2020 ANNUAL REPORT

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Breaking the Barriers in FICOBanking

The predicaments being faced by the businesses in 2020 are beyond one's belief. The COVID-19 pandemic leaves the micro, small and medium enterprises (MSMEs), and even the multinational companies (MNCs), flat-footed. Many of them are now suffering while some were forced to shut down their business operations.

We, at FICOBank, are not spared too from the current business disruptions. But, with the resilience of our banking network and the institutional capabilities that we have developed over 40 years, we're able to deal aptly with the inevitable shocks and the inescapable changes brought about by the pandemic crisis. Our 360-degree preparation for business continuity spells the difference.

FICOBank's Profile

Our mission, vision, business model and brand promise represent our corporate identity—a gist of what our business is all about.

OUR MISSION

As a bank with community orientation, we are committed to providing our customers and cooperators the opportunity to bring about economic ascendancy for themselves and their respective families and localities through our innovative, accessible and viable financial services and solutions.

Being a provider of financial services and solutions, and a portal of economic ascendancy, we ought to:

1. harness the untapped savings and investment resources of the people in North Luzon (Regions I-II-III and CAR);
2. provide loans and other financial services and solutions to the same localities where we source our funds through our operating units; and
3. reward our customers and cooperators (shareholders and employees) alike for their respective patronage to, and participation in, our financial services and allied undertakings.

By practicing the essential cooperative principles in a corporate-like setting, with unibank-caliber management corps, and by keeping our distinct trademark of being a valuable community asset, we will be a bank that makes a big difference.

OUR VISION

In cognizance of our Bank's corporate DNA, and in the furtherance of our business interests, we will keep our strategic focus on becoming…

A dominant community bank in North Luzon and a vital catalyst for the economic ascendancy of our customers and cooperators.

This is what and who we are, as we envisioned and desired our Bank to be, in 2020.

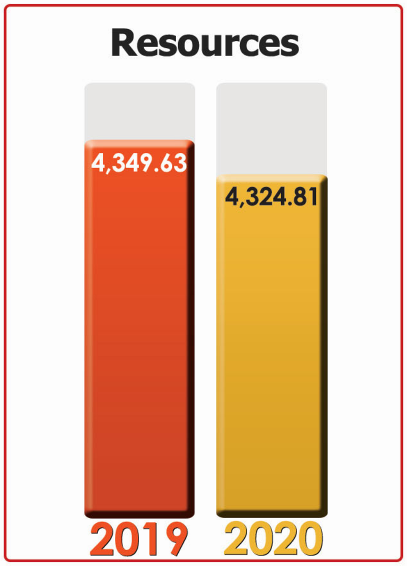
OUR BUSINESS MODEL

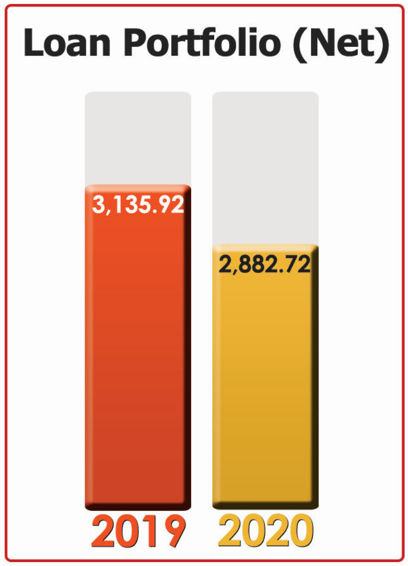
Through our deposit-taking and lending operations, we are primarily engaged in financial intermediation between and among: the farmers, fishers and their organizations; the micro, small and medium entrepreneurs; the rural, urban and overseas workers; and the other groups of financial consumers. We also provide mobile-money, money-transfer/remittance, cash-dispensing and other fee-based services to the public. Our extensive array of innovative financial products and services and our exclusive list of complementary development support and solutions are adaptive and responsive to the multi-dimensional needs of our multi-sectoral clientele.

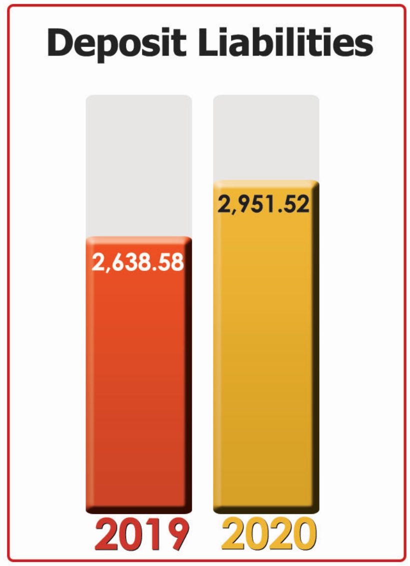
OUR BRAND PROMISE

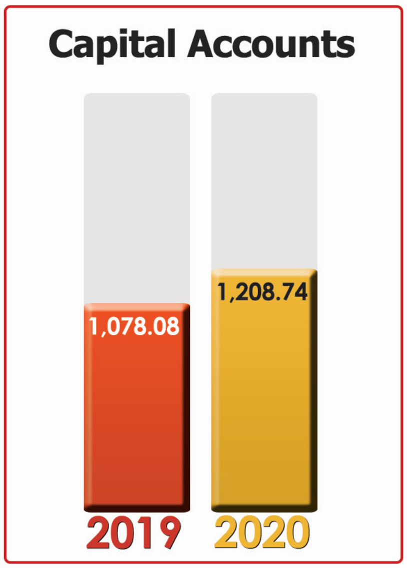
With our well-trained and top-notch people, as brand ambassadors, we will stay in the business of providing opportunities for economic ascendancy to our clientele for good.

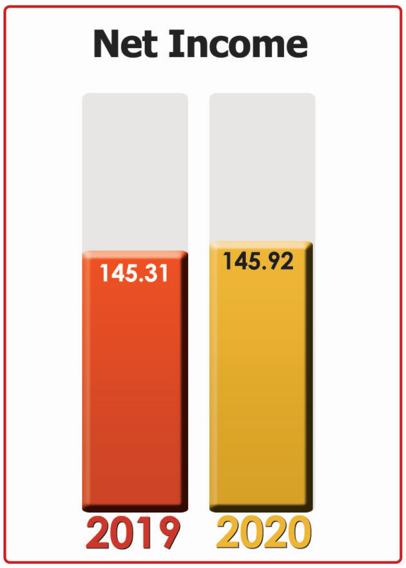
Financial Highlights







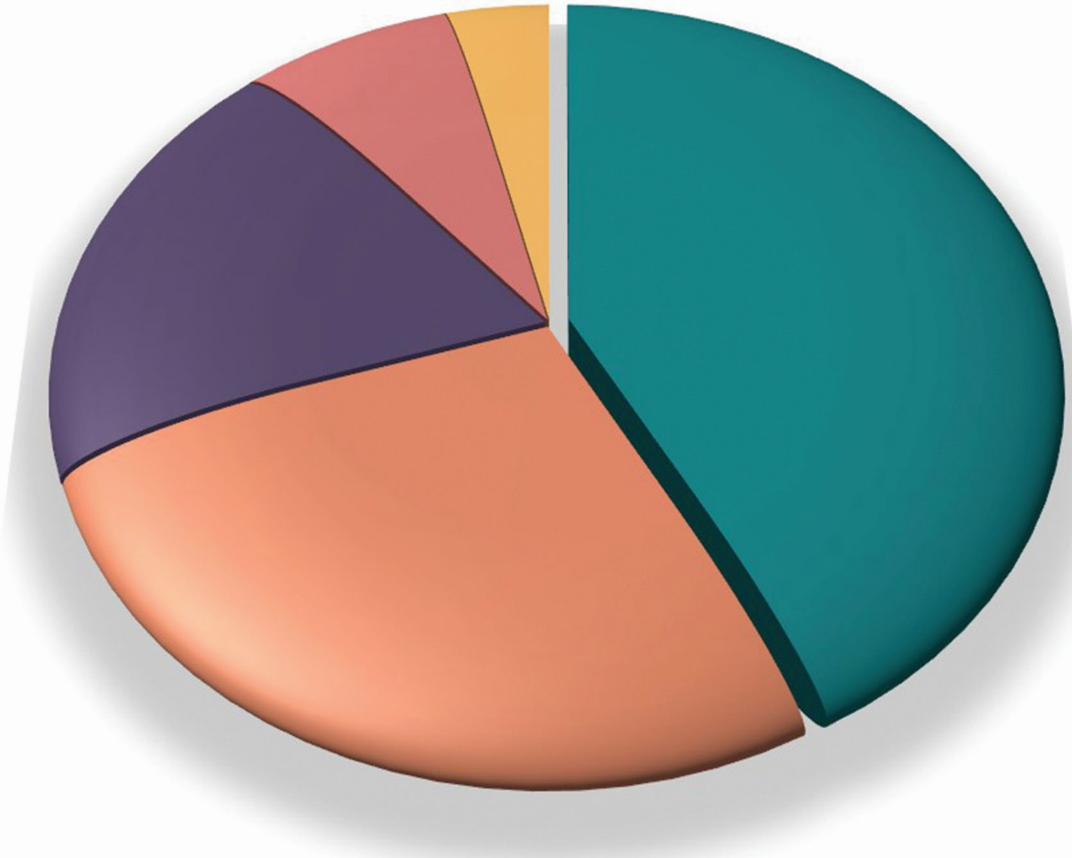




Particulars	2019	2020	Growth
Resources	4,349.63	4,324.81	-0.57%
Loan Portfolio (Net)	3,135.92	2,882.72	-8.07%
Deposit Liabilities	2,638.58	2,951.52	11.86%
Capital Accounts	1,078.08	1,208.74	12.12%
Net Income	145.31	145.92	0.42%

Amounts in Million Pesos

2020 Loan Volume & Portfolio by Industry/Sector



Industry/Sector	2020		2019	
	Amount	%	Amount	%
Agriculture, Forestry and Fishing	P 1,132,064,488	38.23%	P 1,339,105,023	41.61%
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	751,758,472	25.39%	734,477,767	22.82%
Household Consumption	433,335,758	14.63%	478,837,799	14.88%
Construction	156,207,833	5.27%	131,862,398	4.10%
Accommodation and Food Service Activities	66,874,349	2.26%	79,069,900	2.46%
Transportation and Storage	18,701,499	0.63%	18,436,352	0.57%
Administrative and Support Service Activities	17,411,961	0.59%	7,889,377	0.25%
Manufacturing	15,756,665	0.53%	20,265,187	0.63%
Real Estate Activities	10,727,797	0.36%	15,902,600	0.49%
Electricity, Gas, Steam and Air-Conditioning Supply	8,853,327	0.30%	14,535,261	0.46%
Arts, Entertainment and Recreation	7,382,758	0.25%	8,259,408	0.26%
Professional, Scientific and Technical Activities	6,242,805	0.21%	7,418,894	0.23%
Water Supply, Sewerage, Waste Management and Remediation Activities	4,448,540	0.15%	4,069,193	0.13%
Activities of Households as Employers, and Undifferentiated Goods and Services Producing Activities of Households for Own Use	3,141,387	0.11%	0	0.00%
Human Health and Social Work Activities	2,334,557	0.08%	467,235	0.01%
Education	2,080,568	0.07%	2,352,595	0.07%
Information and Communication	1,072,298	0.04%	1,701,215	0.05%
Other Service Activities	322,899,079	10.90%	353,318,978	10.98%
Total	P 2,961,294,141	100.00%	P 3,217,969,182	100.00%

Chairperson's Statement

"Our Bank's more than four decades of financial strength and market dominance have enabled us to provide for the financial needs of our clients through thick and thin, and today is no different.... We will continue leveraging on our new strengths and use them as differentiators to serve better, especially in these thriving times."

Chairperson's Statement

2020 has been a year of survival for all of us, as a result of the harsh impact and effects of the COVID-19 pandemic. The Philippine economy even slipped into recession, with a full-year gross domestic product (GDP) of -9.6%. The small and medium enterprises (SMEs), as well as the multinational companies (MNCs), were caught flat-footed. Many of them are suffering while some were forced to shut down their business operations. Banks are not spared too, as the cash-flow pressures experienced by their individual clients have resulted in reduced economic activities, impaired repayment capacity, decreased loan demands, and breached loan agreements. All of these are on top of the pre-existing challenges for banks brought about by the low interest rates and stiff competition.

We, at FICOBank, have also felt the inevitable shocks and inescapable changes caused by the pandemic crisis. But, be that as it may, our Bank was able to adapt to the extremely challenging situation. Albeit the predicaments in the business landscape, it remained resilient and maintained its market position, which eventually enabled it to deliver performance for its shareholders. And I, as Chairperson of the Board, can proudly say that our Bank had once again successfully performed during the year 2020.

In 2020, the theme—"Breaking the Barriers in FICOBanking"—had resounded across the entire organization, as each member of the FICOBank family clearly understands of what we are trying to achieve as a community bank. Our business purpose, distinct character and industry standing that we have been enriching through the years are now truly outgrown within each one of us—our FICOBanking spirit.

In living our culture of shared values, we captured the hearts and minds of our employees to work hand-in-hand for one shared purpose, and that is, to tenaciously engage in sustaining and growing our business and making banking more meaningful for our clients, especially this time of crisis. Our employees work with passion and even go extra mile to deliver continuing banking services to our clientele, despite limited workforce and banking hours, along with fear of possible contagion.

As COVID-19 restrictions have affected our movements and planned banking network expansion, we have focused our present 37 operating units—with strategic locations in Regions I-II-III and CAR—to continuously gain market advantage in terms of bank accessibility by our target markets. In doing so, we maintained our five-day banking services to cater the financial needs of our visiting clients, and have exploited the available opportunities to engage with our clients more actively and responsively.

Taking the lead role in setting the "tone at the top", we see to it that all our actions and decisions in the Board, together with the Senior Management, are always directed toward sustaining the business resiliency and financial stability of our Bank. In 2020, we remained vigilant on both internal and external factors that might significantly affect our business operations. To cope with the difficulties confronted by our Bank, we anchored on our organizational culture that places a high priority on business continuity.

Throughout the year, we have endeavored to strengthen our business resiliency against the pressing threat and effects of the pandemic. We have crafted and adopted precautionary measures, response mechanisms and contingency plans against COVID-19 to ensure primarily the health and safety of our employees and customers, while delivering continued financial services to the general public. We have also conducted series of business continuity stress testing and simulation activities, and made sure that all necessary resources to implement and support our business continuity management approach are adequate. With these tasks, our Board was able to carefully assess and utilize the capability of our Bank to re-evaluate and undertake its business strategies in extra-challenging business and regulatory environments.

As we keep our business on track amid pandemic, we have to embrace changes as a response and closely track the performance of our Bank, particularly on the key result areas.

Just like the other banks, our lending operation was greatly affected during the year. To protect the quality of our existing loan portfolio, we've settled on tempering our credit risk exposure by tightening some of our lending policies and be more stringent in selecting our borrowers. However, despite keeping our united efforts to generate accounts and retain existing ones, we were unable to maintain our loan portfolio level at year-end. Hence, as of end-December 2020, our Bank only registered a loan portfolio of Php3.00 billion, which is lower by 8.03% than that of last year's level.

On a positive note, our deposit-taking operation went well in 2020. In spite of uncertainties this time of pandemic, the financial consumers continued to entrust their untapped savings to our Bank. And as of 31 December 2020, the total outstanding deposits of our Bank soared to Php2.95-billion mark, higher by 11.86% from that of Php2.64 billion recorded a year ago.

During the year, our Bank had adopted the twin laws enacted by the Philippine Congress to combat the COVID-19 pandemic in the country—the Bayanihan to Heal as One Act (Bayanihan Act) and Bayanihan to Recover as One (BARO) Act—particularly on providing reliefs to borrowers by extending the repayment period of their respective loans without incurring penalties, additional interest on interests and other charges. In effect, majority of our loan accounts were granted with extension of maturities and condonation of penalties. Nevertheless, for the year that has just ended, we were still able to register a record-high net income of Php145.92 million.

Owing to the strength and success of our business operations for over 44 years now, our Bank was able to build up its strong capital base. In 2020, FICOBank remained to be well-capitalized, with adequate funds to support its risk-taking business activities. From last year's Php1.08-billion level, our Bank's net worth climbed to Php1.21-billion mark. It rose by Php130.66 million or 12.12%.

Our Bank's more than four decades of financial strength and market dominance have enabled us to provide for the financial needs of our clients through thick and thin, and today is no different. As it is proven to be resilient in any disruptive situations, our Bank—with its identity as *ang bangkong pinagtibay ng panahon*—will keep on breaking the barriers in its banking business. We will continue leveraging on our new strengths and use them as differentiators to serve better, especially in these thriving times. With the lofty purpose of our Bank to be a vital catalyst for economic ascendancy, we are driven more than ever in providing opportunities to contribute for the improvement of well-being of our customers and cooperators, as well as their respective families and localities.

In closing, on behalf of the Bank and on a personal note, I convey my sincerest gratitude to all our stakeholders—clients, business partners, funders, shareholders and employees—for continuing on this journey with us. Without your trust and support, the success of FICOBank in 2020 would not be possible.

ERWIN B. TABUCOL
Chairperson of the Board

The FICOBanking Way in 2020

The Philippines has one of the most vibrant economies in the East Asia Pacific region. The COVID-19 pandemic, however, dimmed the country's growth prospects for 2020 unexpectedly. The year that has just ended is characterized by a gloomy Philippine economy wherein millions of Filipinos go jobless, food prices rise, government debt balloons, consumption and investment growths decline, tourism and remittances slowed down, etc. In response to such sluggish economic setup, the Bangko Sentral put in place certain policy measures to cushion against the economic shocks of the pandemic crisis, such as regulatory reliefs to banks' borrowers, assignment of lower risk weight for MSMEs exposures that are covered by government guarantees, among others.

For us, at FICOBank, 2020 is indeed the most extraordinarily challenging year for our more than four decades of doing community banking, where our business continuity and resiliency was put in a great deal of turmoil. This pandemic year has been a litmus test for our ability to remain true to our brand promise of staying in the business of providing opportunities for the economic ascendancy to our clientele for good, and our capability to withstand the toughest tests of time.

On one hand, our Board of Directors maintained its active oversight role, deliberating on the potential risks and imminent challenges that could impact our Bank and its stakeholders. On the other hand, we, at the Management, made mobilizing decisions to enable and direct necessary changes to keep our people, operations and performance at their optimal levels, as much as possible. More so, the collaborative efforts of the Operation & Banking Services Group (OBSG) and the Treasury & Corporate Services Group (TCSG) have always been amenable in maintaining our market dominance and financial strength.

At the onset of the community lockdown and toward year-end, we resolved in calibrating our planned business initiatives for the year and have adopted countermeasures to address the variable risks of the ongoing pandemic. In staying vigilant to any business disruption that may occur at any given time, we primarily anchored on (i) prioritizing the health and safety of our employees and clients; (ii) conducting series of stress testing on our liquidity, credit and business continuity throughout the year; (iii) implementing cross-posting and cross-training among our personnel; and (iv) conducting risk assessment on some of our IT systems.

During the year, we have also optimized the efficacy of our banking network—at a great extent—while adopting preventive measures, including alternating work schedules of our personnel, limiting banking hours in our operating units and observing proper health protocols at all times. While many establishments suspended their operations, we strived to remain open to meet the banking needs of our clientele.

Our production thrusts for the year 2020 were certainly hampered by the adverse effects of the pandemic, like other financial institutions. Generation of loan accounts has been a struggle for our operating units, as we tightened up on some of our credit-granting policies and become more conservative in selecting our borrowers. Such business resolutions are for tempering those risks on our lending operation—our core line of business. As a financial organization, we were mandated as well to adopt the Bayanihan to Heal as One Act and Bayanihan to Recover as One (BARO) Act, granting loan-repayment extensions for our borrowers without incurring penalties and other charges. In effect, our Bank's total loan portfolio in 2020 narrowed to Php3.00-billion level, lower by Php261.71 million from that of 2019's Php3.26-billion figure.

Nevertheless, and to some extent, our Bank—with its distinct identity as *ang bangkong pinagtibay ng panahon*—managed to survive and still able to wrap up the year with a better bottom line. For the year ended 31 December 2020, a net income of Php145.92 million was recorded, slightly higher than previous year's record of Php145.31 million.

It is worth mentioning, too, that despite the uncertainties and difficulties this time of crisis, individuals and businesses preferred to entrust their untapped savings to our Bank, making our deposit level soared to Php2.95 billion at end-December 2020. Similarly, our capital accounts grew by Php130.66 million, from Php1.08 billion a year ago to Php1.21 billion at end-2020.

For 2021, our time, efforts and resources will be directed toward these new key points, namely: FICOBank reinforcement, IT infrastructure and automation of processes, complementary actions and services, organized and timely reports, vigilant lending operation, administrative empowerment, and compliance, control and risk management—or FICOVAC, for short.

