,765**
Depreciation	–	**5,474,738**	**16,582,368**	**19,177,885**	**1,572,712**	–	**69,148,343**	**10,241,981**	**122,198,027**
Disposals/Terminations	–	–	–	–	–	–	**(63,480,675)**	**(10,250,474)**	**(73,731,149)**
Transfers	–	–	–	–	–	–	–	–	-
Balance at end of year	–	**33,068,140**	**64,641,098**	**72,313,996**	**4,703,012**	–	**104,596,398**	**7,302,999**	**286,625,643**
Net book value	**₱46,915,616**	**₱21,362,025**	**₱29,870,949**	**₱36,841,449**	**₱9,249,480**	**₱–**	**₱129,805,329**	**₱10,988,023**	**₱285,032,871**

	2020								
	Land	Building and improvements	Leasehold improvements	Furniture, fixtures and equipment	Transportation equipment	Construction in progress	ROU assets - Office space	ROU assets - Vehicles and IT equipment	Total
Cost									
Balance at beginning of year	₱46,915,616	₱54,526,578	₱82,568,109	₱115,127,234	₱7,404,883	₱2,914,752	₱133,520,323	₱5,166,581	₱448,144,076
Additions	–	1,033,600	4,002,173	19,883,292	1,464,437	9,836,190	79,960,033	7,974,893	124,154,618
Disposals	–	(1,130,013)	(5,903,186)	(46,363,080)	(1,635,013)	–	–	–	(55,031,292)
Transfers	–	–	11,806,942	–	–	(11,806,942)	–	–	–
Balance at end of year	46,915,616	54,430,165	92,474,038	88,647,446	7,234,307	944,000	213,480,356	13,141,474	517,267,402
Accumulated depreciation									
Balance at beginning of year	–	23,252,424	37,982,038	79,020,160	3,710,240	–	30,195,245	1,454,128	175,614,235
Depreciation	–	5,470,991	15,979,878	20,367,590	1,055,073	–	68,733,485	5,857,364	117,464,381
Disposals	–	(1,130,013)	(5,903,186)	(46,251,639)	(1,635,013)	–	–	–	(54,919,851)
Balance at end of year	–	27,593,402	48,058,730	53,136,111	3,130,300	–	98,928,730	7,311,492	238,158,765
Net book value	₱46,915,616	₱26,836,763	₱44,415,308	₱35,511,335	₱4,104,007	₱944,000	₱114,551,626	₱5,829,982	₱279,108,637

Depreciation and amortization charged to the statements of income is presented under 'Depreciation and amortization' which is consists of:

	2021	2020
Property and equipment	**₱122,198,027**	₱117,464,381
Intangible assets (Note 11)	**5,241,868**	3,505,655
	₱127,439,895	₱120,970,036

Construction in progress represents the cost of materials, labor, and other capitalizable expenditures incurred in connection with leasehold improvements of bank premises under establishment or renovation. This was completed in February 2021.

Disposal of property and equipment resulted to a loss of ₱0.33 million and ₱0.11 million in 2021 and 2020, respectively. This is included under other income – net gain (loss) on sale of fixed and investment properties.

There are no restrictions on the titles of the Bank's property and equipment and the Bank does not have any contractual commitments for the acquisition of property and equipment as of December 31, 2021 and 2020.

10. **Investment Properties**

The composition of and movements in this account follow:

	2021			
	Land	**Building**	**Asset held by SPV**	**Total**
Cost				
Balance at beginning of year	**₱7,575,855**	**₱231,001**	**₱956,930**	**₱8,763,786**
Disposals	**(2,604,435)**	**–**	**(580,305)**	**(3,184,740)**
Balance at end of year	**4,971,420**	**231,001**	**376,625**	**5,579,046**
Accumulated depreciation	**–**	**231,000**	**–**	**231,000**
Net book value	**₱4,971,420**	**₱1**	**₱376,625**	**₱5,348,046**

	2020			
	Land	Building	Asset held by SPV	Total
Cost				
Balance at beginning of year	₱8,246,355	₱231,001	₱1,642,665	₱10,120,021
Disposals	(670,500)	–	(685,735)	(1,356,235)
Balance at end of year	7,575,855	231,001	956,930	8,763,786
Accumulated depreciation	–	231,000	–	231,000
Allowance for impairment losses				
Balance at beginning of year	154,023	–	–	154,023
Disposals	(154,023)	–	–	(154,023)
Balance at end of year	–	–	–	–
Net book value	₱7,575,855	₱1	₱956,930	₱8,532,786

Direct operating expenses on investment properties amounting to ₱0.30 million and ₱0.37 million in 2021 and 2020 are included under 'Taxes and licenses". In 2021 and 2020, all of the Bank's investment properties are non-revenue generating. The fair values of investment properties are disclosed in Note 4.

The Bank received ₱4.87 million and ₱1.06 million in 2021 and 2020, respectively, for the sale of investment properties. Sale of investment properties resulted to ₱1.68 million gain and ₱0.13 million loss in 2021 and 2020, respectively. It is included under other income – net gain (loss) on sale of fixed and investment properties.

Assets held by a Special Purpose Vehicle
Assets held by a Special Purpose Vehicle (SPV) represents foreclosed properties (land) which have been specifically identified for sale under a sale and purchase agreement (SPA) with an SPV.

Under RA No. 9182, *The Special Purpose Vehicle Act of 2002*, the sale of assets to the SPV under the SPA is a true sale, as approved by the BSP. However, under PFRS, the assets sold remain to be recognized by the Bank since the risks and rewards of ownership over the assets are not yet transferred to the SPV.

Major provisions of the SPA follow:
- The proceeds of the sale shall be paid by the buyer to the Bank and the payment shall not be subject to any interest;
- The buyer covenants and undertakes that any and all proceeds from any subsequent sale, disposition or settlement of any asset shall be earmarked for the payment of the purchase price; and
- If on the due date, the amount of the net proceeds is less than the purchase price, the difference between the net proceeds and purchase price shall be applied against the unpaid balance.