In closing, I extend my sincere gratitude to all our shareholders, directors, employees, funders and clients for your continuing trust and loyalty to FICOBank. And on a personal note, I am incredibly thankful to all our frontliners, who have continued to fulfill their responsibilities in serving our clients throughout this pandemic.

All of you have been a source of great support and strength for us during this difficult time and we look forward to be working again on your behalf in 2021.

"This pandemic year has been a litmus test for our ability to remain true to our brand promise of staying in the business of providing opportunities for the economic ascendancy to our clientele for good, and our capability to withstand the toughest tests of time."

ATTY. HUBERT E. MOLINA
President & CEO

2020 Operational Performance

The unexpected outbreak of the coronavirus disease 2019 (COVID-19) that abruptly turned into pandemic had substantially slowed down the global economies as early as first quarter of 2020. The Philippine economy even contracted into its lowest gross domestic product (GDP) outturn, at -16.9 percent, during the second quarter. Although improvement in GDP was registered in the following quarter, the devastating typhoons during the fourth quarter have dampened the gradual pick-up in economic activity—resulting in a full-year GDP of -9.6 percent.

On the backdrop of slow-paced economic recovery, nevertheless, is the stable and sound Philippine banking system. In response to the pandemic, the Bangko Sentral had taken decisive policy measures to support domestic liquidity, bolster economic activity and boost market confidence. Such policy measures by the Bangko Sentral during the year, in review, have complemented the government's expansionary fiscal policy stance to improve demand and limit the adverse effects of the said pandemic.

Buoyed up by this auspicious banking environment, FICOBank was able to keep its favorable operational performance at a steady level. With its business resiliency that has been developed over the years, and counting, the Bank was able to close year 2020 with its record-high net profit.

DEPOSIT-TAKING OPERATION

FICOBank continued to make solid gains in its deposit-taking operation in 2020, notwithstanding the financial constraints of individuals and businesses due to the COVID-19 pandemic. This is an indication that the confidence of the banking public to entrust their untapped savings and investment sources to the Bank continue to grow even more during this time of crisis. At 68.25-percent share, the Bank's deposits continued as well to be the major composition of its funding structure.

In comparison with last year's record of Php2.64 billion, the Bank's total outstanding deposits this year peaked at Php2.95 billion. It went up by Php312.94 million, or 11.86 percent, representing more than twice the year-earlier's leap of Php107.61 million. Moreover, the Bank was able to beat its full-year deposit target of Php2.87 billion, with a 102.84-percent accomplishment rating for the year. In the same way, a Php360.32-million growth, equivalent to 14.39 percent, in the average daily balance (ADB) of deposits was registered, making the year-ago's Php2.50-billion record leveled up to Php2.86 billion.

The significant growth in deposits can be attributed to the increase in the number of accountholders. From 36,110 number of depositors recorded in 2019, a total of 1,896 new depositors were added, making the 2020's record climbed to 38,006 depositors.

With the opening of three new branch-lite units (BLUs) of the Bank in the province of Isabela in the next couple of years, a higher number of deposits is expected to be generated. FICOBank will continue to take full advantage of all the available opportunities in the financial market to augment its core deposits and improve further its deposit structure.

2020 Operational Performance

LENDING OPERATION

With an inauspicious lending performance of the Philippine banking system in 2020 as a whole, owing to the COVID-19 pandemic that ravaged the national economy, along with the strong typhoons during the fourth quarter, African swine fever outbreak and stiffer competition among industry players, the lending operation of FICOBank was indeed greatly affected during the year, in review.

As of 31 December 2020, the total loan releases of the Bank declined by Php393.27 million, or 7.92 percent, from Php4.97 billion in 2019 to Php4.57 billion in 2020. Likewise, the total outstanding loans of the Bank decreased by Php261.71 million or 8.03 percent. With the pandemic crisis during the year, the Bank has redefined its credit risk appetite by tightening its certain lending policies. As results, some loan applications were deferred or disapproved (which could have become delinquent accounts if granted) and the level of unsecured loans of the Bank dropped to 13.88 percent from 17.05 percent last year.

The Agricultural Loan, Commercial Loan and Jewelry Loan products of the Bank have remained to make the greatest share to its loan volume, at about 95.20 percent. These well-patronized loan facilities of the Bank chipped in Php1.54 billion (with 9,531 accounts), Php1.71 billion (with 1,751 accounts) and Php1.10 billion (with 38,548 accounts), respectively. The remaining Php219.74 million (with 553 accounts) was shared jointly by the Microfinance and other loans.

Adding to its wide range of loan products, the Bank launched in 2020 its latest product offerings—Bridge Financing for Onion Farmers/Traders (in partnership with Argo International Forwarders Inc. [ARGO]), Bridge Financing for Seed Growers and Truck Financing. The Bridge Financing facilities were launched during the first quarter of the year while the Truck Financing facility was rolled out in the last quarter. The former are designed to provide short-term funding to onion farmers/traders and certified *palay* seed growers, and the latter is designed for individuals and juridical persons who want to purchase a truck, either brand-new or pre-owned unit. It is worth mentioning that, as of end-December 2020, the respective loan releases under the Bridge Financing for Onion Farmers/Traders and Bridge Financing for Seed Growers mounted to Php22.39 million (56 accounts) and Php9.99 million (19 accounts), respectively, and with zero past due accounts.

Though a higher past due ratio (PDR) of 6.28 percent has been recorded by the Bank at year-end, as against the 4.79-percent PDR posted in the previous year, such PDR of FICOBank is remarkably better than that of the thrift banks' 10.47 percent, based on the data provided by the Bangko Sentral (*source: bsp.gov.ph*).

SERVICE/SALE-BASED OPERATION

The Bank's income from non-interest activities is also a contributing factor to its growth. In 2020, about 28.37-percent share of the Bank's top line came from its service/sale-based operation. It comprises of fee-based facilities (e.g., ATM/CICO operation, money transfer/remittance, credit/group life insurance, microinsurance and related financial services/solutions), sales of real and other properties acquired (ROPA), recovery of written-off accounts and sundry activities.

From the Php201.14 million recorded in 2019, the Bank's income from its service/sale-based operation plunged to Php184.76 million. It decreased by Php16.37 million or 8.14 percent. Such decrease was attributed to the significant decline in fees/charges related to loans brought about by the implementation of the Bayanihan to Recover as One (BARO) Act during the fourth quarter wherein a one-time 60-day mandatory grace period—as a relief measure—was granted to those borrowers of the Bank with maturing loans without incurring penalties, interest on interests, fees and/or other charges. Also, collection of financial service fees had decreased due to lower account generation and loan re-availment.

On a positive note, a better performance relative to asset management was registered by the Bank. A considerable revenue from the sale of ROPA/sales contract receivable and foreclosed jewelry items, amounting to Php13.36 million, was generated by the Bank in 2020.

During the last quarter of the year, FICOBank forged a partnership with the RuralNet for the offering of its Microinsurance Services—the FICO Protektodo and FICO TeleKonsulta. FICO Protektodo is a personal accidental plan that is especially designed for the customers of the Bank, with the benefits of accident medical assistance, burial assistance and fire assistance. It can be availed of for as low as Php150.00 per year. On the other hand, FICO TeleKonsulta is an unlimited health consultation with licensed doctors, via text message or Facebook Messenger, which is accessible 24/7 and for only Php50.00 a month.

TREASURY-BASED OPERATION

In 2020, FICOBank's earning-asset yield ratio of 18.64 percent remained above those of the other banks' records of 7.88 percent for the thrift banks, 4.51 percent for the universal/commercial banks and 4.81 percent for the whole Philippine banking system (*source: bsp.gov.ph*). The Bank also managed well its funding cost, at 2.45 percent. As a result, its interest spread for the year settled at a record of 16.19 percent. In reference to the data published by the Bangko Sentral, this interest spread of the Bank is comparatively higher than the 5.85-percent, 3.46-percent and 3.69-percent records of the thrift banks, universal/commercial banks and all banks, respectively (*source: bsp.gov.ph*).

In the same manner, the Bank was able to sustain a high interest margin of 10.01 percent, albeit the shrinking interest rates in the market. Such ratio is more favorable than those exhibited by the thrift banks at 6.04 percent, the universal/commercial banks at 3.58 percent and the whole Philippine banking industry at 3.81 percent (*source: bsp.gov.ph*).

As to the interest income on deposits and investments for the year, a total of Php8.42 million was generated by the Bank. It declined by Php5.21 million, as against the year-ago's Php13.63 million.

2020 Operational Performance

In 2020, the total convenience fee generated from the ATM units of the Bank installed in its selected operating units mounted to Php1.44 million, with 215,632 transactions. It is higher by Php0.96 million (with 127,737 transactions), or 200.00 percent, than that of the 2019's record of Php0.48 million (with 87,895 transactions).

INCOME-EXPENSE STATEMENT

Despite the year's economic upheavals due to the pandemic crisis, the Bank, with its front-to-back capabilities, carried out necessary actions and measures that enabled it to remain profitable in its business operations. For the year, in review, FICOBank has still been successful in bringing about a better bottom-line figure, anchoring to its continual effectiveness in managing its costs in an environment of sustained low interest rates and repeated economic volatility.

The Php145.92-million mark on the Bank's net income for 2020 has exceeded the previous year's Php145.31-million level by Php0.61 million. However, it slightly fell short of the Bank's whole-year target of Php146.00 million, with 99.94-percent accomplishment rating.

In comparison with the data published by the Bangko Sentral on the net income growths of the rural/cooperative banks (-39.48 percent), the thrift banks (-31.93 percent), the universal/commercial banks (-32.62 percent) and that of the whole Philippine banking industry (-32.71 percent), FICOBank performed obviously better in 2020.

From the Php706.74-million top-line level at the end of the prior year, the gross income as of end-December 2020 shrank to Php651.23 million, lower by Php55.51 million or 7.85 percent. This downward in figure was brought about by the decreases in both interest income and non-interest income, amounting to Php39.14 million (from Php505.61 million in 2019 to Php466.47 million in 2020) and Php16.37 million (from Php201.14 million in 2019 to Php184.76 million in 2020), respectively.

On the middle-line side, a total expenses amounting to Php505.32 million was incurred by the Bank in 2020. This figure is better than the 2019's record of Php561.43 million by Php56.12 million or 10.00 percent. The significant drop was primarily attributed to the lower interest expense from borrowings and the lesser costs incurred from traveling, representation/entertainment and training/education (due to the limited mobility of people because of the pandemic). Moreover, such middle-line figure is a lot lower than its Php612.10-million whole-year budget.

The average return on assets (ROA) of the Bank, as of end-2020, has a record of 3.36 percent, a bit higher than that of 2019's 3.34 percent. However, its average return on equity (ROE) decreased to 12.76 percent from 14.36 percent in 2019. Nonetheless, these ROA and ROE ratios of FICOBank are far better than the thrift banking industry's ratios of 0.86 percent and 5.97 percent, the universal/commercial banking industry's ratios of 0.82 percent and 6.61 percent, and the Philippine banking industry's ratios of 0.82 percent and 6.56 percent, respectively (*source: bsp.gov.ph*).

2021 BUSINESS OUTLOOK

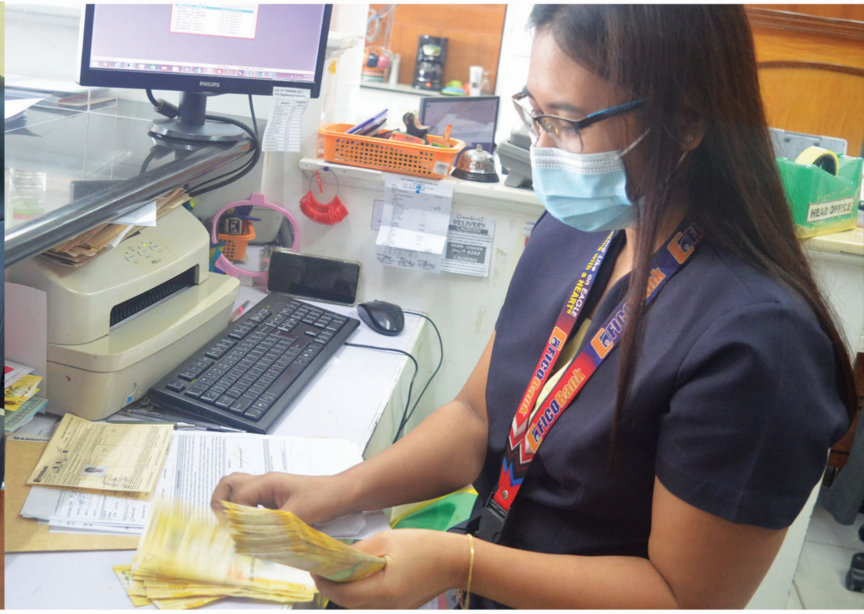
The year that had passed can be described as disruptive and tumultuous for the Philippine economy due to the widespread effects of COVID-19. While the adverse impact of the pandemic is still unfolding, the national economy is anticipated to rebound gradually in 2021, assuming a containment of the virus domestically and globally, and with more robust domestic activity. Such optimism is attributed to the reopening of businesses amid the "new normal," easing of community quarantines nationwide, gradual deployment of COVID-19 vaccines, and better business and consumer sentiments, among others. The economic prospects for the ensuing year are also expected to improve, as infrastructure and social programs and fiscal policies gain traction. And on its part, the actions and policy thrusts of the Bangko Sentral will continue to be anchored on its core mandates of promoting price and financial stability.

For the year ahead, FICOBank will remain optimistic, yet more vigilant, in pursuing its planned growth avenues and exploring new business opportunities. Fully aware that its business operations will continue to be tangled with the aftermath of the pandemic and other external factors, which may pose unexpected threats to its business continuity and resiliency at any given time, the Bank is poised more than ever to take brawnier production measures and reform initiatives to adapt to the new economic realities of 2021.

2020 Financial Performance

2020 Financial Performance

The Philippine economy plunged into a recession in 2020 due to the unexpected outbreak of the coronavirus disease 2019 (COVID-19). With a full-year gross domestic product (GDP) of -9.6 percent—the first economic contraction since 1998 after the Asian financial crisis erupted—the national economy is conclusively characterized by retrogression. It is heartening to note, however, that the Philippine banking system remained sound and stable amid the virus-induced pandemic. Beset with a retrogressive national economy, but buoyed up by a resilient banking system, FICOBank was still able to end the year with a modest financial performance. Though decreases in its total assets and loan portfolio have been recorded, which were attributable to the impact and effects posed by the pandemic crisis, the Bank has maintained its growth momentum in terms of deposit liabilities and capital accounts. Hence, at end-2020, the financial position of the Bank more likely kept its strength, soundness and stability.



ASSETS

The total resources of FICOBank at end-December 2020 was pegged at Php4.32 billion. It decreased by Php24.82 million, or 0.57 percent, from that of previous year's Php4.35-billion level. Nevertheless, the Bank still did better than that of thrift banks' record, which declined by an average of Php23.31 billion or 2.02 percent (*source: bsp.gov.ph*).

A liquidity crunch, particularly severe and/or prolonged liquidity disruptions, could threaten the business operations of any financial institution at any given time. Given such premise, the Bank regularly assesses its liquidity risk profile, utilizes various liquidity monitoring tools and conducts liquidity stress testing.

With a beginning balance of Php753.36 million (2019) and year-end balance of Php1.06 billion (2020) on its total cash and cash equivalents, effective management of its funds throughout the year has enabled the Bank to sustain its liquidity at a much-desired and more-prudent level. Hence, at end-December 2020, a minimum liquidity ratio (MLR) of 43.20 percent was registered by the Bank. Such ratio is far beyond from both the standard 20-percent and reduced 16-percent (only until December 31, 2021) MLR requirements prescribed by the Bangko Sentral.

At 66.66 percent, the chunk of the assets of the Bank was put into loans—its core product and main business per se. The total loan portfolio of the Bank, which represents the most-important line item in the earning assets of its balance sheet, settled at Php3.00 billion at end-2020. It is lower by Php261.71 million, or 8.03 percent, as compared with the Php3.26-billion figure that was posted a year ago.

Out of the total outstanding loans in 2020, Php158.17 million is classified as non-performing loans (NPLs). It is higher by Php17.90 million than the Php140.27-million NPLs booked in 2019. Similarly, the past due ratio (PDR) of the Bank at end-December 2020 grew to 6.28 percent from that of previous year's PDR of 4.79 percent. Such increase in past due loans is attributed to the non-repayment of maturing loan accounts by those borrowers that were greatly affected by the pandemic. Nonetheless, the PDR of the Bank is still within the single-digit range and better than the record of thrift banks at 10.47 percent (*source: bsp.gov.ph*). The total reserves of the Bank for its potential loan losses at end-2020 stood at Php98.12 million, representing a 62.03-percent NPL coverage.

LIABILITIES AND CAPITAL

Overall, FICOBank was still able to sustain its business operations and fulfill its financial commitments amid pandemic in 2020, owing to its adequate fund sources—liabilities and capital accounts.

As of end-December 2020, FICOBank has posted a Php3.12-billion total liabilities. Year-on-year analysis revealed a decrease of Php155.48 million, or 4.75 percent, over the year-earlier level of Php3.27 billion. Such reduction was primarily due to the significant decrease in the borrowings of the Bank, from Php508.33 million in 2019 to Php76.68 million in 2020.

2020 Financial Performance

Of the total liabilities of the Bank, deposits continued to dominate its external sources of funds, with a 94.72-percent share. The increase of Php312.94 million, or 11.86 percent, made the 2019's Php2.64-billion deposit liability reach the Php2.95-billion mark in 2020. This is an indication that the trust and confidence of the banking public to FICOBank continue to grow even more despite the uncertainties brought about by the pandemic crisis.

In reference to the data reported by the Bangko Sentral, the double-digit deposit growth of the Bank even surpassed the respective growth records of the rural/cooperative banks at 9.10 percent, the thrift banks at -2.49 percent, the universal/commercial banks at 9.78 percent and the overall Philippine banking industry at 8.97 percent (*source: bsp.gov.ph*).

With the continuous generating of sufficient levels of annual net income from its business activities—financial intermediation and other related services—FICOBank remained to be well-capitalized, with adequate funds to support its risk-taking business activities. From the 2019's level of Php1.08 billion, the Bank's total capital accounts rose to Php1.21 billion in 2020, up by Php130.66 million or 12.12 percent. Moreover, FICOBank continued to outpace the respective capital growths registered by the other banks, with the rural/cooperative banks at 3.87 percent, the thrift banks at -3.97 percent, the universal/commercial banks at 5.58 percent and the overall Philippine banking industry at 4.85 percent (*source: bsp.gov.ph*).

It is worth mentioning, too, that the Bank's capital adequacy ratio (CAR) of 23.83 percent in 2020 is comparatively better than the year-ago's record of 21.95 percent. Such ratio is even more than twice the 10-percent minimum regulatory requirement of the Bangko Sentral.

LOOKING AHEAD

Though suffered from a recession in 2020 due to the extensive impact and ill-effects of the COVID-19 outbreak, the Philippine economy is expected to recover in 2021, but at a slower pace.

Nevertheless, with the economy began to adapt to the "new normal" amid uncertainty over the vaccine rollout and continued restriction measures given risks from new virus strains, the confidence of both businesses and consumers are more upbeat for the ensuing year. Corollary to this, the Bangko Sentral will intensify its monitoring and surveillance over its supervised financial institutions, ensuring that the latter's responsiveness to emerging risks will be sustained and that the continued soundness, stability, resiliency and inclusivity of the banking system will be promoted.

In light of such positive, yet more-challenging, outlook on both economic landscape and banking industry, FICOBank is resolute to take all necessary measures and efforts in keeping its financial performance in a position of strength in 2021. The Bank intends to accelerate in full throttle its revenue growth, improve further its operational efficiency and strengthen more its business resiliency, so as to realize its institutional goals and fulfill its organizational commitments.

FICOBank's modest achievements in 2020 are its drivers for sustaining its resiliency in the "new normal", with the end in view of rebuilding its loan portfolio and augmenting its deposit level in 2021. Recognizing the present challenges and unexpected changes in the national economy, in general, and in the banking industry, in particular, that go along with the ongoing pandemic crisis, the Bank will continue to explore new business opportunities, execute necessary innovations and strengthen its adaptive way of doing business.

Corporate Governance

A sound corporate governance is extremely important for the sustainable growth and development of the Bank, and in maintaining its corporate integrity while being aligned with its overall business objectives. The Bank's corporate governance is about effective oversight, strict compliance to regulations and sustainable value creation to promote the best interest of its various stakeholders. The linchpin of an effective corporate governance is an active and engaged Board that is independent of Management, performs responsibilities with integrity and has the required expertise to properly oversee and direct Management.

The Board of Directors is responsible in setting the overall tone for the Bank's corporate governance structure, and ensuring that the Bank can ably perform its dual role in the economy and society—as a provider of financial services and solutions, and a portal of economic ascendancy. It is also their responsibility to provide effective leadership and overall direction to foster the long-term success of the Bank to satisfy not only the requirements of the shareholders but also the expectation of its other stakeholders. The Board sees to it that the principles of fairness, accountability, prudence, transparency and performance are upheld in conducting the Bank's day-to-day business.

Having the high governing standards, which are deeply rooted in the corporate way of life, breeds well-motivated people—with the right mindset and ethical behavior. Without an iota of doubt, this will bring about an even-better business performance. The corporate governance framework, structure, system and processes of the Bank are aptly put in place, with an empowered Board taking the lead in its way to a continuing success. How the Board carries out its distinct and decent corporate governance is reflected in this Report.

GOVERNANCE STRUCTURE

1. Board of Directors

The Board of Directors is primarily responsible for the governance of the Bank. It ensures that the Bank is governed and managed in a safe and sound manner, with an appropriate balance between financial performance and the fulfillment of its public purpose. The Board provides an independent check on the Senior Management.

The corporate powers of the Bank shall be exercised, its business conducted and all its property controlled and held, by its Board of Directors. The powers of the Board of Directors, as conferred by law, are original and cannot be revoked by the shareholders. The directors hold their office that is charged with the duty to exercise sound and objective judgment for the best interest of the Bank.

The Board is primarily accountable to the Bank's shareholders. It shall: be transparent and fair in the conduct of meetings with the shareholders; promote the rights of the shareholders and address any impediments relative to their meaningful participation; provide the shareholders with accurate and timely information; provide the shareholders with a comprehensive and balanced assessment of the Bank's performance periodically; and treat the shareholders equally.

The Board is also accountable to the Bank's stakeholders. It provides its employees with the appropriate benefits and continuous development programs for their safety, welfare and development. The Board also recognizes the role of its customers, creditors, suppliers and business partners relative to the operations of the Bank, and shall promote a sustainable program of mutually beneficial relationship.

2. Composition of the Board

The Board of Directors has nine (9) members—seven (7) regular directors and two (2) independent directors—who are elected by the Bank's shareholders entitled to vote at the annual general assembly meeting of the Bank. They will hold office in accordance with the By-Laws of the Bank.

The members of the Board of Directors are selected from a broad pool of qualified candidates. Sufficiency in number of

Corporate Governance

non-executive members, which are made up of independent directors, who are not part of the Executive Committee or day-to-day management and operations, is likewise required to promote the independence of the Board from the views of the Senior Management.

3. Duties and Responsibilities of the Board of Directors

The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, e.g., the Bank itself, its shareholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer, and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of the Senior Management, as the latter manages the day-to-day activities and affairs of the Bank.

Given the responsibilities of the Board, by and large, the Chairperson has the ultimate duty to provide leadership to the Board of Directors of the Bank. The Chairperson acts as the direct liaison between the Board and the Senior Management, through the President & CEO, and also acts as the communicator of the Board's decisions, where appropriate.

4. Liability of Directors

Any director(s) who willfully and knowingly vote or consent to patently unlawful acts, or who is/are guilty of gross negligence or bad faith in directing the affairs of the Bank or acquire any personal or pecuniary interest in conflict with his/her/their duty as such director(s), shall be liable jointly and severally for all damages (resulting therefrom) suffered by the Bank, its shareholders and other persons.

5. Meetings and Quorum Requirements

Over time, the role of the Board is becoming more difficult because, from time to time and during its regular and special meetings, it needs to deal with a variety of intricate issues concerning the complexity of the banking business, the high dynamism and volatility of the markets, and the rigorous oversight function of the Board, as a prerequisite for the sound and prudent governance of the Bank.

With the aforementioned premise, the regular and independent members of the Board must attend regular and special meetings in person—a proxy is not allowed. One-half plus one of the members of the Board shall constitute a quorum.

To fulfill its fiduciary responsibilities, the Board—for the year 2020—held 17 meetings (12 regular meetings and 5 special meetings) to receive and discuss reports, along with other presentations, about the Bank and its operations, as well as its plans and programs, products and services, financial and non-financial performances, audit findings and exceptions, legal and compliance issues, risk profiles and control measures, and other strategic and operational issues impacting the Bank's business operations.

The following were/are the members of the Board and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Mr. Erwin B. Tabucol	Chairperson	8/8	100.00%
Dr. Pasencia B. Battung	Vice Chairperson	8/8	100.00%
Ms. Aileen Gale M. Agcaoili	Member	8/8	100.00%
Mr. Wilfredo DC. Antonio	Member	8/8	100.00%
Mr. Eufemio M. Basuel	Member	8/8	100.00%
Mr. Rogelio B. Benitez	Member	8/8	100.00%
Mr. Ernesto C. Gamboa	Member	8/8	100.00%
Engr. Jefferson G. Mariano	Member	8/8	100.00%
Mr. Frederique M. Obedoza	Member	8/8	100.00%
June-December 2020			
Mr. Erwin B. Tabucol	Chairperson	9/9	100.00%
Dr. Pasencia B. Battung	Vice Chairperson	9/9	100.00%
Ms. Aileen Gale M. Agcaoili	Member	9/9	100.00%
Mr. Wilfredo DC. Antonio	Member	9/9	100.00%
Mr. Eufemio M. Basuel	Member	9/9	100.00%
Mr. Rogelio B. Benitez	Member	9/9	100.00%
Mr. Ernesto C. Gamboa	Member	9/9	100.00%
Engr. Jefferson G. Mariano	Member	9/9	100.00%
Mr. Frederique M. Obedoza	Member	9/9	100.00%

BOARD-LEVEL COMMITTEES

The Board of Directors has eleven (11) committees that assist it in ensuring the sound corporate governance of the Bank. These Board-level committees are, as follows:

1. Executive Committee

The Committee has the same function and powers as the Board of Directors, with the exception of those which the Board may reserve for itself or assign to other committees. The Committee is mandated to act on behalf of the Board of Directors, as an executive governing body, when the latter is not in session, and to engage in oversight and decision-making on issues or matters of importance concerning the business affairs of the Bank.

The following were/are the members of the Executive Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Mr. Erwin B. Tabucol	Chairperson	10/10	100.00%
Dr. Pasencia B. Battung	Member	9/10	90.00%
Mr. Wilfredo DC. Antonio	Member	10/10	100.00%
Mr. Ernesto C. Gamboa	Member	8/10	80.00%
Ms. Aileen Gale M. Agcaoili	Member	10/10	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	10/10	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	10/10	100.00%
June-December 2020			
Mr. Erwin B. Tabucol	Chairperson	15/15	100.00%
Dr. Pasencia B. Battung	Member	15/15	100.00%
Mr. Wilfredo DC. Antonio	Member	15/15	100.00%
Mr. Ernesto C. Gamboa	Member	15/15	100.00%
Ms. Aileen Gale M. Agcaoili	Member	13/15	86.67%
Atty. Hubert E. Molina	Ex-Officio Member	15/15	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	15/15	100.00%

2. Corporate Governance Committee

The Committee is vested with the principal mandate to provide assistance, information, guidance and advice to the Board on all matters pertaining to corporate governance and other issues related thereto.

The following were/are the members of the Corporate Governance Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Ms. Aileen Gale M. Agcaoili	Chairperson	4/4	100.00%
Engr. Jefferson G. Mariano	Member	4/4	100.00%
Mr. Erwin B. Tabucol	Member	4/4	100.00%
Mr. Ernesto C. Gamboa	Ex-Officio Member	4/4	100.00%
Mr. Frederique M. Obedoza	Ex-Officio Member	4/4	100.00%
Mr. Wilfredo DC. Antonio	Ex-Officio Member	4/4	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	4/4	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	4/4	100.00%
June-December 2020			
Ms. Aileen Gale M. Agcaoili	Chairperson	9/10	90.00%
Engr. Jefferson G. Mariano	Member	10/10	100.00%
Mr. Erwin B. Tabucol	Member	10/10	100.00%
Mr. Ernesto C. Gamboa	Ex-Officio Member	10/10	100.00%
Mr. Frederique M. Obedoza	Ex-Officio Member	10/10	100.00%
Mr. Wilfredo DC. Antonio	Ex-Officio Member	10/10	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	10/10	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	10/10	100.00%

3. Audit and Inventory Committee

The Committee has the primary mandate to provide assistance to the Board of Directors in fulfilling its oversight responsibilities for the integrity of the Bank's financial statements, as well as its compliance with legal and regulatory requirements, selection of, and engagement with, its independent external auditor(s), and the performance of its internal control, audit, inventory and investigation functions.

The following were/are the members of the Audit and Inventory Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Engr. Jefferson G. Mariano	Chairperson	5/5	100.00%
Ms. Aileen Gale M. Agcaoili	Member	5/5	100.00%
Mr. Wilfredo DC. Antonio	Member	5/5	100.00%
Mr. Frederique M. Obedoza	Ex-Officio Member	3/5	60.00%
Mr. Ernesto C. Gamboa	Ex-Officio Member	5/5	100.00%
June-December 2020			
Engr. Jefferson G. Mariano	Chairperson	11/11	100.00%
Ms. Aileen Gale M. Agcaoili	Member	10/11	90.91%
Mr. Wilfredo DC. Antonio	Member	11/11	100.00%
Mr. Frederique M. Obedoza	Ex-Officio Member	11/11	100.00%
Mr. Ernesto C. Gamboa	Ex-Officio Member	11/11	100.00%

4. Credit Committee

The Committee has the primary mandate to provide assistance to the Board of Directors in establishing a loan portfolio that will assure the safety of loanable funds, earn sufficient income to provide an adequate return on capital, and enable the respective families and communities of the clients to prosper.

The following were/are the members of the Credit Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Mr. Frederique M. Obedoza	Chairperson	9/9	100.00%
Mr. Rogelio B. Benitez	Member	9/9	100.00%
Mr. Eufemio M. Basuel	Member	8/9	88.89%
Atty. Hubert E. Molina	Ex-Officio Member	9/9	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	9/9	100.00%
June-December 2020			
Mr. Frederique M. Obedoza	Chairperson	14/15	93.33%
Mr. Rogelio B. Benitez	Member	15/15	100.00%
Mr. Eufemio M. Basuel	Member	14/15	93.33%
Atty. Hubert E. Molina	Ex-Officio Member	15/15	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	15/15	100.00%

5. Education and Training Committee

The Committee has the primary mandate to provide assistance to the Board of Directors in the development and oversight of the Bank's Education and Training Program, so as to ensure competence of the directors, officers and staffers in carrying out their respective basic functions and specific responsibilities.

The following were/are the members of the Education and Training Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Dr. Pasencia B. Battung	Chairperson	4/4	100.00%
Mr. Ernesto C. Gamboa	Member	3/4	75.00%
Mr. Rogelio B. Benitez	Member	4/4	100.00%
Mr. Eufemio M. Basuel	Ex-Officio Member	4/4	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	4/4	100.00%
June-December 2020			
Dr. Pasencia B. Battung	Chairperson	7/7	100.00%
Mr. Ernesto C. Gamboa	Member	7/7	100.00%
Mr. Rogelio B. Benitez	Member	6/7	85.71%
Mr. Eufemio M. Basuel	Ex-Officio Member	7/7	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	7/7	100.00%

6. Bids and Awards Committee

The Committee is vested with the primary mandate to provide assistance to the Board of Directors in the implementation of the bidding and awarding processes, which involve technical, financial, legal and other aspects of the Bank's construction/renovation projects, procurement activities, and sale of acquired assets and disposal of scrap materials.

The following were/are the members of the Bids and Awards Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Mr. Erwin B. Tabucol	Chairperson	1/1	100.00%
Dr. Pasencia B. Battung	Member	1/1	100.00%
Mr. Rogelio B. Benitez	Member	1/1	100.00%
Engr. Jefferson G. Mariano	Ex-Officio Member	1/1	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	1/1	100.00%
June-December 2020			
Mr. Erwin B. Tabucol	Chairperson	2/2	100.00%
Dr. Pasencia B. Battung	Member	2/2	100.00%
Mr. Rogelio B. Benitez	Member	2/2	100.00%
Engr. Jefferson G. Mariano	Ex-Officio Member	2/2	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	2/2	100.00%

Corporate Governance

7. Special Investigation Committee

The Committee has the primary mandate to conduct a specialized investigation in obtaining information from resource person(s) and other sources pertaining to an actual or suspected irregularity by an officer/employee of the Bank, as reported by the Audit and Inventory Committee or a whistleblower.

The following were/are the members of the Special Investigation Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Mr. Erwin B. Tabucol	Chairperson	2/2	100.00%
Mr. Rogelio B. Benitez	Member	2/2	100.00%
Mr. Frederique M. Obedoza	Member	2/2	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	2/2	100.00%
June-December 2020			
Mr. Frederique M. Obedoza	Chairperson	3/3	100.00%
Mr. Rogelio B. Benitez	Member	3/3	100.00%
Atty. Hubert E. Molina	Member	2/3	66.67%
Mr. Gilbert A. Galope	Ex-Officio Member	3/3	100.00%

8. Budget Committee

The Committee has the primary mandate to provide assistance to the Board of Directors in budget planning, so as to prepare the Bank for what is to come, and to help it make the most out of its available resources.

The following were/are the members of the Budget Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-May 2020			
Mr. Erwin B. Tabucol	Chairperson	2/2	100.00%
Dr. Pasencia B. Battung	Member	2/2	100.00%
Mr. Wilfredo DC. Antonio	Member	2/2	100.00%
Mr. Ernesto C. Gamboa	Member	2/2	100.00%
Mr. Frederique M. Obedoza	Member	2/2	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	2/2	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	2/2	100.00%
June-December 2020			
Mr. Erwin B. Tabucol	Chairperson	4/4	100.00%
Dr. Pasencia B. Battung	Member	4/4	100.00%
Mr. Wilfredo DC. Antonio	Member	4/4	100.00%
Mr. Frederique M. Obedoza	Member	4/4	100.00%
Atty. Hubert E. Molina	Ex-Officio Member	4/4	100.00%
Mr. Gilbert A. Galope	Ex-Officio Member	4/4	100.00%

9. Conciliation and Mediation Committee

The Committee has the primary mandate to provide assistance to the Board of Directors in facilitating the amicable settlement and resolution of any conflict or dispute between the parties of interest (i.e., coop-stockholders, directors, executives and committeemen of the Bank who stand to be benefited or injured by the settlement agreement), in a speedy, inexpensive and pleasant way. The members of the Conciliation and Mediation Committee are:

Mr. Erwin B. Tabucol – Chairperson;
Dr. Pasencia B. Battung – Member; and
Mr. Ernesto C. Gamboa – Member.

No meeting was scheduled by the Committee during the year.

10. Ethics Committee

The Committee has the primary mandate to provide assistance to the Board of Directors in fulfilling its oversight responsibilities for the organizational values, business conduct and professional standards that promote integrity for the Board itself, the individual directors and the member-cooperatives. The members of the Ethics Committee are:

Mr. Frederique M. Obedoza – Chairperson;
Mr. Wilfredo DC. Antonio – Vice Chairperson; and
Mr. Ernesto C. Gamboa – Member.

No meeting was scheduled by the Committee during the year.

11. Gender and Development Committee

The Committee has the primary mandate to provide assistance to the Board of Directors in promoting gender equality among the personnel of the Bank and effectively addressing issues and concerns in the process of mainstreaming gender and development in the organization. The members of the Gender and Development Committee are:

Mr. Eufemio M. Basuel – Chairperson;
Engr. Jefferson G. Mariano – Member; and
Ms. Aileen Gale M. Agcaoili – Member.

No meeting was scheduled by the Committee during the year.

SELECTION PROCESS FOR THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

With the increasing complexity of banking operations, changing market conditions, competition issues, stakeholders' expectations, demand for competencies and accountabilities, and the high level of risk exposures associated with certain positions, the requirement for due diligence is indispensable, as the directors, senior officers and other key officers occupy sensitive positions that have the potential to significantly impact the Bank's business viability and financial stability.

The Bank abides by its Election Rules, and Policy and Guidelines on the Screening and Selection of Independent Directors for the election of its directors (regular and independent). The stringent recruitment process and the Board-approved Enhanced Management Succession Plan are employed in the hiring/ appointment of the Bank's senior officers.

Prior to their election/selection, the candidates are subjected to the fit and proper assessment, so as to ensure their: (i) integrity/probity and reputation; (ii) physical and mental fitness; (iii) education and training involvements; and (iv) possession of competencies relevant to the function, such as knowledge, experience, skills and diligence, among others.

INDUCTION AND TRAINING FOR THE BOARD OF DIRECTORS

Upon election to the Board and appointment to the Board-level committees, the new directors will receive an induction that is customized to meet their individual requirements. The induction, which is arranged by the Corporate Secretary, includes a detailed briefing of the Board's and individual director's duties and responsibilities, as well as the Bank's operations, its strategic plan, business environment and the key issues it faces. The Bank makes sure that all of its new directors have undergone induction and training programs related to corporate governance, banking operations, risk management, compliance system, internal control and the like.

In order to help the incumbent members of the Board acquire, maintain and deepen their knowledge and skills, and to fulfill their responsibilities, the Bank ensures that they have continuing access to education and training programs on relevant matters or fields of discipline. The Board, through its Education and Training Committee, allots sufficient time, budget and other resources for this purpose.

TRAINING AND DEVELOPMENT FOR OFFICERS

The Bank is committed to providing strong learning and development to improve and hone the existing competencies and skillsets of its officers by undertaking continuous education and training for them to effectively and efficiently perform their respective functions and responsibilities. With it, the Bank identifies the competency gaps to be able to determine the right capability-building activities for its officers.

The Bank, through its Human Resource & Administration Department (HRAD), determines the competency and training gaps of each officers by: (i) identifying the officer's duties and responsibilities; (ii) determining his/her skills, experiences and competencies needed for the position; (iii) validating the officer's skills, experiences and competencies based on his/her 201 File and updated Biographical Data, which include, among others, his/her educational qualification/degree or related courses/units earned; (iv) evaluating the list of training and seminars he/she had attended; and (v) determining the competency gaps between his/her skills, experiences, competencies and training/seminars attended versus those needed ones for the position. Based on the identified competency gaps of the officer, the necessary training program shall be provided to him/her in order to bring his/her skills, experiences and competencies up to the level required for the position. Such training program will also be regularly monitored and assessed. The Board, through its Education and Training Committee, likewise allots adequate budget and other resources for this purpose.

RISK GOVERNANCE FUNCTION

The Board, in its risk governance function, provides the structure through which the business objectives of the Bank are set and the means of achieving those objectives, including the monitoring of performance. And, to a greater degree, it strengthens the Bank's policies, systems, processes and strategies on risk governance, including the risk management roles played by the business/operating units, the risk management teams and the internal audit/control functions (the three lines of defense), as well as underlines the importance of a sound risk culture to drive the risk management within the Bank.

The Board is responsible for setting policies on the Bank's risk governance. It takes charge in receiving and reviewing reports on risk management process and gets assurance that the same are working effectively and efficiently. In addition, the Board: (i) defines the Bank's level of risk appetite and tolerance to ensure that risk exposures are within prudent/acceptable levels, as well as the appropriate risk governance practices for the Bank through policies; (ii) ensures that the risk management functions are given adequate resources to enable effective performance, afforded with adequate personnel, access to information technology systems and systems development resources and support, and access to internal information; (iii) takes the lead in establishing the tone of good risk governance by explicitly discouraging the taking of excessive risks and articulating acceptable and unacceptable activities, transactions and behaviors that could potentially result to any negative impact to the Bank; and (iv) establishes and actively promotes, communicates and recognizes sound risk governance principles and practices to reflect a culture of effective risk governance in the Bank that will be seen by both internal and external stakeholders.

As the Bank is still considered as a simple bank, its risk governance is carried out through a cross-functional framework that starts from the Board of Directors to the line and staff management. The cross-functional framework includes oversight, executive review, support services and control functions of various organizational entities.

INTERNAL AUDIT FUNCTION

FICOBank's Internal Audit Department (IAD) is an independent body that reports to the Board of Directors through the Audit and Inventory Committee. IAD provides vital assurance to the Board, the Senior Management and the supervising agencies on the quality and effectiveness of the Bank's internal control system—that standing policies and practices are followed and that the Senior Management takes appropriate and timely corrective actions in response to internal control weaknesses that were identified by the internal auditors.

As an independent body, it has a sufficient standing and authority within the Bank, thereby enabling the audit personnel to carry out their assignments with independence and objectivity. To effectively carry out its function and responsibilities, the IAD is conducting regular audits, spot audits and special audits in selected areas.

The IAD of the Bank is comprised of qualified, impartial and competent internal auditors, with sufficient authority, stature, independence, resources and access to the Board of Directors. The performance of the IAD is being assessed, on a yearly basis, by the Audit and Inventory Committee, using the "balanced scorecard."