11. Intangible Assets

The composition of and movements in this account follow:

	2021	2020
Cost		
Balance at beginning of year	**₱37,480,941**	₱18,179,325
Acquisition	–	19,301,616
Balance at end of year	**37,480,941**	37,480,941
Accumulated amortization		
Balance at beginning of year	**20,159,730**	16,654,075
Amortization	**5,241,868**	3,505,655
Balance at end of year	**25,401,598**	20,159,730
Net book value	**₱12,079,343**	₱17,321,211

The account consists of software costs such as Microsoft license, system customization, data analytics platform and data ingest development.

12. **Other Assets**

This account consists of

	2021	2020
Financial assets		
Refundable deposits	**₱15,721,995**	₱19,919,927
Nonfinancial assets		
Prepaid expenses (Note 22)	**55,072,853**	64,729,010
Stationeries and supplies	**24,556,322**	26,986,963
Application subscriptions and cash bonds	**3,400,000**	3,400,000
	₱98,751,170	₱115,035,900

Prepaid expenses include blanket bond premium, other insurances such as vehicle insurance and the annual fee paid for Temenos and FDS solutions**.**

Application subscriptions are membership fees to the Philippine Clearing House Corporation and Bayad Center, and cash bonds are with Bancnet for its ATM operations.

13. **Deposit Liabilities**

The Bank's deposit liabilities follow:

	2021	2020
Savings deposit		
Regular savings	**₱4,896,151,438**	₱4,206,259,490
Special savings	**1,735,129,540**	1,357,559,295
Demand deposit	**51,590,609**	84,524,387
	₱6,682,871,587	₱5,648,343,172

Regular savings deposit liabilities include the aggregate compulsory savings of ₱50.00 per week collected from each microfinance member in 2021 and 2020. Under an assignment agreement, the pledge savings earn annual interest of 1.50% in 2021 and 2020. Pledge savings equivalent to 15.00% of the loan proceeds serves as guarantee fund of outstanding receivables from members (Note 7).

Demand deposit liabilities are non-interest earning deposit account.

Savings deposits include regular and special savings deposits. Regular savings deposits earn annual interest ranging from 0.50% to 3.00% and 1.00% to 6.00% in 2021 and 2020, respectively. Special savings deposits earn interest ranging from 0.75% to 1.60% and 1.60% to 4.00% in 2021 and 2020, respectively.

Details of interest expense on deposit liabilities follow:

	2021	2020
Regular savings	**₱115,991,249**	₱104,159,838
Special savings	**38,379,459**	32,192,141
	₱154,370,708	₱136,351,979

BSP requires 3.00% reserve requirement for thrift banks. Available reserves as of December 31, 2021 and 2020 amounted to ₱205.13 million and ₱174.50 million, respectively (Note 6). As of December 31, 2021 and 2020, the Bank is compliant with the applicable reserve requirements.

14. Bills Payable

The composition of and movements in this account follow:

	2021	2020
Face value		
Balance at beginning of year	**₱1,099,120,000**	₱1,163,760,000
Availment	–	1,350,000,000
Principal payments	**(1,074,640,000)**	(1,414,640,000)
Balance at end of year	**24,480,000**	1,099,120,000
Unamortized transaction cost		
Balance at beginning of year	**8,211,412**	6,881,309
Availment	–	11,852,700
Amortization	**(7,947,592)**	(10,522,597)
Balance at end of year	**263,820**	8,211,412
Carrying value	**₱24,216,180**	₱1,090,908,588

Local banks
These are promissory notes from various local banks with term of one year obtained for working capital requirement of the Bank with annual interest rates ranging from 3.00% to 5.00% in 2021 and 2020, respectively. The outstanding bills payable from local banks is nil and ₱800.00 million as of December 31, 2021 and 2020, respectively.

International Finance Corporation (IFC)
On December 3, 2015, the Bank entered into a Loan Agreement ("the Agreement") with IFC for the availment of loan ("the Loan") amounting to ₱160.00 million which will mature on December 15, 2022. The purpose of the loan is to provide funds to be used by the Bank for financing its lending operations to small and medium-sized enterprises and microfinance entities. The note bears a Philippine fixed base rate of 6.56%, inclusive of 2.70% spread, and has a tenor of seven years. The principal of the note is repaid semi-annually.

On December 18, 2020, the Bank entered into a Loan Agreement ("the Agreement") with IFC for the availment of loan ("the Loan") amounting to ₱250.00 million which matured on November 29, 2021. The loan was used by the Bank to finance its lending operations to small and medium-sized enterprises and microfinance entities. The note bore a Philippine fixed base rate of 3.49%, inclusive of 1.70% spread, and had a tenor of one year.

Borrowings from IFC contain the following embedded derivatives:

a. Prepayment option which allows the Bank to redeem the loan (or portion of the loan not less than ₱45.00 million) prior to respective maturities; and
b. Cross currency swap which allows the parties to exchange interest payments and principals denominated in different currencies (in USD and Philippine Pesos).

The Bank assessed that these embedded derivatives are clearly and closely related to the host bond instruments, since their redemption price approximate the bonds' amortized cost on redemption dates.

Accordingly, these embedded derivatives were not accounted for separately from the host bond instruments.