COMPLIANCE FUNCTION

The Compliance Office of the Bank is an independent entity that reports directly to the Board of Directors. It is primarily mandated with the oversight function for the implementation of a firmly robust, dynamically responsive and distinctly appropriate Compliance System, with a comprehensive Compliance Program, that will strengthen further the franchise value of the Bank. The same takes into account the size and complexity of the Bank, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance.

The Compliance Office consistently provides advice to the operating units/departments/offices on applicable laws, directives, standards and regulations. This Office is also tasked to identify, assess, advise, monitor and report on the Bank's compliance and business risks. The Bank's compliance function has (i) a well-defined Charter, (ii) an established and appropriate Compliance System, with a safe and sound Compliance Program, and (iii) a Chief Compliance Officer, with fit-and-proper qualifications to oversee the said program and system. The performance of the Compliance Office is being evaluated by the Board of Directors at the end of the year, using the "balanced scorecard."

The Compliance Office is conducting, on a continuing basis, the compliance-testing activities for the operating units/departments/offices of the Bank and the bankwide orientation on the updates of the Bank's Money Laundering and Terrorist Financing Prevention Program.

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GOVERNANCE EVALUATION

Every year, a self-rating process for the performance assessment of the Board and its committees (in a group capacity) is being carried out, with the use of the "balanced scorecard." For the respective performances of the Office of the President & CEO, and the Internal Audit Department, Compliance Office and Credit Risk Management Office, the Board makes use of the "equitable scorecard" and "balanced scorecard," respectively. These scorecards are used to gauge the performance and effectiveness of each of these organizational units vis-à-vis the prescribed performance standards, as specified in their respective charters.

Premising on the vital role that it plays in the banking industry, in general, and the market segments it has chosen to serve, in particular, the Bank continuously undertakes various initiatives and activities, with the end in view of: (i) complying with the regulatory requirements; (ii) pursuing its organizational purpose; (iii) achieving its business objectives; and (iv) ensuring its financial stability. And to determine whether the Bank is on track in meeting the foregoing four-point intents, and if it's on course in measuring up to the expectations of its stakeholders, its performance during the year is also being assessed by the Board, using the "balanced scorecard."

Hereunder are the Performance Scorecards of the Board of Directors, the Board-level Committees, the Office of the President & CEO, the Internal Audit Department, the Compliance Office, the Credit Risk Management Office and the Bank itself for CY 2020.

Organizational Unit/Body	Rating
Board of Directors	99.67%
Executive Committee	99.64%
Corporate Governance Committee	98.88%
Audit & Inventory Committee	98.65%
Credit Committee	96.15%
Education & Training Committee	97.45%
Bids & Awards Committee	97.63%
Special Investigation Committee	100.00%
Budget Committee	98.67%
Conciliation & Mediation Committee	92.00%
Ethics Committee	91.42%
Gender & Development Committee	91.08%
Office of the President & CEO	97.73%
Internal Audit Department	96.36%
Compliance Office	93.89%
Credit Risk Management Office	95.22%
Bank	99.41%

The individual directors and the other key officers of the Bank (i.e., Executive Vice President and Corporate Secretary) also have their performance evaluation, using the "balanced scorecard" and "expectation-based performance appraisal," respectively. Based on the equivalent adjectival rating, the Special Investigation Committee, Board of Directors, Executive Committee, and the Bank have "outstanding" performance ratings. The others have "very satisfactory" ratings.

RETIREMENT PLAN

The Bank recognizes that the employees occupying the different posts in its organizational structure will not be there forever, and that leadership transition is inevitable. It is therefore necessary to develop back-up candidates for any position that will be vacated to facilitate the achievement of its corporate goals. Relative to this, the Bank adheres to the eligibility for retirement and benefits of all covered employees, as laid down in its Employees' Retirement Plan.

The Bank employees' normal retirement date is set at the last day of the month of his/her sixtieth (60th) birthday, provided that he/she has completed at least ten (10) years of continuous service and is at least sixty (60) years of age at the time of retirement. However, any Bank employee may continue to work after the age of sixty (60), subject to approval, but in no case beyond the age of sixty-five (65). An employee may avail of an Optional Retirement Benefit, provided that he/she is at least forty-five (45) years of age, has completed at least ten (10) years of continuous service, and has given an advance notice for at least three (3) months before the effectivity of his/her retirement.

As to the members of the Board, nine (9) years is the maximum term limit set for the independent directors while there is no term limit set for the regular directors.

MANAGEMENT SUCCESSION PLAN

Key positions are essential elements in the success and growth of the Bank, as they perform the major roles in the organization. However, the persons occupying the posts will not be there forever, inasmuch as they will—sooner or later—retire or resign, take leave of absence or may be removed/replaced from office, or meet life's eventuality, like death or permanent disability. As such, leadership transition is inevitable.

To address temporary or permanent change in key positions in the different levels of management, the Bank has adopted the Enhanced Management Succession Plan—updated from time to time—that aims to prepare the "successor generation" to fill the void and assume power in case there will be a temporary or permanent change in management positions, whether planned or unplanned, to ensure that the best interest of the Bank, its operations, its people and its clients are well-protected.

The succession of the Bank's incumbent officers is based on these events, to wit: (i) short-term temporary succession (up to 90 days); (ii) long-term temporary succession (over 90 days); and (iii) permanent succession (due to retirement, resignation, removal, death or permanent disability). With this Plan, the Bank will be spared from any problem in achieving its goals of business continuity and self-preservation.

The realization of the objectives of the Bank's Enhanced Management Succession Plan relies on the proper execution of the Board-approved process, which involves the: (i) identification of the critical management positions for succession or replacement; (ii) determination of the competencies required to undertake management positions; (iii) identification of the possible events that would cause vacancy; (iv) identification of the immediate and potential successors; (v) establishment of the capability development requirements; (vi) provision of the capability development/training programs; and (vii) screening and selection of the qualified successor.

REMUNERATION AND COMPENSATION POLICY

The provision on the Board of Directors' compensation, as stipulated in its By-Laws, is being strictly observed by the Bank. Each member of the Board and the Corporate Secretary are granted with monthly remuneration (comprised of honorarium and allowances), per diems and certain incentives, based on the Bank's Compensation Package of the Board of Directors, as approved by the General Assembly.

Likewise, the Bank is obliged to pay the members of the Senior Management with appropriate salaries and reward them with incentives for their performance through the Board-approved salary structure that is in accordance with the prevailing laws.

With it, highly qualified workforces are recruited/retained, employee satisfaction is guaranteed, motivation to perform well is espoused, and competitiveness in the industry is sustained. The Bank continuously improves its way of remunerating and compensating its employees. A program of systematic job evaluation is maintained, so as to grade jobs according to their purpose, function and level of responsibility. It serves as a reasonable and equitable basis for the remuneration of Bank employees, as it rewards them according to their performance and contribution to the achievement of the Bank's business objectives.

RELATED PARTY TRANSACTIONS

The Bank is committed to disclose material information to its stakeholders as part of its adherence to transparency, accountability and fairness, as it still recognizes the benefits of transactions between and among related parties.

Related party transactions (RPTs) are allowed by the Bank, provided that these comply with the principle of sound corporate governance, and are done on an "arm's length" basis to veer away from any issues on conflict of interest. Said transactions shall only be made and entered into on terms and conditions not less favorable than those with other customers of comparable risks. The Policy, and its Guidelines, on Related Party Transactions is strictly imposed across the entire organization to avoid disadvantageous activities toward the Bank and its depositors, creditors, fiduciary clients and other stakeholders.

To ensure that every RPT is conducted in a manner that will protect the Bank from any potential conflict of interest, the following procedures are being adhered to: (i) all Bank directors and officers, as well as the shareholders who are considered as related parties, shall disclose in writing, to the best of their knowledge, their interests in any corporation, cooperative and other organization prior to their assumption of office and in every fiscal year thereafter, all or any potential related party and/or RPT to which they are involved, and whether they directly, indirectly or on behalf of third parties have financial interest in any transaction or matters affecting the Bank; (ii) a director of the Bank with a conflict of interest shall abstain from any deliberations of, or vote on, any matter rising to such conflict of interest; (iii) a Bank director or officer shall not attempt to influence other directors and officers regarding matters (on the deliberation or voting thereof) in which they have an interest, without first disclosing the said interest; (iv) the existence and resolution of the conflict of interest shall be documented in the Bank's records and included in the minutes of any meeting of the Board at which the conflict of interest was discussed or voted upon; (v) the Bank shall not enter into any RPT, unless the same is determined by the Credit Committee/Management Committee or the Board of Directors, as appropriate; and (vi) if there has a reasonable cause to believe that a related party has failed to disclose an actual or possible conflict of interest, such related party shall be informed and afford an opportunity to explain the alleged failure to disclose, and if later on it was determined that the said party has in fact failed to disclose an actual or possible conflict of interest, an appropriate disciplinary action shall be done.

All credit and non-credit RPTs will be referred to the Management Committee for thorough evaluation. The Management Committee or the Credit/Executive Committee shall review the credit RPTs, as appropriate, while the Management Committee will review the non-credit RPTs. Immaterial credit RPTs shall be subject to approval by the Management Committee or the Credit/Executive Committee, as appropriate, while immaterial non-credit RPTs will be approved by the Management Committee. All material RPTs will be endorsed to the Board for thorough review and prudent approval, without the participation of the interested Board member(s), if any.

All credit RPTs that are for approval by the Management Committee, Credit/Executive Committee or the Board of Directors will be subject to close evaluation and review by the Credit Department, and if there is any policy deviation, the approving authority will be elevated to the Board. In addition, all RPTs that exceed the internal limits of the Bank, as well as the write-off of material exposures to related parties, which are beyond the internal limits, shall be approved by the Board. All discussions and deliberation of various points on RPTs made will be properly documented in the minutes of meeting.

The Bank's internal limits for individual transaction should not exceed Seventy-Five Million Pesos (Php75,000,000.00) of its net worth while aggregate transactions should not exceed One Hundred Twenty Million Pesos (Php120,000,000.00) of its net worth.

DIVIDEND POLICY

The Bank recognizes the right of its cooperative-shareholders as stipulated in its By-Laws, which is to receive dividend, either in the form of stock or cash, on their investment (capital share) with the Bank. The Bank's declaration of dividends is subject to compliance with certain rules and regulations prescribed by the BSP.

The dividends to the shareholdings of the common and preferred shareholders of the Bank are declared by the Board of Directors and authorized by the BSP. The release of cash and stock dividends is based on Board-approved guidelines.

CORPORATE SOCIAL RESPONSIBILITY

The corporate social responsibility (CSR) of the Bank translates its mission of being a "*Bangkong may Puso*" through various activities that can lead to the improvement of the economic and social well-being of its clients, as well as their families and communities, within the compatible limits of its field of business activities and development support. The Bank also does all it can to make a difference by being a socially-responsible corporate citizen through its various CSR-related programs.

As part of its CSR initiatives and in furtherance of its Financial Inclusion Program, the Bank continues the promotion of its Basic Deposit Account (BDA), enabling the unbanked community folk to start and stay on saving in an affordable and accessible manner. The BDA of the Bank, with liberalized customer-onboarding procedures, is able to provide every unserved and underserved person the opportunity to save. In the same way, the Bank promotes and creates awareness about financial literacy, which aim to inculcate the time-honored value of thrift and saving.

FICOBank does not only play an important role in the country's economy, but it also has the corporate social responsibility to help protect and preserve the environment. In sync with the advocacy of the BSP on sustainable finance for environment-friendly and socially inclusive projects, FICOBank—as a responsible corporate citizen—embarked on a Green Banking Program that aims to promote the protection and preservation of the natural ecosystems and heritage resources, respectively, in every community where it operates.

The Care and Share Program of the FICOBank family, with activities such as feeding, gift-giving, hospitalization, death and calamity/relief assistance, shows its caring spirit to those who

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have less or are in dire need. The Bank also believes in reciprocity. For the unfailing support of its clients through the years, sponsorships of, or donations to, their town/city fiestas and other cultural activities are the least that the Bank can do in return.

FINANCIAL CONSUMER PROTECTION

The Bank recognizes the right of every consumer to safeguard their transactions with the Bank and be heard through appropriate channels to voice out their feedback, complaints and concerns regarding the financial products and services they have availed of. As a continuous pursuance of the promotion of the BSP's advocacy on Financial Consumer Protection, the Bank embeds consumer protection practices all throughout the organization. This practice of the Bank is a top priority and also forms part of its corporate social responsibility.

The Board and the Senior Management are responsible in the development of the Bank's financial consumer protection strategy, as well as the establishment of an effective oversight of its Consumer Protection Program, to include the activities and tasks related thereon. The Board takes charge in approving the financial consumer protection policies of the Bank and in monitoring/overseeing the Senior Management's performance in managing the day-to-day financial consumer protection activities of the Bank. Meanwhile, the Senior Management assumes the responsibility in implementing the financial consumer protection policies approved by the Board, as well as in managing the Bank's activities on financial consumer protection.

The Bank's Consumer Protection Risk Management System (CPRMS) primarily intends to effectively guard the consumers from any and all kind of threats or risks that may pose an adverse impact to their personal life and their relationship with the Bank, as well as that of the Bank's reputation. The effectiveness of the Bank's CPRMS is periodically reviewed by the Board and the Senior Management to make certain that its weaknesses are being addressed appropriately, and in a timely manner. The Bank utilizes its Consumer Protection Risk Management Process (CPRMP)—which involves risk identification, measurement, monitoring, responses and reporting—to address the said risks that may occur in the course of its operations.

The Bank continuously provides its customers an accessible, fair and efficient avenue where they can air out their concerns and complaints with their financial transactions—its Consumer Assistance Management System (CAMS)—with the end in view of resolving the same effectively and promptly. To ensure the proper implementation of the same, a Consumer Assistance Officer (CAO) is appointed at every operating unit of the Bank to handle customer complaints and/or concerns. Moreover, customers can also convey their banking concerns/complaints through FICOBank's Facebook Page and website. A Head Consumer Assistance Officer (HCAO) is likewise appointed in the Head Office, who can directly be contacted by customers via email, text message or phone call. The HCAO is responsible in the consolidation, monitoring and reporting of all customer concerns/complaints received by the Bank.

Consumer assistance mechanisms are made available for the Bank's customers. For the year just ended, there were 563 complaints/queries/concerns received and acknowledged by the Bank's designated personnel, through its various communication channels (i.e., website, Facebook Page and consumer assistance helpdesk). The same were properly addressed and periodically reported to the BSP.

POLICY DEVELOPMENT/ENHANCEMENT

As it is fundamentally important for an organization to develop policies, the Bank has come up with the following technical documents to ensure that its specific internal and regulatory requirements are appropriately and adequately met:

1. Operations Committee Charter;
2. Internal Audit Department Charter;
3. Business Development Department Charter;
4. Revised Business Development Manual;
5. Interest Rate Risk Management Manual;
6. Market Risk Management Manual;
7. Reputational Risk Management Manual;
8. Policy and Guidelines on Patronage Refund;
9. Policy and Procedures on Credit Initiation and Client Selection;
10. Policy and Guidelines on Office Supplies Inventory Reorder Levels;
11. Policy and Guidelines on Issuing Employment Clearance for Resigned/Retired Employee of the Bank;
12. Policy and Guidelines on Digitization of Customer Records;
13. Guidelines on Bank Internal Fund Transfer Pool Rate;
14. Policy and Guidelines on the Limitations of Hiring, Appointment and Assignment of Personnel;
15. Guidelines on Managing Long-Time Past Due Unsecured Loan Accounts of the Operating Units;
16. Compliance Testing Guidelines for Operating Units;
17. Policy and Guidelines on Loan Restructuring;
18. Policy and Guidelines on the Review and Monitoring of Borrower's Risk Rating;
19. Guidelines on the Conversion of Existing Batang Masinop and Kabataang Masigasig Savings Accounts into Basic Deposit or Ordinary Savings Accounts;
20. Revised Policy and Guidelines on Related Party Transactions;
21. Policy and Guidelines on Audit Rating System for Operating Units;
22. Policy and Guidelines on Acceptable Use of the Bank's IT System;
23. Policy and Guidelines on the Investigation and Disposition of Red Flag and Suspicious Transaction;
24. Guidelines on the Bank's Response to a COVID-19 Contagion in Its Operating Units;
25. Enhanced Write-Off Policy;
26. Employee Retention Policy;
27. Guidelines on the Conduct of Spot and Special Audit;
28. Policy and Guidelines on Audit Rating System for Support Departments/Offices;
29. Guidelines on the Giving of Monetary Rewards to the Operating Units;
30. Policy and Guidelines on the Granting of Secured Loan to New Borrower and Additional Loan for Existing Client;
31. Guidelines on Cloud Backup Storage Using the Dropbox Platform;
32. Social Development Plan; and
33. Guidelines on Special Rate Program for Selected Clients of the Bank.

Risk Governance & Management

Banking is a business of taking risks, with the end in view of generating earnings and accumulating capital. As FICOBank stays in the business of banking and strives to maximize the value for itself and its shareholders and other stakeholders, it faces uncertainty. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Recognizing that uncertainties can make or break it, the Bank—in its resolve to raise its earning power, maintain a stable financial condition and protect its capital and reputation—is relentlessly maintaining sound and effective bankwide risk management systems, processes and approaches by which decisions about risks are taken and implemented.

RISK GOVERNANCE PHILOSOPHY

Banking is essentially a business of managing risks. Being in the business of banking, FICOBank is taking risks in order to generate sufficient earnings and accumulate additional capital. It recognizes the point of paramount significance of sound risk governance as an essential element of its financial stability, profitability, growth and success. It is bound to ensure constant adherence to the best banking practices and standards, and to apply prudence and accountability in its risk-taking activities.

On that account, FICOBank is, at all times, making sure that appropriate mechanisms are designed and installed to identify, measure, monitor and control the various risks inherent in its business operations and corporate affairs, with the purpose of protecting its earnings, assets, capital and reputation.

RISK GOVERNANCE PRINCIPLES

As the supervisory expectation for, and examination of, its risk governance systems and approaches, the Bank has adopted—by the book—the following principles for the sound governance and management of the various risks inherent in its business operations and affairs.

These principles include the: (i) risk governance philosophy, which lays its foundation in the concept that taking risks is required in order to achieve its business objectives and to fulfill its multi-faceted mission; (ii) organizational risk culture, which the Board of Directors sets the tone at the top to tighten controls on risk behavior while the Senior Management leads a bankwide effort to manage risk culture more effectively; (iii) risk appetite statement, which articulates the types and levels of risks that the Bank is willing to assume in order to achieve its business objectives; (iv) risk management policies, which provide general and procedural guidelines that govern, manage and control its risk-taking activities; (v) risk management processes and infrastructure, which involve the degree of sophistication of the risk management/internal control processes and infrastructure that keep pace with the internal and external developments; (vi) risk identification, monitoring and control, which identify and assess all material risks, including new and emerging risks, as well as the hard-to-quantify risks (e.g., reputational risk), on bankwide and entity-specific levels; and (vii) risk communication, which promotes an open communication about risk issues, including risk strategies across the organization.

RISK GOVERNANCE POLICY

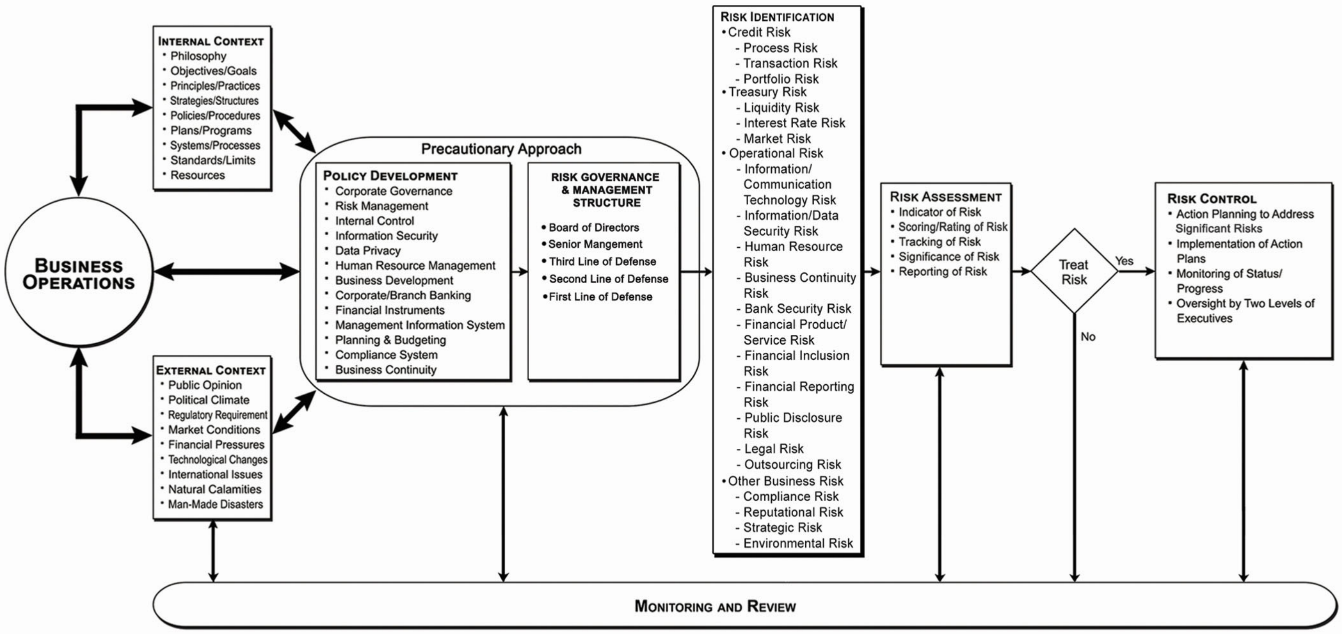
In cognizance of the paramount importance of a sound risk management, as an essential element of its safety, soundness, stability and success, the Bank commits itself to ensuring constant adherence to the best banking practices and standards, as well as in applying prudence and accountability in its risk-taking activities. As such, the Bank shall adopt and maintain an effective Risk Governance Framework that is intended to make sure that appropriate mechanisms are designed and installed to identify, measure, control and monitor the various risks inherent in its business operations and corporate affairs, with the purpose of protecting its earnings, assets, capital and reputation.

The Risk Governance Framework of FICOBank shall, as much as possible, be in sync with the Bangko Sentral ng Pilipinas (BSP) regulations, international standards, stakeholders' expectations and best banking practices. More importantly, the same is suited with the size, complexity of operations and risk profile of the Bank.

RISK GOVERNANCE FRAMEWORK

A skeletal support, serving as the key component as well, for the risk management system of the Bank is its Risk Governance Framework. So as to effect a sound risk management approach, the Bank adheres to every detail of this comprehensive Framework, which includes policies, supported by appropriate processes and control procedures that are designed to ensure that the risk identification, aggregation, mitigation and monitoring capabilities are commensurate with its size, complexity, risk profile and systemic importance.

Risk Governance & Management



The Risk Governance Framework is dynamic, and it allows for an adjustment or readjustment of policies, plans, processes and controls whenever the business strategy and risk appetite of the Bank are amended in response to changes in external context, i.e., market conditions, political climate, public opinion, regulatory requirement, financial pressures, technological changes, international issues, natural calamities and man-made disasters. The same is in conformity with the prevailing industry practices, regulatory requirements and stakeholders' expectations, and is, likewise, in line with the Bank's commitment to managing effectively its risks, maximizing its returns and multiplying the rewards for its internal stakeholders. It provides a structured approach that is fully integrated in strategic/operational-planning, policy/decision-making and risk-taking/controlling activities. And it also features the cross-functional team of the Board of Directors, the Senior Management and the three lines of defense for the governance and management of the Bank's credit, treasury, operational and other business risks.

ORGANIZATIONAL RISK CULTURE

The Bank's risk governance philosophy, which sets the priorities in risk governance and management, is supported by an appropriate organizational risk culture. As it can influence decision and action, the Board of Directors sets the tone at the top while the Senior Management shows commitment in driving the risk agenda and demonstrates behavior consistent with the desired risk culture. The same trickles down to all the employees, as they also need to shape their own behavior and actions.

Given that risk culture is reflected in the people, policies, processes and procedures that implement the risk agenda and priorities, minimize risk exposures and losses, and protect capital and earnings, the Bank sees to it that the behavior and actions of each individual in the organization are closely aligned with its prescribed behavioral norms, as follows:

1. Jump-starting and cultivating the organization-wide awareness of risks at all levels of the Bank by pulling the levers that affect how employees act;

2. Understanding the Bank's approach to risks, taking responsibility to manage risk and following the good example of others;

3. Reaching a risk-intelligent-culture status by embedding an effective risk culture in the Bank's practices;

4. Encouraging peers and subordinates to make the right risk-related decisions and actions by exhibiting appropriate risk-aware behavior;

5. Ensuring the early identification, assessment and escalation of risks to the Senior Management or the Board;

6. Managing and monitoring critical drivers of effective risk culture just as consciously as any driver of enterprise value;

7. Making decisions based on facts or supporting analyses, including a holistic risk impact assessment; and

8. Promoting activities toward ensuring that the employees understand the Bank's risk culture, and facilitating the sharing of right knowledge and best practices.

RISK APPETITE STATEMENT

The Bank's Risk Appetite Statement (RAS) is made up of three (3) elements. They are the: (i) acceptable or on-strategy risk; (ii) unacceptable or off-strategy risk; and (iii) strategic-operational-financial risk parameters. Using this three-element context, the Senior Management and the Board of Directors agreed on particular assertions (viewed collectively) regarding the Bank's risk appetite. Herewith is the Bank's RAS, with the three-element context vis-à-vis the five-point assertions that are to be viewed collectively (so as not to appear as an objective).

Three-Element Context	Five-Point Assertions
1. Acceptable/On-Strategy Risk	Business Strategy. The Bank will aggressively pursue its integrated strategy for growth and competitiveness to meet its business objectives; therefore, it will accept the risks inherent in such strategy.
2. Unacceptable/Off-Strategy Risk	Corporate Image. The Bank and its internal stakeholders will avoid any situation or action that may result in a negative impact on its reputation and corporate brand, and shall effectively manage its risk to an acceptable level, if an undesirable situation arises.
3. (a) Strategic Risk Parameter	Business Model. The Bank will invest in new businesses, engage in new activities and services or develop new products and facilities, enter into new markets, and implement new business processes or technology systems, in pursuit of reasonable returns for its moderate appetite for potential losses.
(b) Operational Risk Parameter	Loss Exposure. The Bank has to manage well its business activities/operations and risk exposures to avoid an event resulting in a loss beyond eight percent (8%) of its capital.
(c) Financial Risk Parameter	Financial Strength. As capital is an indication of its financial strength, which could stand the shocks of any stressful events, the Bank will maintain a capital adequacy ratio (CAR) that is above the ten-percent regulatory requirement of the BSP.

RISK GOVERNANCE STRUCTURE AND FUNCTIONS

The structure of risk governance of the Bank is not only confined to the level of the Board. The Bank has committees at both Board and Management levels. The Bank streamlines its governance structure to break down the silos and close the gaps in risk oversight and control.

The risk governance of the Bank is carried out through a cross-functional framework that starts from the Board of Directors to the line and staff management. The cross-functional framework includes oversight, executive review, support and control functions of various organizational entities. Hereunder are the respective functions and responsibilities of the Bank's organizational entities on risk governance and management.

Board of Directors

The Board of Directors is responsible for setting policies on the Bank's risk governance. It also takes charge in receiving and reviewing reports on risk management process and gets assurance that the same are working effectively and efficiently. The following are the specific responsibilities of the Board, as to risk governance:

1. Approves and oversees the implementation of the Bank's risk governance policies, procedures and strategies;

2. Defines the Bank's level of risk appetite and tolerance to ensure that risk exposures are within prudent/ acceptable levels;

3. Ensures that the risk management functions are given adequate resources to enable effective performance, afforded with adequate personnel, access to information technology systems and systems development resources and support, and access to internal information;

4. Takes the lead in establishing the tone of good risk governance by explicitly discouraging the taking of excessive risks and articulating acceptable and unacceptable activities, transactions and behaviors that could potentially result in any negative impact to the Bank; and

5. Defines appropriate risk governance practices for the Bank, through policies, and establishes and actively promotes, communicates and recognizes sound risk governance principles and practices to reflect a culture of effective risk governance in the Bank that will be seen by both internal and external stakeholders.

Corporate Governance Committee

The Corporate Governance Committee, a Board-level committee acting as the Risk Oversight Committee, as FICOBank is still considered as a simple bank, is responsible for the development and oversight of the Risk Management Program of the Bank. It oversees the establishment of the enterprise-wide risk management framework. It is also responsible for overseeing the Bank's risk management function, such that key personnel are properly positioned, staffed and resourced, and that the Senior Management carries out its risk management responsibilities effectively. The Committee assists the Board and the Senior Management in meeting the responsibility to understand and manage risk exposures, and to ensure the development and consistent implementation of risk policies, processes and procedures throughout the Bank. The Committee directly reports to the Board of Directors. The following are the specific responsibilities of the Committee, as to risk governance:

1. Provides assistance to the Board in the development and oversight of the risk management and control system of the Bank, so as to ensure that its risk exposures are effectively managed and have no adverse impact on its earnings and capital;

2. Develops and oversees the implementation of the policies and procedures on risk management;

3. Oversees the system of limits to discretionary authority that the Board delegates to the Senior Management;

4. Ensures that the system of limits remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached;

5. Identifies and evaluates all risk exposures of the Bank, and assesses the probability of each risk becoming a reality;

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6. Estimates the harmful effects of, and the corresponding losses from, the risks that are most likely to happen;

7. Devises appropriate strategies for preventing losses and minimizing the impact of losses when they occur;

8. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness;

9. Revisits strategies, looks for emerging or changing exposures and stays abreast of the developments that affect the likelihood of harm or loss; and

10. Reports regularly to the Board of Directors the Bank's overall risk exposure and actions taken to reduce the risks, and recommends further actions or plans, as necessary.

Three Lines of Defense

To enforce a particular accountability for risk governance, the Bank is relying on these three (3) lines of defense:

1. First Line of Defense. The first line of defense belongs to the business/operating units. They undertake risks within the assigned limits of risk exposure and are responsible and accountable for identifying, assessing and controlling the risks of their business operations.

2. Second Line of Defense. The second line of defense includes the support services and oversight functions, such as business development, information technology, human resources, risk management and control, review and approval, compliance testing, legal management, and finance and controllership. Each of these support and oversight functions, in close relationship with the business/operating units, ensures that all types of risk (i.e., credit, treasury, operational and other business risks) have been appropriately identified and managed. The various components of the second line of defense work closely to help define the strategy, implement the policies and procedures, and collect the information to create a bankwide view of the different types of operational risks, so as to identify, measure, monitor, report and mitigate these risks.

3. Third Line of Defense. The third line of defense is the internal audit function, which assesses independently the effectiveness of the business processes and internal controls that are created in the first and second lines of defense, and provides assurance on the risk management controls, processes, systems and the effectiveness of the first-line and second-line defense functions.

CHECK AND BALANCE SYSTEM

As a prerequisite of an effective risk governance, a check and balance system is adopted to prevent any personnel or office from gaining excessive power to take risks on behalf of the Bank. This system, along with the segregation of duties, is not only a safeguard against errors made by people, processes and/or systems, but it is a fundamental to sound business management. With this, the Bank promotes sound internal controls and avoid activities that shall compromise the effective dispense of individual functions.

The roles of the Internal Audit Department and Compliance Office, in accordance with their respective Audit and Compliance Programs, are of paramount importance to ensuring an effective check and balance system.

CREDIT RISK MANAGEMENT

Credit risk is the possibility that a borrower of the Bank will fail to meet his/her/its obligation, due to inability or unwillingness to pay, in accordance with the loan contract(s). It can be found in all lending activities of the Bank, where its success and stability depend mostly on the repayment performance of its borrowers. It arises as soon as funds are disbursed, committed or otherwise exposed through actual or implied contractual agreements, whether reflected on or off its balance sheet. It is comprised of process risk, transaction risk and portfolio risk. The Bank strictly adheres to the policies and procedures, as laid down in the Board-approved *Credit Management Process* and *Credit Risk Management Manual*, to avoid the occurrence and/or lessen the impact of credit risk to the overall operation of the Bank.

As the supervisory expectation and examination for its credit risk management system and practices will be based on the principles set out by the Basel Committee, and the guidelines prescribed by the BSP's Circular No. 855, the Bank adopts the principles that are commensurate with the scope and sophistication of its lending operation and will comply with all the requirements of the said guidelines that will ensure the effectiveness of its credit-risk-taking activities. The credit risk management of the Bank is backstopped by well-defined credit philosophy, structure, culture, standards, policies, procedures and limits. And, with the requirements of the said Circular, the Bank is expected to: establish an appropriate credit risk environment; operate under a sound credit-granting process; and maintain appropriate credit administration, measurement, monitoring and control processes over credit risk.

The Credit Risk Management Office (CRMO) of the Bank provides support to the Board of Directors and the Senior Management in making sure that the credit-risk-taking activities of the Bank are aligned with the Board-approved credit risk strategy. It also provides technical assistance in the development and implementation of the Bank's credit policies and procedures that lay down the conditions and guidelines for an effective credit risk management process, as well as the proper channels of communication to ensure that these policies are clearly communicated to, and adhered by, all levels of the organization.

Given the fact that credit risk is the most significant among the inherent risks in its business, the Bank utilizes the risk rating tools under its Internal Credit Risk Rating System (ICRRS) to determine the creditworthiness of its borrowers, and defines and sets up its credit limits appropriate to its risk strategies, appetite and tolerances. As credit risk in excess of the established limits may result to eventual loss, if not properly managed, a Contingency Plan on Credit Risk is being maintained to help the Bank manage excessive credit risk and revert the risk back to normal level.

The COVID-19 pandemic in 2020 is the most-critical risk event that ever tested FICOBank's stability for its more than four decades in the industry. The Bank's loan portfolio with at least one (1) day of missed payment soared to an all-time peak of 25 percent in April 2020, at the height of the three-month Enhanced Community Quarantine (ECQ) implemented nationwide. Its borrowing clients whose livelihood engages in agricultural and/or businesses were heavily affected. The aftermath of such pandemic was even coupled with the continuous outbreak of African swine fever (ASF) and the devastation brought about by the strong typhoons (i.e., Rolly and Ulysses) at the later part of the year. In effect, the credit risk level breached the 5-percent Bank-imposed past due ratio, as measure of normal credit risk on loan portfolio.

At some extent, through a series of stress testing, careful analyses, prompt planning and adequate risk control measures, the Bank was still able to manage and control the detrimental effects of such events.

The credit risk control measures adopted by the Bank include the implementation of applicable provisions in the Bayanihan to Heal as One Act (Bayanihan Act) and Bayanihan to Recover as One (BARO) Act, as a minimum. But the Bank went beyond that. After the nationwide ECQ, the operating units of the Bank reached as many clients as possible, in the safest way, to be able to provide appropriate remedial measures according to their circumstances. In July 2020, the Board and the Senior Management spearheaded a bankwide mid-year review and planning workshop. The workshop was guided by the result of the credit stress testing conducted by the CRMO in April 2020.

Because a good risk management dictates that adequate cushion to the Bank's capital is very necessary, the Bank booked an additional Php18-million allowance for credit losses for the year 2020 alone. After assessing the adequacy of loan loss provisions at year-end, the Bank no longer opted to apply for a staggered booking under regulatory relief.

TREASURY RISK MANAGEMENT

Treasury risk is comprised of liquidity, interest rate and market risks. For it to be able to protect itself from the adverse impact that may be brought by any inauspicious changes in interest rates, investments, liquidity and capital, the Bank systematically manages its treasury operation, as prescribed by the Board-approved *Treasury Management Manual*. The liquidity position and risk exposure of the Bank is managed, in accordance with its *Liquidity Risk Management Manual*, and monitored regularly against the established policies, procedures and limits.

By employing approaches that factor in future changes in its business activities and their impact on its balance sheet, which include centralized fund management, intraday liquidity management, stress testing and contingency funding plan, the Bank is enabled to aptly manage its liquidity.

The Treasury Department, under the supervision of the Executive Vice President for Treasury & Corporate Services Group, ensures the stability of the Bank's cash management by dealing appropriately with the intraday liquidity positions and maintaining sufficient liquidity to meet all cash flow obligations/commitments in a timely manner. With the support of the Accounting Department, the Treasury Department is performing a stress-testing activity to identify the sources of potential liquidity strain, and ensure that the current exposures remain in accordance with the Bank's established liquidity risk tolerance. Liquidity stress testing ultimately aims to strengthen the resilience of the Bank to withstand a range of liquidity stress scenarios/events by setting out the strategies for addressing liquidity shortfalls, and by having a cushion of unencumbered collaterals and high-quality liquid assets.

In like manner, interest rate risk (risk arising from mismatches of the timing within which interest rates on assets and liabilities can be changed) and market risk (risk arising from the uncertainty concerning changes in market prices and rates, the correlations between them and their levels of volatility) are being prudently managed as well by the Treasury Department. The Bank has recently adopted its *Interest Rate Risk Management Manual* and *Market Risk Management Manual* to follow prudent policies in managing its rate-sensitive assets and liabilities (so as to ensure that its exposure to fluctuations in interest rates will be kept within the acceptable levels) and in handling its market riskexposures by focusing on its price management (as the movements of market prices will adversely affect its financial condition and that the same may lead to a loss from any change in the value of the asset or trading instrument), respectively.

As its core banking functions of lending and deposit-taking make it vulnerable to risks, the Bank manages its balance sheet in accordance with its overall business and risk management objectives. The Bank ensures that the pricing of all its assets and liabilities is objective, market-sensitive, scientific, consistent and fair. Its Asset-Liability Committee (ALCO), with the Treasury Department as secretariat to ALCO, sees to it that the Bank has a coordinated execution of its asset-and-liability-management strategies, policies and action plans across the entire organization, and maintains adequate liquidity, sufficient capital and appropriate funding to meet its business objectives and to comply with the regulatory requirements.

The Bank established a funding strategy that provides effective diversification in the sources and tenor of its funding. It maintained an ongoing presence in its chosen funding markets and strong relationships with the fund providers to promote the effective diversification of funding sources. The Bank regularly gauges its capacity to raise funds quickly from each source. It also identified the main factors that affect its ability to raise funds and monitor those factors closely to ensure that the estimates of fund-raising capacity remain valid.

The Bank is actively managing its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. This contributed to the smooth functioning of its payment and settlement systems. More importantly, the Bank has a formal Contingency Funding Plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations. The CFP outlines the policies to manage a range of stress environments. It establishes clear lines of responsibility and includes clear invocation and escalation procedures. The same is regularly tested and updated to ensure that it is operationally robust.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This risk arises from problems associated with the delivery of products and services, and losses resulting from inadequate or failed internal processes, people and systems or from external events. It requires the efficiency and effectiveness of all back-office operations, including the management of products and services, information systems, database backup, alternative operating location, personnel, internal and external frauds, security program, lawsuits, and so on. Thus, the organizational structure of the Bank delineates the respective areas of authority, responsibility, accountability and reporting line for all its organizational entities and individual

Risk Governance & Management

officers. The policies and procedures set out in the Board-approved *Operational Risk Management Manual*, along with the other manuals (i.e., *IT Risk Management Manual, Information Security Management Manual, Data Privacy Policy Manual, Legal Risk Management Manual, Human Resource Risk Management Manual, Risk Management for Financial Inclusion Initiatives Manual, Outsourcing Policy Manual, Stress Testing Policy Manual, Social Media Risk Management Manual, Codified Approving and Signing Authority Manual, Internal Control Program Manual and Security Program Manual*), covering the different types of operational-related risks, are being adhered to at all times.

As sound operational risk management is a reflection of their effectiveness, the Board of Directors and the Senior Management see to it that the Bank's business operations, which cut across multiple activities and business lines, to include external events, are being administered in a manner that is expected by the regulatory agencies and other key stakeholders. As such, the *Three Lines of Defense* model, as espoused by the Basel Committee on Banking Supervision, has been adopted by the Bank for its operational risk governance and management.

The Bank continuously implements its Enhanced Management Succession Plan, which aims to prepare the "successor generation" to fill the void and assume power in case there will be a temporary or permanent change in management positions, whether planned or unplanned, to ensure that the best interest of the Bank, its operations, its people and its clients are well-protected.

The Bank also ensures an effective business continuity and crisis management, with a comprehensive written plan of action that sets out the standards, systems, processes and procedures necessary to restore interrupted business operation(s), so as to enable it to fulfill most, if not all, of its business obligations. In its commitment to serve incessantly its multi-sectoral clientele in any crisis situation, the Bank keeps and updates periodically its *Business Continuity Management Manual*, as well as its Business Continuity Plan (BCP) and Crisis Management Program (CMP). Through the BCP and CMP, doable plans and processes are accessible, as they were made available, to the concerned organizational entities of the Bank. These entities are expected to rehearse the plans on a periodic basis, and using different resources within the Bank.

Continuing testing and validating of action plans (i.e., response processes and recovery procedures) by a test team, as specified in the BCP/CMP, is being carried out annually. If a deficiency in the action plan will be found out, the same will be promptly addressed by the Business Continuity Management Unit. In the event that business disruptions or contingencies occur, the Bank will implement its BCP or CMP, as appropriate, to ensure that its business operations will continue. With its BCP/CMP, "business will always be as usual" at FICOBank.