Debt covenants
The Agreement covering the loan with IFC provides for restrictions and requirements which include the following negative and financial covenants, among others:

a. Negative covenants
Unless IFC otherwise agrees, the Bank shall not take action on the following, among others:
   - Declare or pay any dividend or make any distribution on its share capital (other than dividends or distribution payable in shares of the Bank) unless: (i) the proposed payment or distribution is out of net income of the current Financial Year (excluding any amount resulting from the revaluation of any of the Borrower's assets); (ii) no Event of Default or Potential Event of Default has occurred and is then continuing; and (iii) after giving effect to any such action the Borrower is in compliance with the financial covenants;
   - Purchase, redeem or otherwise acquire any shares of the Bank or any option over them;
   - Incur, create, assume, or permit to exist any liability that is covered or ranks prior or senior to the Loan, except those that is in existence as of the date of the Agreement;
   - Create or permit to exist any lien on any property, revenues, or other assets, present or future, of the Bank subject to exceptions indicated in the Agreement;
   - Enter into any transaction except in the ordinary course of business on ordinary commercial terms and on the basis of arm's-length arrangements;
   - Enter into or establish any partnership, profit-sharing or royalty agreement or other similar arrangement whereby the Bank's income or profits are, or might be, shared with any other person; or enter into any management contract or similar arrangement whereby its business or operations are managed by any other persons;
   - Have any subsidiaries subject to exceptions indicated in the Agreement;
   - Change its charter in any manner which would be inconsistent with the provisions of the agreement or any other transaction document, its financial year, or the nature or scope of its present or contemplated business or operations;
   - Undertake or permit any merger, spin-off, consolidation, or reorganization; or sell, transfer, lease or otherwise dispose of all or a substantial part of its assets, other than assets acquired in the enforcement of security created in favor of the Bank in the ordinary course of its Banking business, whether in a single transaction or in a series of transaction; and
   - Prepay or repurchase any long-term debt (other than the Loan) subject to conditions indicated in the Agreement.

b. Financial covenants
The Bank agreed to prudently manage its financial position in accordance with sound Banking and financial practices, applicable laws, and the prudential standards of the BSP. To the extent that the Banking regulation imposes financial requirements or ratios that are more stringent than the following, the Bank shall observe and comply with those more stringent requirements or ratios.
   - Risk Weighted Capital Adequacy Ratio of not less than 10.00%
   - Equity to Assets Ratio of not less than 5.00%
   - Economic Group Exposure Ratio of not more than 15.00%
   - Aggregate Large Exposure Ratio of not more than 400.00%
   - Related Party Exposure Ratio of not more than 15.00%
   - Open Credit Exposures Ratio of not more than 25.00%
   - Fixed Assets Plus Equity Participants Ratio of not more than 35.00%
   - Aggregate Foreign Exchange Risk Ratio of not more than 25.00%

- Single Currency Foreign Exchange Risk Ratio of not more than 10.00%
- Interest Rate Risk Ratio of not less than -10.00% and not more than 10.00%
- Aggregate Interest Rate Risk Ratio of not less than -20.00% and not more than 20.00%
- Foreign Currency Maturity Gap Ratio of not less than (i.e., more negative than) -150.00%;
- Aggregate Negative Maturity Gap Ratio of not less than (i.e., more negative than) -300.00%.

The period of compliance with the above covenants commenced on March 31, 2017. As at December 31, 2021 and 2020, the Bank is in compliance with the above covenants. Microfinance loans amounting to ₱44.16 million and ₱492.00 million were held as collateral for the above borrowings as of December 31, 2021 and 2020, respectively (Note 7).

Interest expense on bills payable in 2021 and 2020 amounted to ₱20.43 million and ₱49.64 million, respectively. Amortization of unamortized transaction costs amounted to ₱7.95 million and ₱10.52 million in 2021 and 2020, respectively.

15. Accrued Expenses and Other Liabilities

Accrued expenses include:

	2021	2020
Financial liabilities		
Accrued interest payable	**₱46,963,443**	₱53,571,036
Accrual for vacation leave credits	**13,294,515**	13,076,063
Accrued other expenses	**19,312,009**	20,137,012
	₱79,569,967	₱86,784,111

Accrued other expenses include employee benefits, professional service engagements, and semi-annual assessment of Philippine Deposit Insurance Corporation in pursuant to Regulatory Issuance No. 2017-01.

Other liabilities include:

	2021	2020
Financial liabilities		
Lease liabilities (Note 23)	**₱141,731,517**	₱118,876,632
Accounts payable (Note 22)	**5,470,962**	9,628,654
Dividends payable	**320,590**	187,583
	147,523,069	128,692,869
Nonfinancial liabilities		
Gross receipts tax	**₱29,475,808**	₱29,883,139
Withholding taxes	**12,904,260**	13,652,640
Others	**11,057,115**	13,765,715
	53,437,183	57,301,494
	₱200,960,252	₱185,994,363

Others pertain to obligations arising from statutory payments on employee benefits which include Social Security System, Home Development Mutual Fund and Philippine Health Insurance Corporation.

16. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond from reporting date:

	2021			2020		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱57,091,793**	**₱–**	**₱57,091,793**	₱48,177,003	₱–	₱48,177,003
Due from BSP	**1,634,133,584**	**–**	**1,634,133,584**	1,322,053,915	–	1,322,053,915
Due from other banks	**113,683,978**	**–**	**113,683,978**	331,307,862	–	331,307,862
Loans and receivables - gross	**5,697,863,297**	**899,322,197**	**6,597,185,494**	5,650,166,929	849,360,084	6,499,527,013
Financial assets at amortized cost	**-**	**147,523,532**	**147,523,532**	20,000,000	30,850,000	50,850,000
Other assets - refundable deposits	**-**	**15,721,995**	**15,721,995**	13,661,573	6,258,354	19,919,927
	7,502,772,652	**1,062,567,724**	**8,565,340,376**	7,385,367,282	886,468,438	8,271,835,720
Nonfinancial Assets						
Property and equipment - gross	**–**	**571,658,514**	**571,658,514**	–	517,267,402	517,267,402
Investment properties - gross	**–**	**5,579,046**	**5,579,046**	–	8,763,786	8,763,786
Intangible assets - gross	**–**	**37,480,941**	**37,480,941**	–	37,480,941	37,480,941
Retirement asset	**–**	**82,867,797**	**82,867,797**	–	98,343,779	98,343,779
Deferred tax asset	**–**	**85,060,818**	**85,060,818**	–	66,300,305	66,300,305
Other assets	**79,629,175**	**3,400,000**	**83,029,175**	91,715,973	3,400,000	95,115,973
	79,629,175	**786,047,116**	**865,676,291**	91,715,973	731,556,213	823,272,186
	₱7,582,401,827	**₱1,848,614,840**	**9,431,016,667**	₱7,477,083,255	₱1,618,024,651	9,095,107,906
Less: Allowance for credit and impairment losses			**386,447,401**			267,919,267
Accumulated depreciation and amortization			**312,258,241**			258,549,495
Unearned interest			**6,289,410**			15,600,561
			₱8,726,021,615			₱8,553,038,583
Financial Liabilities						
Deposit liabilities						
Demand	**₱51,590,609**	**₱–**	**₱51,590,609**	₱84,524,387	₱–	₱84,524,387
Savings	**6,626,521,055**	**4,759,923**	**6,631,280,978**	5,563,109,552	709,233	5,563,818,785
Bills payable	**24,216,180**		**24,216,180**	1,066,479,142	24,429,446	1,090,908,588
Accrued expenses and other liabilities						
Lease liabilities	**67,796,408**	**73,935,109**	**141,731,517**	15,879,717	102,996,915	118,876,632
Accrued interest payable	**46,963,443**	**–**	**46,963,443**	53,571,036	–	53,571,036
Accrued expenses	**19,312,009**	**–**	**19,312,009**	20,137,113	–	20,137,113
Accrued vacation leave credits	**–**	**13,294,515**	**13,294,515**	–	13,076,063	13,076,063
Accounts payable	**5,470,962**	**–**	**5,470,962**	9,628,654	–	9,628,654
Dividends payable	**320,590**	**–**	**320,590**	187,483	–	187,483
	6,842,191,256	**91,989,547**	**6,934,180,803**	6,813,517,084	141,211,657	6,954,728,741
Nonfinancial Liabilities						
Income tax payable	**23,497,807**	**–**	**23,497,807**	252,638	–	252,638
Other liabilities						
Accrued taxes	**42,380,068**	**–**	**42,380,068**	43,535,779	–	43,535,779
Others	**11,057,115**	**–**	**11,057,115**	13,765,714	–	13,765,714
	76,934,990	**–**	**76,934,990**	57,554,131	–	57,554,131
	₱6,919,126,246	**₱91,989,547**	**₱7,011,115,793**	₱6,871,071,215	₱141,211,657	₱7,012,282,872

17. Equity

Capital Stock

As of December 31, 2021 and 2020, the Bank's capital stock consists of:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Par value – ₱ 100 per share				
Authorized	**15,000,000**	**₱1,500,000,000**	15,000,000	₱1,500,000,000
Issued and outstanding				
Beginning balance	**11,556,228**	**1,155,622,800**	9,999,937	999,993,700
Issuances of stock dividends	**1,192,496**	**119,249,600**	674,960	67,496,000

(Forward)

	2021		2020	
	Shares	**Amount**	Shares	Amount
Issuances of capital stock	–	–	483,387	48,338,650
Issuance of capital stock to settle deposit for future stock subscription	–	₱–	397,881	₱39,788,150
Issuance of capital stock from settlement of subscriptions receivable	**1,577,425**	**157,742,500**	63	6,300
	14,326,149	**1,432,614,900**	11,556,228	1,155,622,800
Subscribed				
Beginning balance	–	–	63	6,300
Issuance of capital stock from settlement of subscriptions receivable	–	–	(63)	(6,300)
	–	–	–	–
	14,326,149	**₱1,432,614,900**	11,556,228	₱1,155,622,800

Deposit for Future Stock Subscription

Deposit for future stock (DFS) subscription pertains to total consideration received in excess of the authorized capital of the Bank with the purpose of applying the same as payment for future issuance of shares.

Financial Reporting Bulletin No. 6, dated January 24, 2013 provides that a bank shall classify a contract to deliver its own equity instruments under equity as a separate account from capital stock if and only if, all of the following elements are present as of the reporting period:

1. The unissued authorized capital of the Bank is insufficient to cover the amount of shares indicated in the contract;
2. There is Board of Directors’ approval on the proposed increase in authorized capital stock (for which a deposit was received by the Bank);
3. There is stockholders’ approval of the said proposed increase; and
4. The application for the approval of the proposed increase has been filed with the SEC.

The application for the increase in capital stock was filed by the Bank with the BSP on August 28, 2019 and was approved on February 13, 2020. The application for the increase in capital stock was filed by the Bank with the SEC on March 12, 2020 and was approved on August 20, 2020.

In 2020, the Bank issued capital stock with par value totaling ₱39.79 million to settle the DFS subscription outstanding as at December 31, 2019 (Note 24).

Dividends

Dividends declared by the Bank in 2021 and 2020 are the following:

	Cash dividends		
Date of declaration	Per share	Total amount	Record date
November 13, 2021	₱2.25	₱33.75 million	October 31, 2021
May 8, 2021	₱5.50	₱59.62 million	April 15, 2021
December 12, 2020	₱4.00	₱45.00 million	October 31, 2020

Date of declaration	Stock dividends Type	Total amount	Record date
May 8, 2021	Common	₱119.25 million	April 15, 2021
December 12, 2020	Common	₱67.50 million	October 31, 2020

In the Resolution No. 010-S-2021 dated May 8, 2021, the stockholders of the Bank approved the declaration of stock dividends totaling ₱119.25 million.

In the Resolution No. 006-S-2020 dated December 12, 2020, the stockholders of the Bank approved the declaration of stock dividends totaling ₱67.50 million.

Stockholders entitled to receive fractional shares resulting from stock dividends declared by the Bank shall receive cash in lieu of capital stocks. Total stock dividends paid in cash amounted to nil and ₱4,000 in 2021 and 2020, respectively.