During the first quarter of year 2020, a business continuity stress testing relative to COVID-19 pandemic was also undertaken by the Bank, considering different probable scenarios. And taking into account the identified significant negative effects of each scenario, a corresponding set of contingency and/or response plans was also crafted and subsequently adopted, as necessary.

OTHER BUSINESS RISKS MANAGEMENT

These are made up of compliance risk, strategic risk, reputational risk and environmental risk. With such risks, the Bank strengthens the overall coordination of its internal control efforts and monitoring activities, in line with its commitment to sound and effective governance of risks.

Compliance risk arises from violations of, or non-compliance with, laws, rules and regulations, prescribed practices or ethical standards. The Compliance Office of the Bank, as part of its Compliance Program, established its *Anti-Money Laundering and -Terrorist Financing Compliance Manual* to (i) ensure the protection of the integrity and confidentiality of its clients and their bank accounts with FICOBank, (ii) ensure that it shall never be used as a money-laundering site and conduit for the proceeds of any unlawful activity, (iii) protect life, liberty and property from any acts of terrorism, and (iv) recognize terrorism and terrorist financing as detrimental to national security and the people's welfare.

The Bank, in line with the *Anti-Money Laundering and -Terrorist Financing Act*, adopts the following principles, to wit: (i) safety and soundness of business, (ii) identification of customer, (iii) application of risk management system, (iv) compliance with the applicable laws, (v) cooperation with the Anti-Money Laundering Council (AMLC), BSP and law enforcement agencies, and (vi) group-wide Money Laundering and Terrorist Financing Prevention Program. The Bank ensures that these are being implemented properly in its day-to-day banking operations, ensuring the organization's compliance with all applicable laws, rules/regulations and standards.

Strategic risk arises from making bad business decision that adversely affects the value of the Bank. As the Bank aims to fulfill its corporate mission through strategic plans and tactical moves/initiatives, it also acknowledges the need to engage the professional services of topnotch consultants to keep this particular type of business risk under control. The Bank is fully aware of what its business operations and financial condition will look like in a five-year time, through its FICOBank 2020: An Integrated Plans for Growth and Competitiveness.

Reputational risk arises from negative public opinion, which affects the Bank's ability to establish new relationships/services or continue servicing existing relationships. The Bank recognizes this risk as one of the most difficult risks to quantify. It is viewed by the BSP as the "risk of risks" since it tends to interlock with the other risk types (e.g., liquidity, market, operational, legal, strategic, compliance), and exists throughout the organization, cutting across all business channels/units and pervading all areas of business operations and banking activities. As such, the Bank has adopted its *Reputational Risk Management Manual* to holistically and actively manage any incident leading to a reputational damage that can cause a drastic drop in the confidence of the banking public. The Bank has also its Whistleblowing Policy, as required by the BSP, to enhance the transparency and preserve the integrity of the Bank, its directors, officers and staffers by strengthening its system in preventing improper practices and illegal activities that will damage its reputation and/or impair its business.

Environmental risk arises from the actual or potential threat of adverse effects on the environment by effluents, emissions, wastes, resource depletion and so forth out an organization's activities. As a leading bank in the cooperative banking industry, and as part of its corporate social responsibility, FICOBank shall serve as an active advocate of environmental protection and preservation in every community where it operates. The Bank will always remain conscious of its special concern and interest for environmental conservation by making all its plans, programs, projects and activities environmentally sound and safe, as prescribed by its Environmental Management Policy and Guidelines. With its Green Banking Program, as part of its Social Development Plan, the Bank will continue to act as a catalyst for sustainable development—both for the environment and business.

Statement of Management's Responsibility

The Management of FIRST ISABELA COOPERATIVE BANK (FICOBank) is responsible for the preparation and fair presentation of financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and such internal control, as the 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, the 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 the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

Alas Oplas & Co., CPAs, and the independent auditor appointed by the members for the years ended December 31, 2020 and 2019, has audited the financial statements of the Bank in accordance with the Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ERWIN B. TABUCOL
Chairperson of the Board

ATTY. HUBERT E. MOLINA
President & CEO

GILBERT A. GALOPE
EVP for Treasury & Corporate Services

Signed this 12th of April, 2021.

Independent Auditor's Report

Alas Oplas & Co., CPAs

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Independent Member of
BKR International

Alas Oplas & Co., CPAs

TO THE MEMBERS AND THE BOARD OF DIRECTORS
First Isabela Cooperative Bank (FICOBank)
FICOBank Corporate Office, Minante I
Cauayan City, Isabela, Philippines

Opinion

We have audited the financial statements of **First Isabela Cooperative Bank (FICOBank)**, which comprise the statements of financial condition as of December 31, 2020 and 2019, and the related statements of operation, statements of changes in members' equity and statements of cash flows for the years then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial condition of the Bank as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards, taking into consideration Cooperative laws, regulations and principles.

Basis for Opinion

We conducted our audit in accordance with the 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 ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 11 to the financial statements, which describes the basis used by the Bank in setting up allowance for credit losses. As stated in Bangko Sentral ng Pilipinas (BSP) Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with Philippine Financial Reporting Standard 9 – Financial Instruments, shall, at a minimum, be subject to the regulatory guidelines in setting up allowance for credit losses prescribed under the Appendix 15 of the Manual of Regulations for Banks. The Bank crafted its own Loan Loss Methodology (LLM) with the provisions of Appendix 15 of the MORB as its guide. However, some provisions, particularly the allowance rates, were modified on the basis of the Bank's historical and acceptable data. The Management of the Bank believes that the allowance for credit losses resulting from the Bank's own LLM is a better representation of the quality of its total loan portfolio. Our opinion is not qualified in respect of this matter.

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

The Management is responsible for the preparation of the financial statements in accordance with the Philippine Financial Reporting Standards, and for such internal control, as the 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, the 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 the 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 the 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; and

- 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.

The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations Nos. 15-2010 and 19-2011

Our audit was 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 Note 33 and Revenue Regulation Nos. 15-2010 and 19-2011 on taxes, duties and license fees paid or accrued during the taxable year, taxable income, and deductions in Notes 31 and 32 are presented for purposes of filing with the BSP and the 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 **First Isabela Cooperative Bank (FICOBank)**. 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.

ALAS OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024

By:

RYAN A. SABUG
Partner
CPA License No. 0111183
SEC A.N. (Individual) 111183-SEC, issued on February 4, 2021; effective until February 3, 2026
TIN 232-158-286-000
BIR A.N. 08-006531-001-2020, issued on February 24, 2020; effective until February 23, 2023
PTR No. 8533770, issued on January 4, 2021, Makati City

April 12, 2021
Makati City, Philippines

Statements of Financial Position

As of December 31, 2020 and 2019

	Notes	2020	2019
ASSETS			
Cash and Other Cash Items	*7*	**P 42,286,297**	P 43,673,027
Due from Bangko Sentral ng Pilipinas	*8*	**60,390,250**	80,739,741
Due from Other Banks	*9*	**955,560,652**	628,952,778
Held-to-Maturity Investments	*10*	**77,478,026**	142,551,751
Loans and Other Receivables, Net	*11*	**2,882,717,767**	3,135,922,201
Investment Properties, Net	*12*	**67,720,945**	60,899,901
Bank Premises, Furniture, Fixtures and Equipment, Net	*13*	**177,087,629**	171,777,787
Other Assets	*14*	**61,570,927**	85,113,452
TOTAL ASSETS		**P 4,324,812,493**	P 4,349,630,638
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit Liabilities	*15*	**P 2,951,517,638**	P 2,638,575,433
Bills Payable	*16*	**76,681,492**	508,334,883
Accrued Interest, Taxes and Other Expenses Payable	*17*	**17,837,600**	32,303,151
Income Tax Payable		**280,060**	0
Other Liabilities	*18*	**69,754,012**	92,338,337
Total Liabilities		**3,116,070,802**	3,271,551,804
MEMBERS' EQUITY			
Preferred Shares	*19*	**66,808,947**	66,249,940
Common Shares	*19*	**114,962,000**	114,960,000
Stock Dividends Distributable	*19*	**35,040,000**	35,040,000
Surplus Reserves/Statutory Funds	*19*	**509,387,943**	454,729,617
Surplus Free	*19*	**482,542,801**	407,099,277
Total Members' Equity		**1,208,741,691**	1,078,078,834
TOTAL LIABILITIES AND MEMBERS' EQUITY		**P 4,324,812,493**	P 4,349,630,638

See Notes to Financial Statements

Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

	Notes	2020	2019
INTEREST INCOME			
Due from Other Banks	9	**P 5,611,124**	P 6,707,047
Held-to-Maturity Investments	10	**2,807,926**	6,922,902
Loans and Other Receivables	11	**458,050,112**	491,978,069
Total Interest Income		**466,469,162**	505,608,018
INTEREST EXPENSE			
Deposit Liabilities	15	**(70,052,110)**	(60,960,652)
Bills Payable	16	**(4,724,928)**	(26,929,195)
Total Interest Expense		**(74,777,038)**	(87,889,847)
NET INTEREST INCOME		**391,692,124**	417,718,171
Provision for Credit and Impairment Losses	26	**(18,156,756)**	(30,202,616)
NET INTEREST INCOME AFTER PROVISION		**373,535,368**	387,515,555
Other Operating Income	21	**184,764,472**	201,135,009
Other Operating Expenses	22	**(410,216,313)**	(440,545,634)
PROFIT BEFORE INCOME TAX		**148,083,527**	148,104,930
INCOME TAX EXPENSE	20	**(2,165,562)**	(2,795,436)
NET PROFIT		**145,917,965**	145,309,494
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME		**P 145,917,965**	P 145,309,494

See Notes to Financial Statements

Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

Particulars	Notes	Preferred Shares	Common Shares	Stock Dividends Distributable	Surplus Reserves/ Statutory Funds	Surplus Free	Total
Balance at December 31, 2018		P 67,007,540	P 114,960,000	P 35,040,000	P 410,378,454	P 318,245,734	P 945,631,728
Net Income		0	0	0	0	145,309,494	145,309,494
Other Comprehensive Income		0	0	0	0	0	0
Total Comprehensive Income		0	0	0	0	145,309,494	145,309,494
Transaction with Members							
Redemption of Shares	*19*	(757,600)	0	0	0	0	(757,600)
Cash Dividends Declared	*19*	0	0	0	0	(11,868,473)	(11,868,473)
Appropriations During the Year	*19*	0	0	0	56,578,845	(56,578,845)	0
Expenditures from Reserves	*19*	0	0	0	(12,227,682)	0	(12,227,682)
Prior-Period Adjustments	*19*	0	0	0	0	11,991,367	11,991,367
Total		(757,600)	0	0	44,351,163	(56,455,951)	(12,862,388)
Balance at December 31, 2019		P 66,249,940	P 114,960,000	P 35,040,000	P 454,729,617	P 407,099,277	P 1,078,078,834
Net Income		0	0	0	0	145,917,965	145,917,965
Other Comprehensive Income		0	0	0	0	0	0
Total Comprehensive Income		0	0	0	0	145,917,965	145,917,965
Transaction with Members							
Issuance of Shares	*19*	769,757	2,000	0	0	0	771,757
Redemption of Shares	*19*	(210,750)	0	0	0	0	(210,750)
Appropriations During the Year	*19*	0	0	0	57,109,089	(57,109,089)	0
Cash Dividends Declared	*19*	0	0	0	0	(14,070,747)	(14,070,747)
Expenditures in Reserves	*19*	0	0	0	(2,450,763)	0	(2,450,763)
Prior-Period Adjustments	*19*	0	0	0	0	705,395	705,395
Total		559,007	2,000	0	54,658,326	(70,474,441)	(15,255,108)
Balance at December 31, 2020		P 66,808,947	P 114,962,000	P 35,040,000	P 509,387,943	P 482,542,801	P 1,208,741,691

See Notes to Financial Statements

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income Before Tax		P 148,083,527	P 148,104,930
Adjustments for:			
Interest Income	9,10	(8,419,050)	(13,629,949)
Gain from Sale/Derecognition of Assets	21	(13,363,894)	(7,867,196)
Depreciation and Amortization	22	28,067,489	24,016,538
Provision for Credit and Impairement Losses	26	18,156,756	30,202,616
Retirement Expense	27	7,000,000	13,500,000
Operating Income Before Working Capital Changes		179,524,828	194,326,939
Changes in Operating Assets and Liabilities			
Decrease/(Increase) in:			
Loans and Other Receivables		197,360,074	(66,569,229)
Other Assets		23,258,801	876,012
Increase/(Decrease) in:			
Deposit Liabilities		312,942,205	107,605,940
Accrued Interest, Taxes and Other Expenses Payable		(14,465,551)	2,327,972
Other Liabilities		(29,381,306)	5,971,107
Cash Generated from Operations		669,239,051	244,538,741
Interest Received		7,924,554	13,629,949
Income Tax Paid		(1,649,971)	(3,310,521)
Net Cash Generated from Operating Activities		675,513,634	254,858,169
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Redemption of Held-to-Maturity Investments	10	65,073,725	50,147,450
Proceeds from Sale of Investment Properties	12	41,990,315	31,119,892
Acquisition of Bank Premises, Furniture, Fixtures and Equipment	13	(31,394,324)	(33,715,789)
Proceeds from Sale of Bank Premises, Furniture, Fixtures and Equipment	13	799,822	22
Net Cash Generated from Investing Activities		76,469,538	47,551,575
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of Bills Payable	16	(436,653,391)	(642,537,256)
Availment of Bills Payable	16	5,000,000	400,900,000
Dividends Paid	18	(13,568,372)	(11,728,802)
Expenditures from Statutory Reserves	19	(2,450,763)	(12,227,682)
Redemption of Preferred Shares	19	(210,750)	(757,600)
Issuance of Common Shares	19	2,000	0
Issuance of Preferred Shares	19	769,757	0
Net Cash Used in Financing Activities		(447,111,519)	(266,351,340)
NET INCREASE IN CASH AND CASH EQUIVALENTS		304,871,653	36,058,404
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and Other Cash Items	7	43,673,027	46,358,062
Due from Bangko Sentral ng Pilipinas	8	80,739,741	78,034,870
Due from Other Banks	9	628,952,778	592,914,210
CASH AND CASH EQUIVALENTS - BEGINNING		753,365,546	717,307,142
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and Other Cash Items	7	42,286,297	43,673,027
Due from Bangko Sentral ng Pilipinas	8	60,390,250	80,739,741
Due from Other Banks	9	955,560,652	628,952,778
CASH AND CASH EQUIVALENTS - END		P 1,058,237,199	P 753,365,546

See Notes to Financial Statements

Notes to Financial Statements
December 31, 2020 and 2019

1. BANK INFORMATION

The First Isabela Cooperative Bank (FICOBank) was organized on September 10, 1976, as a cooperative bank. The Bangko Sentral ng Pilipinas issued its authority to operate on December 21, 1979 and it officially started its operations on January 2, 1980 thereon.

FICOBank is primarily engaged in extending credit to all types of cooperatives and their members, to small farmers and tenants, and to deserving rural industries or enterprises. It is vested with the rights to transact all businesses, which may be legally done by cooperative banks organized under, and in accordance with, the Philippine Cooperative Code of 2008 (RA 9520), and to do all other things incidental thereto, which are necessary and proper in connection with the said purposes within such territory, as may be determined and authorized by the Bangko Sentral ng Pilipinas.

The principal office of the Bank is located at FICOBank Cooperative Building, Minante I, Cauayan City, Isabela. The Bank has various center/branches located in the following service areas:

REGION 1
1. Malasiqui, Pangasinan
2. Lingayen, Pangasinan
3. Urdaneta City, Pangasinan

REGION 2
4. Cauayan City, Isabela
5. Roxas, Isabela
6. Aurora, Isabela
7. Ilagan City, Isabela
8. Tumauini, Isabela
9. Alicia, Isabela
10. San Mateo, Isabela
11. Santiago City
12. Jones, Isabela
13. Echague, Isabela
14. Maddela, Quirino
15. Diffun, Quirino
16. Solano, Nueva Vizcaya
17. Bambang, Nueva Vizcaya
18. Solana, Cagayan
19. Tuguegarao City, Cagayan
20. Aparri, Cagayan
21. Abulug, Cagayan
22. Gonzaga, Cagayan

REGION 3
23. Paniqui, Tarlac
24. Concepcion, Tarlac
25. Dinalupihan, Bataan
26. Cabanatuan City, Nueva Ecija
27. Guimba, Nueva Ecija
28. San Jose City, Nueva Ecija
29. Zaragoza, Nueva Ecija
30. Rizal, Nueva Ecija
31. Gapan City, Nueva Ecija
32. San Fernando City, Pampanga
33. Baliwag, Bulacan
34. Science City of Muñoz, Nueva Ecija
35. Aliaga, Nueva Ecija

CAR
36. Tabuk City, Kalinga

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with the Philippine Financial Reporting Standards, taking into consideration Cooperative laws, regulations and principles.

2.2 Basis of Preparation

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

In September 2015, the CDA issued a memorandum circular covering the Financial Reporting Framework for Cooperatives (Reporting Framework). This Framework is effective for the financial statements ending on or after December 31, 2016.

Whenever the PFRS, as adopted by the BSP, differs from the Reporting Framework, the CDA requires that the Reporting Framework be used as basis of accounting for the related accounts or transactions. The following are the specific accounts or group of accounts, or transactions of the Bank wherein PFRS differs from the Reporting Framework, thus, the Bank should use the Reporting Framework in accounting for them:

(i) Revenues from credit operations (e.g., interest income, fines, service fees) – use the cash basis of accounting;
(ii) Classification of share capital – treated as part of equity, regardless of its features;
(iii) Recognition of stabilization fund – a fund to guarantee financial assistance to member-cooperatives, which can be classified as part of equity or liability;
(iv) Prior-period adjustments/correction of errors – are applied retrospectively but as a direct adjustment to retained earnings;
(v) Classification of donated capital – classified as part of equity;
(vi) Classification of financial assets – the Reporting Framework classifies financial assets into five (5) categories, which include loans and receivables, financial assets at fair value to profit or loss (FVTPL), held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and investment in non-marketable equity securities (INMES);
(vii) Measurement of investment in non-marketable equity securities – these financial assets are allowed to be carried at cost under the Reporting Framework; and
(viii) Leases – recognized under operating leases (excluding costs for services, such as insurance and maintenance) as an expense on a straight-line basis.

2.3 Functional and Presentation Currency

The Bank's financial statements are stated in Philippine Peso, which is also the Bank's functional currency. All financial information presented in Philippine peso has been rounded to the nearest peso, unless otherwise specified.

2.4 Use of Judgments and Estimates

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

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

The estimates and assumptions are reviewed on an ongoing basis. These are based on the Management's evaluation of relevant facts and circumstances, as of the reporting date. Actual results could differ from such estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 Going Concern

As of December 31, 2020 and 2019, the Bank is not aware of any significant uncertainties that may cast doubts upon its ability to continue as going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, due from BSP and due from other banks that are highly liquid, readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placements and which are subject to insignificant risk of changes in value.

3.2 Financial Assets

3.2.1 Classification and Measurement

Financial assets are recognized when the Bank becomes a party to the contractual terms of the financial instrument. Financial assets are classified into the following categories: financial assets at FVTPL, loans and receivables, HTM investments, AFS financial assets and INMES. Financial assets are assigned to the different categories by the Management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value, and transaction costs are expensed in the profit or loss.

As of December 31, 2020 and 2019, the Bank has not designated any financial asset as at FVTPL or INMES financial assets and AFS.

The categories of financial instruments currently relevant to the Bank are fully described below.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- those that the Bank intends to sell immediately in the near term and those that the Bank, upon initial recognition, designates as FVTPL;
- those that the Bank, upon initial recognition, designates as AFS; and
- those for which the Bank may not cover substantially all of its initial investment other than because of credit deterioration.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, if any. Interest income on loans and receivables is recognized as collected.

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

Notes to Financial Statements
December 31, 2020 and 2019

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

Impairment loss is provided when there is objective evidence that the Bank will not be able to collect all amounts due to it, in accordance with the original terms of the receivables. Impairment loss on loans and receivables is recorded as Provision for Credit Losses in the statement of comprehensive income.

Loans are written off against the allowance for impairment when the Management believes that the collectibility of the principal is unlikely, subject to BSP regulations.

(b) Availanle-for-Sale (AFS) Financial Assets

These include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Bank's AFS financial assets are initially recognized at the transaction price, including transaction costs. Subsequently, these assets are measured at fair value.

(c) Held-to-Maturity (HTM) Investments

HTM includes non-derivative financial asset with fixed determinable payments and a fixed date of maturity. Investments are classified as HTM if the Bank has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. HTM financial instruments are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, these are measured at amortized cost using the effective interest method, less any impairment in value.