Capital Management

The Bank's capital management aims to ensure that it complies with regulatory capital requirements, and it maintains strong credit ratings and healthy capital ratios in order to support and sustain its business growth towards maximizing the shareholders' value.

The Bank manages its capital structure and appropriately effect adjustment according to the changes in economic conditions and the risk level it recognizes at every point of time in the course of its business operations. In order to maintain or adjust for good capital structure, the Bank carefully measures the amount of dividend payment to shareholders, call payment due from the capital subscribers or issue capital securities as necessary. No changes were made in the objectives, policies, and processes from the previous years.

Regulatory Qualifying Capital

Under the existing BSP regulations, the determination of the Bank's compliance with the regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies which differ from PFRSs in some respects. The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under current Banking regulations, the combined capital accounts of each Bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The CAR of the Bank as of December 31, 2021 and 2020, as reported to the BSP, is shown in the table below:

	2021	2020
Common Equity Tier 1 (CET1)	**₱1,672,170,241**	₱1,539,532,320
Tier 1	**1,582,682,341**	1,464,104,334
Tier 2	**47,609,124**	48,096,842
Total qualifying capital	**1,630,291,465**	1,512,201,176
Risk-weighted assets	**₱7,520,817,784**	₱7,587,147,596
CET1	**22.23%**	20.29%
Tier 1 capital ratio	**21.05%**	19.30%
Tier 2 capital ratio	**0.63%**	0.63%
CAR	**21.68%**	19.93%

As of December 31, 2021 and 2020, the Bank's CAR and capital are in compliance with the regulatory capital requirements.

As of December 31, 2021 and 2020, the Bank's minimum liquidity ratio is 52.91% and 42.13%, respectively. The Bank is compliant with the applicable BSP requirement.

The Bank has no contingencies and commitments arising from off-balance sheet items as of December 31, 2021 and 2020.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios adopted by the BSP in supervising the Bank.

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2021	2020
Return on average equity	**6.64%**	2.66%
Return on average assets	**1.25%**	0.49%
Net interest margin	**26.99%**	18.82%

18. Miscellaneous Income

This account consists of:

	2021	2020
Fees from remittances	**₱10,956,567**	₱2,284,253
Loans-related fees and other charges	**8,905,210**	11,943,263
Recoveries from written-off accounts	**1,497,346**	1,307,878
Overages	**1,282,046**	1,397,740
Deposit-related fees and other charges	**1,222,763**	6,706,928
Commission income	**35,349**	820,501
Others	**3,264,815**	1,115,195
	₱27,164,096	₱25,575,758

Others include appraisal and processing fee, gain from disposal of supplies, income from ATM replacement and rental income.

19. Miscellaneous Expenses

This account consists of:

	2021	2020
Insurance	**₱19,403,487**	₱13,510,317
Fines, penalties, and other charges	**9,477,953**	2,035,672
Honorarium and director's fees	**8,523,648**	4,366,013
Health and medical expenses	**7,742,273**	6,500,578
Supervision and examination fee	**2,269,746**	1,980,321
Membership fees and dues	**2,002,243**	775,527
Advertising and publicity	**1,947,813**	668,379
Donations and charitable contributions	**1,026,590**	3,407,668
Periodicals and magazines	**1,023,429**	583,056
Litigation expense	**317,412**	92,462
Community development	–	352,865
Others	**5,100,623**	2,018,968
	₱58,835,217	₱36,291,826

Others include expenses related to meals and accommodations and anniversary celebrations.

20. Retirement Benefits

The Bank, CARD MRI Development Institute, Inc., CARD Mutual Benefit Association, Inc., CARD Bank, Inc., CARD MRI Insurance Agency, Inc., CARD Business Development Service Foundation, Inc., CARD MRI Information Technology, Inc., CARD Employees Multi-Purpose Cooperative, Responsible Investments for Solidarity and Empowerment Financing Co., BotiCARD, Inc., CARD Leasing and Finance Corporation, CARD MRI Rizal Bank, Inc., CARD, Inc., FDS Asya Philippines, Inc., CARD MRI Property Management, Inc. CARD MRI Hijos Tours, Inc., CARD MRI Publishing House, Inc., CARD MRI Astro Laboratories Inc. and Mga Likha ni Inay, Inc., maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2017. MERP is valued using the projected unit cost method and is financed solely by the Bank and its related parties.

MERP and Hybrid Plan comply with the requirements of RA No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to up to 120.00% of final salary for every year of credited service, a fraction of at least six months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

Hybrid Plan provides a retirement benefit equal to 100.00% of the member's employer accumulated value (the Bank's contributions of 8.00% plan salary to Fund A plus credited earnings) and 100.00% of the Member's Employee accumulated value (member's own contributions up to 10.00% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100.00% of the Employee Accumulated Value in Fund A be less than 100.00% of plan salary for every year of credited service. Total retirement expense in 2021 and 2020 related to Hybrid Plan amounted to ₱15.40 million and ₱13.50 million, respectively. The latest actuarial valuation report covers reporting period as of December 31, 2021 and 2020.

Changes in retirement asset are as follows:

	2021													
		Net benefit cost recognized in the statement of income					Remeasurements in other comprehensive income (loss)							
	January 1	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in experience	Changes in the effect of limiting net defined benefit asset to the asset ceiling	Subtotal	Contribution by employer	December 31
Fair value of plan assets	₱310,312,396	₱–	₱12,471,620	₱12,471,620	(₱4,467,220)	(₱3,763,971)	(₱494,619)	₱–	₱–	₱–	₱–	(₱494,619)	₱14,320,969	₱328,379,175
Present value of defined benefit obligation	(198,748,289)	(19,439,018)	(7,910,182)	(27,349,200)	4,467,220	3,763,971	–	1,479,615	(23,490,673)	5,663,863	–	(16,347,195)	–	(234,213,493)
Effect of asset ceiling	(13,220,328)	–	(526,169)	(526,169)	–	–	–	–	–	–	2,448,612	2,448,612	–	(11,297,885)
Net defined benefit asset	₱98,343,779	(₱19,439,018)	₱4,035,269	(₱15,403,749)	₱–	₱–	(₱494,619)	₱1,479,615	(₱23,490,673)	₱5,663,863	₱2,448,612	(₱14,393,202)	₱14,320,969	₱82,867,797

** Included in Compensation and fringe benefits' in the statements of income.*

	2020													
		Net benefit cost recognized in the statement of income					Remeasurements in other comprehensive income (loss)							
	January 1	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in experience	Changes in the effect of limiting net defined benefit asset to the asset ceiling	Subtotal	Contribution by employer	December 31
Fair value of plan assets	₱286,659,051	₱–	₱16,218,279	₱16,218,279	(₱2,082,805)	₱2,275,242	(₱4,744,259)	₱–	₱–	₱–	₱–	(₱4,744,259)	₱11,986,888	₱310,312,396
Present value of defined benefit obligation	(172,571,842)	(19,145,629)	(9,560,480)	(28,706,109)	2,082,805	(2,275,242)	–	1,561,492	11,903,127	(10,742,520)	–	2,722,099	–	(198,748,289)
Effect of asset ceiling	(18,304,832)	–	(1,014,088)	(1,014,088)	–	–	–	–	–	–	6,098,592	6,098,592	–	(13,220,328)
Net defined benefit asset	₱95,782,377	(₱19,145,629)	₱5,643,711	(₱13,501,918)	₱–	₱–	(₱4,744,259)	₱1,561,492	₱11,903,127	(₱10,742,520)	₱6,098,592	₱4,076,432	₱11,986,888	₱98,343,779

** Included in Compensation and fringe benefits' in the statements of income.*

Transfer from (to) plan assets represents transfer of obligation and plan assets to the respective CARD-MRI entity as a result of movements in employees among the CARD-MRI entities.

The maximum economic benefit of plan assets available is a combination of expected refunds from the plan and reduction in future contributions. The fair values of plan assets by each class as at the end of the reporting period follow:

	2021	2020
Cash and cash equivalents	**₱133,781,676**	₱143,612,577
Receivables	**27,780,878**	−
Real estate	−	25,942,116
Investments		
Private bonds	**18,323,558**	4,747,780
Government securities	**141,038,856**	127,383,239
Mutual funds	−	1,520,531
Others	**7,454,207**	7,106,153
Fair value of plan assets	**₱328,379,175**	₱310,312,396

All plan assets do not have quoted prices in an active market except for government securities. Cash and cash equivalents are deposited in reputable financial institutions and related parties and are deemed to be standard grade. Accrued interest receivables pertain to accruals of interest from time deposits and debt securities.

The plan assets have diverse investments and do not have any concentration risk other than those in government securities which are of low risk.

The overall investment policy and strategy of the Bank's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The cost of defined retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2021	2020
Discount rates		
January 1	**3.98%**	5.54%
December 31	**5.15%**	3.98%
Future salary increases		
January 1	**3.00%**	5.00%
December 31	**5.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2021		2020	
	+100bps	**−100bps**	+100bps	−100bps
Discount rates	**(₱27,295,203)**	**₱32,986,857**	(₱23,068,535)	₱27,922,062
Salary rates	**32,696,042**	**(27,569,789)**	27,916,115	(23,475,335)

As of December 31, 2021 and 2020, the average duration of the defined benefit obligation is 12.90 years and 12.80 years, respectively.

Expected contribution is ₱14.15 million and ₱16.67 million in 2022 and 2021, respectively.

Shown below is the twenty-five-year maturity analysis of the undiscounted benefit payments:

	2021	2020
Less than one year	**₱12,631,688**	₱10,813,444
More than 1 year to 5 years	**65,668,246**	55,235,322
More than 5 years to 10 years	**104,740,334**	89,706,472
More than 10 years to 15 years	**159,388,920**	117,831,836
More than 15 years to 20 years	**230,690,266**	161,430,372
More than 20 years to 25 years	**299,804,808**	198,839,528
More than 25 years	**632,464,327**	405,115,565

21. Income Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes presented as 'Taxes and licenses' in the statement of income.

Income taxes include final income tax which is paid at the rate of 20.00%. This is generally withheld on gross interest income from government securities and other deposit substitutes.

Tax regulations provide that RCIT rate shall be 25.00% and 30.00% in 2021 and 2020, respectively and MCIT rate of 2.00% and 1.00% in 2021 and 2020, respectively. It further states that nondeductible interest expense shall likewise be reduced to 20.00% and 33.00% of interest income subjected to final tax in 2021 and 2020, respectively.

RA No. 9337, *An Act Amending National Internal Revenue Code* provides that the RCIT rate shall be 30.00%. Interest allowed as a deductible expense shall be reduced by 33.00% of interest income subject to final tax. The law also provides for MCIT of 2.00% on modified gross income which is paid if determined to be higher than RCIT. The excess of the MCIT over the RCIT can be carried-over and applied against the RCIT liability for the next three years.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Bank:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.00%.

- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

Applying the provisions of the CREATE Act, the Bank is subjected to lower regular corporate income tax rate effective July 1, 2020.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. The current and deferred income taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30.00% RCIT / 2.00% MCIT) for financial reporting purposes.

The regulations also provide that the MCIT and net operating loss carryover (NOLCO) may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. However, on September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover as One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Bank did not consider the provisions of the CREATE Act yet in the income tax computation as reported in the financial statement given that the law was only signed by the President of the Philippines on March 26, 2021 and it was considered as a non-adjusting subsequent event. However, the Bank reflected the lower provision in the 2020 annual income tax return. For financial reporting purposes, the Bank started to use the new tax rate for the income tax computation in the first quarter of 2021. This resulted to a lower provision for current income tax by ₱5.12 million and increase in deferred income tax expense by ₱11.05 million for the year ended December 31, 2021.