3.2.2 Offsetting Financial Instruments

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

3.2.3 Impairment of Financial Assets

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

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

• Assets Carried at Amortized Cost

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

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

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

• AFS Financial Assets

For equity instruments carried at fair value, the Bank assesses at each reporting date whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" is evaluated against the period in which the fair value has been below its original cost. The Bank generally regard fair value decline as being significant when decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses, in respect of equity instruments classified as AFS financial assets, are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

3.2.4 Derecognition

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

3.3 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost, less any impairment loss. As no finite useful life for land can be determined, related carrying amount is not depreciated. All other Bank premises, furniture, fixtures and equipment are carried at acquisition cost, less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, major improvements and renewals are capitalized, and expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Depreciation and amortization commence once the assets are available for use, and is calculated on the straight-line method over the estimated useful life of the depreciable assets, as follows:

Building	20-30 years
Transportation Equipment	3-8 years
Furniture, Fixtures and Equipment	3-5 years
IT Equipment	3-5 years

Leasehold improvements are amortized over the shorter between improvement's useful life of 25 years or the lease term.

The depreciation and amortization method, residual values, and useful lives are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

3.4 Investment Properties

Properties that are held either to earn rental income or for capital appreciation or both, and are not significantly occupied by the Bank, are classified as investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, depreciable investment properties are carried at cost, less accumulated depreciation and any impairment in value. Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets of 10 years. Land is not depreciated. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher between the property's fair value less cost to sell and value in use.

Notes to Financial Statements
December 31, 2020 and 2019

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

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

Transfers to and from investment property do not result in gain or loss.

3.5 Other Assets

Other assets not classified as financial assets, bank premises, furniture, fixtures and equipment, and investment property include, intangible asset, prepayments and stationeries supplies on hand and miscellaneous assets. These other assets qualifying into the definition of assets under PAS 1 Presentation of Financial Statements are resources controlled by the Bank as a result of past events and from which future economic benefits are expected to flow to the entity.

3.6 Impairment of Non-Financial Assets

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

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

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

3.7 Financial Liabilities and Equity Instruments

3.7.1 Classification as Financial Liability or Equity Instrument

Components of financial liabilities and equity instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components, in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

3.7.2 Financial Liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities."

Financial liabilities of the Bank include deposit liabilities, bills payables, and accrued interest, taxes and other expenses payable and other liabilities.

Financial liabilities are recognized when the Bank becomes a party to the contractual agreements of the instrument where the substance of the arrangement result in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost less payments.

After initial measurement, deposit liabilities and other similar financial liabilities not qualified as, and not designated, at FVTPL are subsequently measured at amortized cost using the effective interest rate method.

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

Dividend distributions to members are recognized as financial liabilities when the dividends are evaluated by the BSP, approved by the Board of Directors and confirmed by the General Assembly.

3.7.3 Other Financial Liabilities

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

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

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

3.7.4 Derecognition of Financial Liabilities

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

3.7.5 Members' Equity

Share capital represents the nominal value of shares that have been issued. The share capital is presented as equity regardless of its features, as prescribed by the Reporting Framework and the accounting requirements under the laws, rules, regulations and principles promulgated by the Cooperative Development Authority. This corresponds to the members' contribution to the Bank. All withdrawals of capital contributions are subject to the approval of the Board of Directors.

Dividends on equity are recognized when they are declared.

Surplus free represents all current and prior-period results of operations, as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of appropriated to surplus reserves and dividend declared, if any.

Surplus reserves/statutory reserves include all current and prior-period results, net of interest on share capital and patronage refunds, as reported in the statement of comprehensive income. They are, as follows:

(a) General Reserve Fund – at least 10% of the Bank's net surplus is set aside for the General Reserve Fund. This is to be used for the stability of the Bank and to meet losses from its operations, if any. A corresponding fund should be set up either in the form of time deposit with local banks or government securities.

(b) Education and Training Fund – an amount retained by the Bank out of the mandatory allocation, as stipulated in its By-Laws. It shall not exceed 10% of the net surplus.

(c) Community Development Fund – this is computed at not less than 3% of the Bank's net surplus. This is used for projects or activities that will benefit the community where the Bank operates.

(d) Optional Fund – fund set aside from the net surplus for future use, such as land and building, community developments, etc. It shall not exceed 7% of the Bank's net surplus.

3.8 Fair Value Measurement

The Bank uses the following hierarchy to estimate the fair value of financial instruments:

- Quoted price for an identical asset in an active market, which is usually the current bid price;
- When quoted prices are unavailable, the price of a recent transaction for an identical asset as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the last transaction price is not a good estimate of fair value, that price is adjusted; or

- If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, fair value is measured using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques include using recent arm's length market transactions for an identical asset between knowledgeable and willing parties, if available, reference to the current fair value of another asset that is substantially the same as the asset being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the asset and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-determined inputs. A valuation technique would be expected to arrive at a reliable estimate of the fair value if (a) it reasonably reflects how the market could be expected to price the asset, and (b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk return factors inherent in the asset.

The fair value of investments in assets that do not have a quoted market price in an active market is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset, or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

3.9 Provisions, Contingent Liabilities and Contingent Assets

3.9.1 Provisions

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

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.9.2 Contingent Liabilities and Contingent Assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

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

3.10 Revenue Recognition

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

a. Interest on Loans – Interest income on loans and discount with advance interest and service charges are recognized periodically using the effective interest method of amortization. On the other hand, the Bank recognizes interest income and service charges on current loans not discounted with lump-sum payment term and other loan-related income, only to the extent of cash collections received.

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

b. Other Fees – Other fees deducted immediately from loan proceeds are immediately recognized as income. On the other hand, other fees not automatically deducted from loan proceeds are recognized as income when amortized, using the effective interest method.

c. Interest Income on Bank Deposits and Held-to-Maturity Investments – Interest on bank deposits and held-to-maturity investments are recognized using the accrual method.

d. Miscellaneous Income – Miscellaneous income, such as ID fees, membership fees, and surcharges and penalties, is recognized when received.

3.11 Cost and Expense Recognition

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

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

3.12 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by its employees, including the Directors and the Management.

3.12.1 Post-Retirement Benefit Obligations

The Bank maintains partially funded, tax-qualified and non-contributory post-employment benefit plan that will be administered by a trustee bank. The trustee bank will manage the fund in coordination with the Bank's Retirement Plan Committee, who acts in the best interest of the plan assets and is responsible for setting the investment policies.

The normal retirement age is 60, with minimum of 10 years of credited service. The plan also provides for an early retirement at age 45, with minimum of 10 years of credited service, and late retirement age after 60 but not beyond 65, both subject to the approval of the Bank's Board of Directors. Normal retirement benefit is an amount equivalent to 150% of plan salary for every year of credited service. The normal and late retirement benefits shall be computed in accordance with the retirement benefit formula, as of normal or late retirement date.

3.12.2 Short-Term Employee Benefits

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

3.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.13.1 The Bank as a Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.14 Related Party Transactions

Parties are considered related if one party has control, joint control or significant influence over the other party in making financial and operating decisions. The key management personnel of the Bank, post-employment benefit plans for the benefit of Bank's employees, and close members of the family of any individuals owning directly or indirectly a significant voting power of the Bank that gives them significant influence in the financial and operating policy decisions of the Bank are also considered to be related parties.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Bank when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Bank.

3.15 Income Tax

The Bank is a tax-exempt entity under Republic Act No. 9520, otherwise known as Philippine Cooperative Code of 2008. Under R.A. No. 9520, the Bank is exempt from the payment of tax in respect to its registered operations. However, during the year, the Bank has incurred transaction with non-members resulting to income subjected to tax, as disclosed in Note 20. The Bank identifies specific income and expense transaction attributable to non-members, and allocates some expenses which cannot be specifically identified in proportion to the ratio of income from non-members to total income.

Tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is recognized in OCI or directly in equity, respectively.

3.15.1 Current Income Tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the Bank operates and generates taxable income.

3.16 Events after the Reporting Date

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

4.1 Critical Judgments in Applying Accounting Policies

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

4.1.1 Determination of Functional Currency

The Bank has determined that its functional currency is the Philippine Peso, which is the currency of the primary environment in which the Bank operates.

4.1.2 Classification of Financial Instruments

The Bank classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

4.1.3 Evaluation of Provisions and Contingencies

Judgment is exercised by the Management to distinguish between provisions and contingencies.

4.1.4 Classification of Lease

The Bank classifies leases as finance or operating lease in accordance with the substance of the contractual agreement and the transfer of the risks and rewards incidental to the ownership of the leased asset.

The Bank entered into various lease contracts, which are accounted for as operating lease. The rent expense for the year ended December 31, 2020 and 2019 amounted to Php20,747,576 and Php19,547,333, respectively, as disclosed in Note 23.

4.1.5 Classification of Costs and Expenses

The Bank determines the classification of costs and expenses as interest expense, impairment losses and other operating expenses. Classification of costs and expenses are determined on the basis of servicing activities of the Bank. All other costs and expenses are classified as other operating expenses.

4.1.6 Determining Method of Computing ECL

As stated in Bangko Sentral ng Pilipinas (BSP) Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with PFRS 9, shall, at a minimum, be subject to regulatory guidelines in setting up allowance for credit losses prescribed under Appendix 15 of the *Manual of Regulations for Banks* (MORB).

The Bank crafted its own Loan Loss Methodology (LLM), with the provisions of Appendix 15 of the MORB as its guide. The Bank assessed the ECL in accordance with the said LLM, and based on the Management's judgement, it was determined that the amount recognized as allowance is reasonable.

The Management believes that there was no material impact on the financial statements as a result of the departure since the allowance for credit losses computed by the Bank is sufficient to cover the required ECL in PFRS 9.

4.2 Key Sources of Estimation Uncertainty

4.2.1 Impairment Losses on Financial Assets (Loans and Other Receivables and Held-to-Maturity Investments)

The Bank reviews its loans and other receivables and held-to-maturity investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the

Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditioned that correlate with defaults on assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

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

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence, such as foreign exchange rate, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Bank utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. As of December 31, 2020 and 2019, the Management believes that the allowance provided by the Bank is sufficient to cover BSP requirements.

As of December 31, 2020 and 2019, held-to-maturity investments amounted to Php77,478,026 and Php142,551,751, respectively, as disclosed in Note 10.

As of December 31, 2020 and 2019, loans and other receivables amounted to Php2,882,717,767 and Php3,135,922,201, respectively, net of allowance for credit losses as disclosed in Note 11.

4.2.2 Reviewing Useful Lives and Depreciation Method of Bank Premises, Furniture, Fixtures and Equipment

The useful lives and depreciation method of the Bank premises, furniture, fixtures and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of: a significant change in how an asset is used; a significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets.

In addition, the estimation of the useful lives is based on the Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of Bank premises, furniture, fixtures and equipment would increase the recognized operating expenses and decrease non-current assets.

The Bank uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Bank expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

4.2.3 Impairment of Assets

An assessment is made at date of the statement of financial position to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The Management has made significant estimates on the recoverability of the Bank premises, furniture, fixtures and equipment, and concluded that, as of December 31, 2020 and 2019, no indications of impairment are present that would necessitate the recognition of impairment loss of the Bank's assets.

The carrying values of Bank premises, furniture, fixtures and equipment amounted to Php177,087,629 and Php171,777,787, as of December 31, 2020 and 2019, respectively, as disclosed in Note 13.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1 General Risk Management Principles

The Bank's financial instruments comprise cash and cash equivalents, which includes cash on hand, due from BSP and due from other banks, loans and receivables, available-for-sale financial assets, held-to-maturity investments, other assets, and other financial liabilities, such as deposit liabilities, bills payable and accrued interest, taxes and other expenses payable, and other liabilities to finance the Bank's operation. The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk, interest rate risk and operational risk. The Management reviews and agrees on policies for managing each of these risks and they are summarized below.

Notes to Financial Statements

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

Particulars	Notes	2020	2019
Financial Assets			
Cash and Other Cash Items	7	P 42,286,297	P 43,673,027
Due from BSP	8	60,390,250	80,739,741
Due from Other Banks	9	955,560,652	628,952,778
Held-to-Maturity Investments	10	77,478,026	142,551,751
Loans and Receivables, Net	11	2,882,717,767	3,135,922,201
Other Assets*	14	48,593,270	66,043,905
Total		4,067,026,262	4,097,883,403
Financial Liabilities			
Deposit Liabilities	15	2,951,517,638	2,638,575,433
Bills Payable	16	76,681,492	508,334,883
Accrued Interest, Taxes and Other Expenses Payable**	17	16,806,748	30,939,299
Other Liabilities***	18	61,765,065	82,457,615
Total		P 3,106,770,943	P 3,260,307,230

**Excluding non-financial assets amounting to Php12,977,657 and Php19,069,547 in 2020 and 2019, respectively, and net of allowance for credit losses of Php3,704,278 and Php1,564,700 in 2020 and 2019, respectively*
***Excluding accrued taxes amounting to Php1,030,852 and Php1,363,852 in 2020 and 2019, respectively*
****Excluding non-financial liabilities amounting to Php7,988,947 and Php9,880,722 and in 2020 and 2019, respectively*

5.1.1 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

a. Bank's credit structure;
b. Target market;
c. Credit evaluation, administration, monitoring and collection guidelines; and
d. Remedial management.

The Bank likewise manages risk by setting limits, such as:

a. Approving authority limits;
b. Individual and borrower group limits; and
c. Concentration limits, as to facility and industry segments.

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

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

The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Bank's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk of the Bank without considering the effects of credit risk mitigation techniques.

Particulars	Notes	2020	2019
Cash and Other Cash Items*	7	P 0	P 21,000
Due from BSP	8	60,390,250	80,739,741
Due from Other Banks	9	955,560,652	628,952,778
Held-to-Maturity Investments	10	77,478,026	142,551,751
Loans and Other Receivables**	11	2,985,948,337	3,239,502,179
Other Assets***	14	52,297,548	67,608,605
Total		P 4,131,674,813	P 4,159,376,054

**Excluding cash on hand and in ATM amounting to Php42,286,297 and Php43,652,027 in 2020 and 2019, respectively*
***Loans and other receivables at gross amount of allowance for credit losses amounting to Php103,230,570 and Php103,579,978 in 2020 and 2019, respectively*
****Other assets at gross amount of allowance for credit losses amounting to Php3,704,278 and Php1,564,700 in 2020 and 2019, respectively, and excluding non-financial assets totaling to Php12,977,657 and Php19,069,547, in 2020 and 2019, respectively*

Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2020 and 2019.

2020								
Particulars		Neither Past Due nor Impaired		Past Due but Not Impaired		Impaired		Total
Cash and Other Cash Items	P	42,286,297	P	0	P	0	P	42,286,297
Due from BSP		60,390,250		0		0		60,390,250
Due from Other Banks		955,560,652		0		0		955,560,652
Held-to-Maturity Investments		77,478,026		0		0		77,478,026
Loans and Other Receivables*		2,782,911,162		156,793,503		46,243,672		2,985,948,337
Other Assets**		48,593,270		0		3,704,278		52,297,548
Total	**P**	**3,967,219,657**	**P**	**156,793,503**	**P**	**49,947,950**	**P**	**4,173,961,110**

**Loans and other receivables at gross amount of allowance for credit losses amounting to Php103,230,570*
***Other assets at gross amount of allowance for credit losses amounting to Php3,704,278 and excluding non-financial assets totaling Php12,977,657*

2019								
Particulars		Neither Past Due nor Impaired		Past Due but Not Impaired		Impaired		Total
Cash and Other Cash Items	P	43,673,027	P	0	P	0	P	43,673,027
Due from BSP		80,739,741		0		0		80,739,741
Due from Other Banks		628,952,778		0		0		628,952,778
Held-to-Maturity Investments		142,551,751		0		0		142,551,751
Loans and Other Receivables*		3,070,440,661		118,495,972		50,565,546		3,239,502,179
Other Assets**		66,043,905		0		1,564,700		67,608,605
Total	**P**	**4,032,401,863**	**P**	**118,495,972**	**P**	**52,130,246**	**P**	**4,203,028,081**

**Loans and other receivables at gross amount of allowance for credit losses amounting to Php103,579,978*
***Other assets at gross amount of allowance for credit losses amounting to Php1,564,700 and excluding non-financial assets totaling Php19,069,547*

Neither past due nor impaired cash on hand and in banks and working capital cash fund placed, invested or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability. Other neither past due nor impaired accounts are loans and other receivables and investment securities that have a very remote likelihood of default and have consistently exhibited good paying habits.

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

Loans with negotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Bank has made concessions that it would not otherwise consider.

Impaired Loans and receivables and investment securities are loans and receivables and investment securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory notes and securities agreements. Loans and receivables that have been provided with 100% allowance for credit losses and those under litigation are considered impaired.

The Bank holds collateral against loan receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets.

Aging Analysis

Aging analyses of the Bank's loans and other receivables, as of December 31, 2020 and 2019, are, as follows:

Particulars		2020		2019
Outstanding Receivables:				
Current Accounts	P	**2,782,911,162**	P	3,070,440,661
Past Due Accounts:				
1-30 Days Past Due		**35,221,854**		10,466,892
31-60 Days Past Due		**18,844,565**		9,941,018
61-90 Days Past Due		**1,738,315**		10,840,753
Over 90 Days Past Due		**147,232,441**		137,812,855
Total	P	**2,985,948,337**	P	3,239,502,179

**Amounts gross of allowance for credit losses but net of unamortized discounts*

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Impairment Assessment

The Bank recognizes impairment losses based on the results of the specific/individual and collective assessments of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Bank in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment. Under specific/individual assessment, the Bank assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Bank when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant, and for individually significant receivables, when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write-offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

5.1.2 Liquidity Risk

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

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

As of December 31, 2020 and 2019, the minimum liquidity ratios (MLRs) of the Bank are 43.20% and 38.25%, respectively.

The table below summarizes the maturity profile of the Bank's financial assets and liabilities, as of December 31, 2020 and 2019, based on undiscounted contractual cash flows.

2020						
Particulars	On Demand	Due Within 1 Year	Due Beyond 1 Year but Within 5 Years	Due Beyond 5 Years but Within 10 Years	Due Beyond 10 Years	Total
Financial Assets						
Cash and Other Cash Items	P 42,286,297	P 0	P 0	P 0	P 0	P 42,286,297
Due from BSP	60,390,250	0	0	0	0	60,390,250
Due from Other Banks	955,010,652	550,000	0	0	0	955,560,652
Held-to-Maturity Investments	0	2,000,000	65,294,899	0	10,183,127	77,478,026
Loans and Other Receivables*	164,227,640	1,887,421,311	929,894,258	4,405,128	0	2,985,948,337
Other Assets**	52,297,548	0	0	0	0	52,297,548
Total	P 1,274,212,387	P 1,889,971,311	P 995,189,157	P 4,405,128	P 10,183,127	P 4,173,961,110
Financial Liabilities						
Deposit Liabilities	P 2,620,060,249	P 146,559,335	P 184,898,054	P 0	P 0	P 2,951,517,638
Bills Payable	0	76,681,492	0	0	0	76,681,492
Accrued Interest, Taxes and Other Expenses Payable***	16,806,748	0	0	0	0	16,806,748
Other Liabilities****	61,765,065	0	0	0	0	61,765,065
Total	P 2,698,632,062	P 223,240,827	P 184,898,054	P 0	P 0	P 3,106,770,943

**Gross of allowance for credit losses of Php103,230,570 and net of unamortized discounts of Php38,377,907*
***Gross of allowance for credit losses of Php3,704,278 and excluding non-financial assets of Php12,977,657*
****Excludes accrued taxes amounting to Php1,030,852*
*****Excludes non-financial liabilities amounting to Php7,988,947*

2019							
Particulars	**On Demand**	**Due Within 1 Year**	**Due Beyond 1 Year but Within 5 Years**	**Due Beyond 5 Years but Within 10 Years**	**Due Beyond 10 Years**	**Total**
Financial Assets						
Cash and Other Cash Items	P 43,673,027	P 0	P 0	P 0	P 0	P 43,673,027
Due from BSP	80,739,741	0	0	0	0	80,739,741
Due from Other Banks	628,402,778	550,000	0	0	0	628,952,778
Held-to-Maturity Investments	0	0	57,368,624	0	85,183,127	142,551,751
Loans and Other Receivables*	68,890,105	2,240,369,711	911,673,810	18,568,553	0	3,239,502,179
Other Assets**	67,608,605	0	0	0	0	67,608,605
Total	**P 889,314,256**	**P 2,240,919,711**	**P 969,042,434**	**P 18,568,553**	**P 85,183,127**	**P 4,203,028,081**
Financial Liabilities						
Deposit Liabilities	P 1,636,144,925	P 742,421,318	P 249,564,190	P 10,445,000	P 0	P 2,638,575,433
Bills Payable	0	406,261,111	102,073,772	0	0	508,334,883
Accrued Interest, Taxes and Other Expenses Payable***	30,939,299	0	0	0	0	30,939,299
Other Liabilities****	82,457,615	0	0	0	0	82,457,615
Total	**P 1,749,541,839**	**P 1,148,682,429**	**P 351,637,962**	**P 10,445,000**	**P 0**	**P 3,260,307,230**

**Gross of allowance for credit losses of Php103,579,978 and net of unamortized discounts of Php43,033,745*
***Gross of allowance for credit losses of Php1,564,700 and excluding non-financial assets of Php19,069,547*
****Excludes accrued taxes amounting to Php1,363,852*
*****Excludes non-financial liabilities amounting to Php9,880,722*

5.1.3 Interest Rate Risk

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

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

Market Risk

Market risk is the risk that movements of market prices will adversely affect the Bank's financial condition. In managing its market risk exposure, the Bank focuses on managing price which is the risk of loss arising from any change in the value of any asset or trading instrument. These risks apply to both the Bank's trading and accrual positions.