Tax regulations also provide for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses of the Bank amounted to ₱6.40 million and ₱6.46 million in 2021 and 2020, respectively.

Provision for (benefit from) income tax consists of:

	2021	2020
RCIT	**₱42,326,511**	₱–
MCIT	–	20,414,747
Final tax	**8,193,422**	5,131,970
	50,519,933	25,546,717
Deferred	**(15,162,212)**	7,188,719
	₱35,357,721	₱32,735,436

Deferred tax recognized in other comprehensive income amounted to ₱3.60 million benefit and ₱1.22 million expense for the years ended December 31, 2021 and 2020, respectively.

Components of deferred tax assets - net are as follows:

	2021	2020
Deferred tax assets on:		
Allowance for credit and impairment losses	**₱96,611,850**	₱80,375,780
Unamortized past service cost	**5,120,828**	8,141,933
Accumulated vacation leave	**3,323,629**	3,922,819
Unearned interest income	**662,220**	3,883,050
Accumulated depreciation - investment properties	**57,750**	69,300
Net lease liabilities over right of use assets	**845**	–
Accrued rent	**645**	142,484
	105,777,767	96,535,366
Deferred tax liabilities on:		
Retirement asset	**20,716,949**	29,503,134
Net right-of-use assets over lease liabilities	–	731,927
	20,716,949	30,235,061
	₱85,060,818	₱66,300,305

The Bank did not recognize deferred tax asset resulting from the excess of MCIT over RCIT as at December 31, 2020. Details of the Bank's MCIT follow:

Year	Amount of Excess	Used/Expired	Balance	Expiry Year
2020	₱12,838,907	₱12,838,907	₱–	2023

The reconciliation between the statutory income tax and effective income tax follows:

	2021	2020
Statutory income tax	**₱38,983,757**	₱14,265,193
Income tax effects of:		
Impact of CREATE transition	**5,925,378**	–
Nondeductible operating expenses	**5,232,044**	24,174,266
Interest income subject to final tax	**(1,944,551)**	(5,704,023)
Excess of MCIT over RCIT	**(12,838,907)**	–
Provision for income tax	**₱35,357,721**	₱32,735,436

22. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's related parties include:

- 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;
- post-employment benefit plans for the benefit of the Bank's employees; and
- entities under common significant influence (CARD-MRI entities).

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2015. The plan assets are mostly invested in time deposits and special savings of related party banks and government bonds (Note 20). As of December 31, 2021 and 2020, the retirement funds do not hold or trade the Bank's shares of stock.

Remunerations of Directors and Other 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 BOD and senior management to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures.*

The compensation of key management personnel included under 'Compensation and fringe benefits' in the statement of income follows:

	2021	2020
Short-term employee benefits	**₱17,510,565**	₱14,194,064
Post-employment benefits	**1,688,447**	1,780,766
	₱19,199,012	₱ 15,974,830

The Bank also provides Banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Transactions between the Bank and its key management personnel meet the definition of related party transactions. Transactions between the Bank and its affiliates within the CARD MRI, also qualify as related party transactions.

Deposit liabilities, accounts receivable and accounts payable

The table below shows deposit liabilities, accounts receivable and accounts payable held by the Bank for key management personnel and affiliates as of December 31, 2021 and 2020:

	December 31, 2021		
Category	**Amount/Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Key Management Personnel			
Deposit liabilities		**₱3,372,743**	These are savings accounts with annual interest rates ranging from 1.50% to 6.00%.
Deposits	**₱15,919,448**		
Withdrawals	**(18,113,475)**		
Directors' fees/payable		–	Pertains to per diem payments directors
Shareholders			
Deposit liabilities		**487,054,689**	These are savings accounts with annual interest rates ranging from 1.50% to 6.00%.
Deposits	**1,038,921,735**		
Withdrawals	**(1,019,626,907)**		
Interest expense/payable		**6,895,711**	Pertains to interest on deposit liabilities.
Accounts receivable		**62,497**	Share on expenses of transferred staff. These are expected to be collected on January 2021.
Charges	**17,375,501**		
Collections	**(17,313,004)**		

Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2021		
Accounts payable	**₱21,840,505**	**₱33,526**	Pertains to share on various expenses. These are expected to be paid on January 2020.
Charges			
Payments	**(21,806,979)**		

Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2020		
Key Management Personnel			
Deposit liabilities		₱19,006,231	These are savings accounts with annual interest rates ranging from 1.50% to 6.00%.
Deposits	₱21,626,364		
Withdrawals	(16,298,427)		
Directors' fees/payable		–	Pertains to per diem payments directors
Shareholders			
Deposit liabilities		386,723,544	These are savings accounts with annual interest rates ranging from 1.50% to 6.00%.
Deposits	1,594,350,793		
Withdrawals	(1,534,573,240)		
Interest expense/payable		6,575,074	Pertains to interest on deposit liabilities.
Accounts receivable		702,565	Share on expenses of transferred staff. These are expected to be collected on January 2021.
Charges	6,472,869		
Collections	(6,792,714)		
Accounts payable		₱–	Pertains to share on various expenses. These are expected to be paid on January 2020.
Charges	₱1,768,863		
Payments	(2,234,687)		

Below is the percentage of total exposures to related parties as against capital:

	2021		2020	
Category	**Net exposure**	**Ratio**	Net exposure	Ratio
Key management personnel	**₱3,372,343**	**0.24%**	₱19,006,231	1.64%
Shareholders	**487,054,689**	**34.00%**	386,723,544	33.46%

Regulatory Reporting

As required by BSP, the Bank discloses loan transactions with investees and with certain DOSRI. Existing Banking regulations limit the amount of individual loans to DOSRI, 70.00% 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.

As of December 31, 2021 and 2020, the balance of the secured loans to DOSRI are ₱120.00 million and ₱0.72 million, respectively. There is no unsecured loan to DOSRI as of December 31, 2021 and 2020. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As of December 31, 2021 and 2020, the Bank is in compliance with the regulatory requirements.

BSP Circular No. 423 dated March 15, 2004, as amended by BSP Circular No. 914 dated June 23, 2016, provide the rules and regulations governing credit exposures to DOSRI. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2021 and 2020:

	2021	2020
Total outstanding DOSRI loans		
Current	**₱120,004,047**	₱732,242
	₱120,004,047	₱732,242
Percent of DOSRI accounts to total loans	**1.90%**	0.01%

There are no unsecured and past due DOSRI accounts in total outstanding DOSRI loans.

23. Lease Contracts

The Bank leases the premises occupied by some of its branches in which lease payments are subjected to escalation clauses ranging from 3.00% to 10.00%. The lease contracts are for the periods ranging from one to ten years and are renewable upon mutual agreement between the Bank and the lessors such as CARD, Inc., CARD MRI Property Holdings, CARD MBA and third-party lessors.

The following are the amounts recognized in statements of income:

	2021	2020
Depreciation expense of ROU assets included in property and equipment (Note 9)	**₱79,390,323**	₱74,590,849
Lease payments relating to short-term leases and leases with low value assets	**69,943,998**	62,398,626
Interest expense on lease liabilities	**6,675,084**	8,973,203
Total amount recognized in the statements of income	**₱156,009,405**	₱145,962,678

Rent expense in 2021 and 2020 pertains to expenses from short-term leases and leases of low-value assets. As of December 31, 2021 and 2020, the Bank has no contingent rent payable.

As of December 31, 2021 and 2020, the carrying amounts of ‘Lease liabilities’ are as follows:

	2021	2020
Balance at beginning of year	**₱118,876,632**	₱105,836,340
Additions	**96,526,284**	72,438,702
Interest expense	**6,675,084**	8,973,203
Payments	**(80,346,483)**	(68,371,613)
Balance at end of year	**₱141,731,517**	₱118,876,632

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
Within one year	**₱76,084,040**	₱58,231,174
Beyond one year	**70,058,331**	67,803,548
	₱146,142,371	₱126,034,722

24. Notes to Statements of Cash Flows

Non-cash investing activities of the Bank consist of the following:

	2021	2020
Additions to property and equipment through lease contracts (Note 9)	**₱100,305,791**	₱87,934,926
Reduction in accounts payable resulting from disposal of property and equipment	**–**	111,441

The following table shows the reconciliation analysis of liabilities arising from financing activities for the year ended December 31, 2021 and 2020.

	2021			
	Bills payable (Note 14)	**Lease liabilities** (Notes 15 and 23)	**Dividends payable** (Notes 15 and 17)	**Total liabilities from financing activities**
Beginning balances as at January 1, 2021	**₱1,090,908,588**	**₱118,876,632**	**₱187,462**	**₱1,209,972,682**
Cash outflows	**(1,074,640,000)**	**(80,346,483)**	**–**	**(1,154,986,483)**
Non-cash items				
New lease contracts entered during the year	**–**	**96,526,284**	**–**	**96,526,284**
Amortization of discount of bills payables	**7,947,592**	**–**	**–**	**7,947,592**
Amortization on interest expenses of lease liabilities	**–**	**6,675,084**	**–**	**6,675,084**
Declaration of dividends			**133,128**	**133,128**
Ending balances as of December 31, 2021	**₱24,216,180**	**₱141,731,517**	**₱320,590**	**₱166,268,287**

	2020				
	Bills payable (Note 14)	Lease liabilities (Notes 15 and 23)	Deposit for future stock subscription (Note 17)	Dividends payable (Notes 15 and 17)	Total liabilities from financing activities
Beginning balances as at January 1, 2020	₱1,156,878,691	₱105,836,340	₱39,788,150	₱187,462	₱1,302,690,643
Cash inflows	1,338,147,300	–	–	–	1,338,147,300
Cash outflows	(1,414,640,000)	(68,371,613)	–	–	(1,483,011,613)
Net cash flows	(76,492,700)	(68,371,613)	–	–	(144,864,313)
Non-cash items					
Issuance of capital stock	–	–	(39,788,150)	–	(39,788,150)
New lease contracts entered during the year	–	72,438,702	–	–	72,438,702
Amortization of discount of bills payables	10,522,597	–	–	–	10,522,597
Amortization on interest expenses of lease liabilities	–	8,973,203	–	–	8,973,203
Ending balances as of December 31, 2020	₱1,090,908,588	₱118,876,632	₱–	₱187,462	₱1,209,972,682

25. Approval of the Release of Financial Statements

The accompanying financial statements were approved and authorized for issue by the Bank's BOD on April 9, 2022.

26. Supplementary Information Required under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The components of 'Taxes and licenses' in 2021 follow:

Gross receipts tax	₱119,402,298
Documentary stamp tax	48,854,747
Business permits and licenses	8,950,906
Real property tax	299,722
Other taxes	10,915,658
	₱188,423,331

In 2021, withholding taxes remittances and withholding taxes lodged under 'Other liabilities - Accrued taxes' account follow:

Remittances:	
Gross Receipt Tax	₱119,396,981
Documentary stamp tax	59,052,397
Final withholding tax on interest expense	21,556,372
Expanded withholding tax	11,812,944
Withholding taxes on compensation and benefits	2,299,197
	₱214,117,891
Accrued:	
Gross Receipt Tax	₱29,475,808
Documentary stamp tax	6,654,177
Final withholding tax on interest expense	4,349,594
Expanded withholding tax	1,047,623
Withholding taxes on compensation and benefits	852,866
	₱42,380,068

Tax Cases and Assessment

As of December 31, 2021, there are no outstanding assessments and tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.