Interest Rate Risk

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

Operational Risk

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

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

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

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

Compliance with Bank standards is supported by a program of periodic reviews undertaken by the Internal Audit Department. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit & Inventory Committee and Senior Management of the Bank.

Notes to Financial Statements
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6. FAIR VALUE MEASUREMENT

The following table presents a comparison by category of carrying amounts and estimate fair value of the Bank's financial instruments, as of December 31, 2020 and 2019:

2020

Particulars	Carrying Value	Total	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and Other Cash Items	P 42,286,297	P 42,286,297	P 0	P 42,286,297	P 0
Due from BSP	60,390,250	60,390,250	0	60,390,250	0
Due from Other Banks	955,560,652	955,560,652	0	955,560,652	0
Held-to-Maturity Investments	77,478,026	77,478,026	0	77,478,026	0
Loans and Other Receivables, Net	2,882,717,767	2,882,717,767	0	2,882,717,767	0
Other Assets*	48,593,270	48,593,270	0	48,593,270	0
Total	**P 4,067,026,262**	**P 4,067,026,262**	**P 0**	**P 4,067,026,262**	**P 0**
Financial Liabilities					
Deposit Liabilities	P 2,951,517,638	P 2,951,517,638	P 0	P 2,951,517,638	P 0
Bills Payable	76,681,492	76,681,492	0	76,681,492	0
Accrued Interest, Taxes and					0
Other Expenses Payable**	16,806,748	16,806,748	0	16,806,748	0
Other Liabilities***	61,765,065	61,765,065	0	61,765,065	0
Total	**P 3,106,770,943**	**P 3,106,770,943**	**P 0**	**P 3,106,770,943**	**P 0**

2019

Particulars	Carrying Value	Total	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and Other Cash Items	P 43,673,027	P 43,673,027	P 0	P 43,673,027	P 0
Due from BSP	80,739,741	80,739,741	0	80,739,741	0
Due from Other Banks	628,952,778	628,952,778	0	628,952,778	0
Held-to-Maturity Investments	142,551,751	142,551,751	0	142,551,751	0
Loans and Other Receivables, Net	3,135,922,201	3,135,922,201	0	3,135,922,201	0
Other Assets*	66,043,905	66,043,905	0	66,043,905	0
Total	**P 4,097,883,403**	**P 4,097,883,403**	**P 0**	**P 4,097,883,403**	**P 0**
Financial Liabilities					
Deposit Liabilities	P 2,638,575,433	P 2,638,575,433	P 0	P 2,638,575,433	P
Bills Payable	508,334,883	508,334,883	0	508,334,883	0
Accrued Interest, Taxes and					0
Other Expenses Payable**	30,939,299	30,939,299	0	30,939,299	0
Other Liabilities***	82,457,615	82,457,615	0	82,457,615	0
Total	**P 3,260,307,230**	**P 3,260,307,230**	**P 0**	**P 3,260,307,230**	**P 0**

**Excluding non-financial assets amounting to Php12,977,657 and Php19,069,547, in 2020 and 2019, respectively, and net of allowance for credit losses of Php3,704,278 and Php1,564,700 in 2020 and 2019, respectively*
***Excluding accrued taxes amounting to Php1,030,852 and Php1,363,852 in 2020 and 2019, respectively*
****Excluding non-financial liabilities amounting to Php7,988,947 and Php9,880,722, in 2020 and 2019, respectively*

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities:

Cash and Other Cash Items, Due from BSP, Due from Other Banks, Other Assets, Accrued Interest, Taxes and Other Expenses Payable and Other Liabilities

The carrying values of these financial assets and liabilities approximate their fair values due to the relatively short-term maturities of these financial assets and liabilities.

Loans and Other Receivables

Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of loans and receivables.

Held-to-Maturity Investments

The carrying values of held-to-maturity investments approximate their fair value since the maturity values of the investments are equivalent to their face value.

Deposit Liabilities and Bills Payable

Fair values are estimated using the discounted cash flow methodology, using the incremental borrowing rates for similar borrowings with maturities consistent with those remaining liability being valued.

Fair Value Hierarchy

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

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

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

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

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

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

For financial assets with fair values included in Level 1, the Management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

There were neither transfers between Levels 1 and 2 instruments in both years.

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

Fair Value Measurement for Non-Financial Assets

The fair value of the Bank's investment properties, as disclosed in Note 12, is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's Management, with respect to the determination of the inputs, such as the size, age and condition of the land and buildings, and the comparable prices in the corresponding property location.

Fair value of the Bank's investment properties amounted to Php162,716,519 and Php103,774,364, as of December 31, 2020 and 2019, respectively, as disclosed in Note 12, is currently categorized within Level 2. In estimating the fair value of these properties, the Management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

7. CASH AND OTHER CASH ITEMS

Particulars		2020		2019
Cash on Hand	P	40,819,597	P	42,335,427
Cash in ATM		1,466,700		1,316,600
Cash and Other Cash Items		0		21,000
Total	P	42,286,297	P	43,673,027

8. DUE FROM BANGKO SENTRAL NG PILIPINAS

Particular		2020		2019
Due from Bangko Sentral ng Pilipinas	P	60,390,250	P	80,739,741

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. Due from BSP bears annual interest rate of zero in 2020 and 2019.

Under Section 252 of the *Manual of Regulation for Banks* (MORB), the required reserves shall be kept in the form of deposits placed in the banks' demand deposit accounts, with the BSP. This further provides that such deposit account with the BSP is not considered as a regular current account, as BSP checks for drawings against such deposit shall be limited to settlement of obligations with the BSP and withdrawals to meet cash requirements.

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9. DUE FROM OTHER BANKS

This account consists of the following:

Particulars		2020		2019
Demand	P	377,236,232	P	329,128,177
Savings		577,774,420		299,274,601
Time		550,000		550,000
Total	P	955,560,652	P	628,952,778

Due from other banks pertains to savings deposit, special savings deposit, current deposit and time deposit, which earn interest ranging from 0.25% to 4.25% in 2020 and 2019.

Interest income amounted to Php5,611,124 and Php6,707,047 in 2020 and 2019, respectively, and is presented as part of interest income in the statements of comprehensive income.

10. HELD-TO-MATURITY INVESTMENTS

This account consists of the following:

Particulars		2020		2019
Retail Treasury Bonds	P	80,273,267	P	146,622,211
Financial Assets for Reserve Purposes		2,000,000		2,000,000
Unamortized Premium		183,127		183,127
Allowance for Impairment Losses (Note 26)		(4,978,368)		(6,253,587)
Total	P	77,478,026	P	142,551,751

The interest rate ranges from 3.25% to 5.24% per annum, with maturity of seven (7) years to twenty (20) years.

Interest income recognized in 2020 and 2019 amounted to Php2,807,926 and Php6,922,902, respectively, and is presented as part of interest income in the statements of comprehensive income.

The movement of HTM investment is, as follows:

Particulars		2020		2019
Beginning	P	142,551,751	P	192,699,201
Matured/Redeemed		(65,073,725)		(50,147,450)
Total	P	77,478,026	P	142,551,751

11. LOANS AND OTHER RECEIVABLES, NET

This account consists of the following:

Particulars	*Note*		2020		2019
Current Loans		P	2,809,592,715	P	3,101,521,988
Past Due Loans			185,987,662		155,684,041
Under Litigation			253,473		333,472
Total Loans Receivable			2,995,833,850		3,257,539,501
Unamortized Discounts			(34,539,709)		(39,570,319)
Total Loans Receivable, Net of Discounts			2,961,294,141		3,217,969,182
Sales Contract Receivables, Net of Discounts			24,654,196		21,532,997
Total Loans and Other Receivables			2,985,948,337		3,239,502,179
Allowance for Credit Losses					
Loans Receivable			(98,117,525)		(102,669,070)
Sales Contract Receivables			(5,113,045)		(910,908)
Total Allowance for Credit Losses	*26*		(103,230,570)		(103,579,978)
Total Loans and Other Receivables, Net		P	2,882,717,767	P	3,135,922,201

Loans receivable earn interest income at interest rates ranging from 7% to 30% in 2020 and 2019. Total earned interest amounted to Php458,050,112 and Php491,978,069 for 2020 and 2019, respectively.

As of December 31, 2020 and 2019, bills payable amounting to Php76,681,492 and Php508,334,883, respectively, are secured by pledge of loans receivable with outstanding balance of Php89,674,435 and Php535,325,113, respectively, as disclosed in Note 16.

The breakdown of sales contract receivables is, as follows:

Particulars		2020		2019
Performing	P	8,817,335	P	9,480,699
Non-Performing		19,675,059		15,515,724
Total		28,492,394		24,996,423
Discounts		(3,838,198)		(3,463,426)
Total		24,654,196		21,532,997
Allowance for Credit Losses		(5,113,045)		(910,908)
Sales Contract Receivables, Net	P	19,541,151	P	20,622,089

Sales Contract Receivables represent contractual commitments of buyers in the acquisition of foreclosed properties of the Bank.

Allowance for credit losses for loans receivable consists of:

Particulars		2020		2019
Specific	P	70,963,105	P	67,979,197
General		27,154,420		34,689,873
Total	P	98,117,525	P	102,669,070

The allowance for credit losses, which includes both specific and general loan loss reserves, represents management estimates of probable loss inherent in the portfolio, after consideration of the prevailing and anticipated economic conditions, prior to loss experience, estimated recoverable value based on fair market values of underlying collateral and prospects of support from guarantors, subsequent collections and evaluations made by the BSP Supervision and Examination Sector.

With the foregoing level of allowance for credit losses, the Management believes that the Bank has sufficient allowance to manage any risk from non-collection or non-collateral of the Bank's loans and other receivables.

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

The Bank crafted its own Loan Loss Methodology (LLM), with the provisions of Appendix 15 of the MORB as its guide. However, some provisions, particularly the allowance rates, were modified on the basis of the Bank's historical and acceptable data.

Individual Assessment

Days Upaid/Missed	Loan Classification	ACL	ECL
After Cure Period to 30 days	EM (Performing)	2%	Stage 1
31-90 days	Substandard (Under Performing)	NPV	Stage 2
Over 90 days	Substandard, Doubtful or Loss (Non-Performing)	NPV	Stage 3

Collective Assesment

1. Jewelry Loan

Days Upaid/Missed	Loan Classification	ACL	ECL
After Cure Period to 30 Days	EM (Performing)	2%	Stage 1
31-60 Days	Substandard (Non-Performing)	15%	Stage 3
61-90 Days	Substandard (Non-Performing)	22%	Stage 3
91-120 Days	Substandard (Non-Performing)	34%	Stage 3
121-150 Days	Doubtful (Non-Performing)	53%	Stage 3
Over 150 Days	Loss (Non-Performing)	100%	Stage 3

2. Secured Agricultural Loans, with principal amount of up to Php500,000.00 regardless of loan balance

Days Upaid/Missed	Loan Classification	ACL	ECL
After Cure Period to 30 Days	EM (Performing)	2%	Stage 1
31-90 Days	Substandard (Under Performing)	2%	Stage 2
91-210 Days	Substandard (Non-Performing)	3%	Stage 3
211-240 Days	Substandard (Non-Performing)	5%	Stage 3
241-270 Days	Substandard (Non-Performing)	9%	Stage 3
271-300 Days	Substandard (Non-Performing)	19%	Stage 3
301-360 Days	Doubtful (Non-Performing)	44%	Stage 3
Over 1 Year to 5 Years	Doubtful (Non-Performing)	50%	Stage 3
Over 5 Years	Loss (Non-Performing)	100%	Stage 3

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3. Todo Ani Loan

Days Upaid/Missed	Loan Classification	ACL	ECL
After Cure Period to 30 Days	EM (Performing)	5%	Stage 1
31-60 Days	Substandard (Under Performing)	12%	Stage 2
61-90 Days	Substandard (Under Performing)	17%	Stage 2
91-120 Days	Substandard (Non-Performing)	21%	Stage 3
121-150 Days	Substandard (Non-Performing)	27%	Stage 3
151-180 Days	Substandard (Non-Performing)	36%	Stage 3
181-360 Days	Doubtful (Non-Performing)	50%	Stage 3
Over 1 Year	Loss (Non-Performing)	100%	Stage 3

4. Todo Ani Loan Plus

Days Upaid/Missed	Loan Classification	ACL	ECL
After Cure Period to 30 days	EM (Performing)	2%	Stage 1
31-90 Days	Substandard (Under Performing)	2%	Stage 2
91-270 Days	Substandard (Non-Performing)	3%	Stage 3
271-300 Days	Substandard (Non-Performing)	5%	Stage 3
301-360 Days	Substandard (Non-Performing)	22%	Stage 3
Over 1 Year to 5 Years	Doubtful (Non-Performing)	50%	Stage 3
Over 5 Years	Loss (Non-Performing)	100%	Stage 3

5. Secured Commercial Loans, with principal amount of up to Php500,000.00 regardless of loan balance

Days Upaid/Missed	Loan Classification	ACL	ECL
After Cure Period to 30 days	EM (Performing)	2%	Stage 1
31-60 Days	Substandard (Under-performing)	2%	Stage 2
61-90 Days	Substandard (Under-performing)	3%	Stage 2
91-120 Days	Substandard (Non-Performing)	7%	Stage 3
121-150 Days	Substandard (Non-Performing)	21%	Stage 3
151-180 Days	Substandard (Non-Performing)	25%	Stage 3
181-360 Days	Doubtful (Non-Performing)	40%	Stage 3
Over 1 Year to 5 Years	Doubtful (Non-Performing)	50%	Stage 3
Over 5 Years	Loss (Non-Performing)	100%	Stage 3

The Management of the Bank believes that the allowance for credit losses resulting from the Bank's own LLM is a better representation of the quality of its total loan portfolio.

11.1 Non-Performing Loans

BSP Circular 941 defined non-performing loans (NPLs), as follows:

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

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

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

As of December 31, 2020 and 2019, the non-performing loans (NPLs) not fully covered by allowance for credit losses are, as follows:

Particulars		2020		2019
Total Non-Performing Loans	P	158,171,474	P	140,266,582
Less: Non-Performing Loans Covered by Allowance for Credit Losses		70,963,105		67,979,197
Total	P	87,208,369	P	72,287,385

Information regarding the Bank's non-performing loans are, as follows:

Particulars		2020		2019
Total NPLs at Gross	P	158,171,474	P	140,266,582
Total NPLs at Net	P	87,208,369	P	72,287,385
Ratio of Gross NPLs to Gross TLP		5.28%		4.31%
Ratio of Net NPLs to Gross TLP		2.91%		2.22%
Ratio of Total Allowance to Gross NPLs		62.03%		73.20%
Ratio of Specific Allowance on the Gross TLP to Gross NPLs		44.86%		48.46%

All accounts were assessed and provided with corresponding sufficient allowance for credit losses. Other non-performing loans are not provided with 100% allowance because of the positive net present value of the collateral.

11.2 Past Due Loans

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

BSP *Manual of Regulations for Banks*, Sec. 304, as amended by BSP Circular 941, defined the classification of past due loans, as follows:

As a general rule, loans, investments, receivables or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual date, in which case, the total outstanding balance thereof shall be considered past due.

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

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

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

12. INVESTMENT PROPERTIES, NET

This account consists of the following:

2020								
Particulars		Land		Building		Others		Total
Cost:								
Balance, January 1	P	51,207,715	P	18,986,050	P	2,343,159	P	72,536,924
Addition		8,683,639		7,410,060		30,493,963		46,587,662
Disposal		(8,776,369)		0		(27,902,575)		(36,678,944)
Balance, December 31		51,114,985		26,396,110		4,934,547		82,445,642
Accumulated Depreciation:								
Balance, January 1		0		4,432,905		0		4,432,905
Depreciation (Note 22)		0		2,235,615		0		2,235,615
Balance, December 31		0		6,668,520		0		6,668,520
Accumulated Impairment: (Note 26)								
Balance, January 1		0		7,204,118		0		7,204,118
Provision		0		852,059		0		852,059
Balance, December 31		0		8,056,177		0		8,056,177
Carrying Amount	P	**51,114,985**	P	**11,671,413**	P	**4,934,547**	P	67,720,945

2019								
Particulars		Land		Building		Others		Total
Cost:								
Balance, January 1	P	46,669,911	P	10,167,961	P	3,583,484	P	60,421,356
Addition		9,737,997		11,120,661		20,559,754		41,418,412
Disposal		(5,200,193)		(2,302,572)		(21,800,079)		(29,302,844)
Balance, December 31		51,207,715		18,986,050		2,343,159		72,536,924
Accumulated Depreciation:								
Balance, January 1		0		5,008,446		0		5,008,446
Depreciation (Note 22)		0		985,056		0		985,056
Disposal		0		(1,560,597)		0		(1,560,597)
Balance, December 31		0		4,432,905		0		4,432,905
Accumulated Impairment: (Note 26)								
Balance, January 1		0		1,097,778		0		1,097,778
Provision		0		815,340		0		815,340
Reclassification		0		5,291,000		0		5,291,000
Balance, December 31		0		7,204,118		0		7,204,118
Carrying Amount	P	**51,207,715**	P	**7,349,027**	P	**2,343,159**	P	60,899,901

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During the year, assets with carrying amount of Php36,678,944 are sold for Php50,038,313, resulting to a gain on sale of Php13,359,369, as disclosed in Note 21.

In 2019, assets with carrying amount of Php27,742,247 are sold for Php35,658,531, resulting to a gain on sale of Php7,916,284, as disclosed in Note 21.

Collections from sale amounted to Php41,990,315 and Php31,119,892 for the years ended December 31, 2020 and 2019, respectively.

The Bank acquired its investment properties through foreclosure. In 2020 and 2019, transaction costs amounting to Php3,300,481 and Php4,539,024, respectively, were incurred in relation to foreclosure of properties.

The fair value is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's Management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is an indication that an impairment loss has occurred on its investment properties, resulting to recognition of impairment losses in the amount of Php8,056,177 and Php7,204,118 as of December 31, 2020 and 2019, respectively. Fair values of the Bank's investment properties amounted to Php162,716,519 and Php103,774,364 as of December 31, 2020 and 2019, respectively, as disclosed in Note 6.

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

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, NET

A reconciliation of the carrying amounts at the beginning and end of years 2020 and 2019, and the gross carrying amounts and accumulated depreciation of Bank premises, furniture, fixtures and equipment are shown below.

2020	Land	Building	Construction in Progress	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Total
Cost							
At January 1	P 19,407,646	P 78,696,064	P 8,643,045	P 97,914,075	P 71,468,630	P 103,490,305	P 379,619,765
Addition	0	0	0	9,253,259	10,422,600	11,718,465	31,394,324
Disposal	0	0	0	(52,300)	(5,576,592)	(6,330,641)	(11,959,533)
Reclassification	0	0	0	144,548	0	(144,548)	0
At December 31	19,407,646	78,696,064	8,643,045	107,259,582	76,314,638	108,733,581	399,054,556
Accumulated Depreciation							
At January 1	0	31,235,267	0	79,617,720	49,052,666	47,936,325	207,841,978
Depreciation (Note 22)	0	2,091,545	0	10,814,645	4,726,509	7,656,486	25,289,185
Disposal	0	0	0	(52,300)	(4,781,297)	(6,330,639)	(11,164,236)
Reclassification	0	0	0	124,243	0	(124,243)	0
At December 31	0	33,326,812	0	90,504,308	48,997,878	49,137,929	221,966,927
Net Carrying Amount	**P 19,407,646**	**P 45,369,252**	**P 8,643,045**	**P 16,755,274**	**P 27,316,760**	**P 59,595,652**	**P 177,087,629**

2019	Land	Building	Construction in Progress	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Total
Cost							
At January 1	P 19,407,646	P 78,515,106	P 8,107,591	P 85,752,665	P 66,621,878	P 91,559,328	P 349,964,214
Addition	0	180,958	535,454	12,700,400	8,368,000	11,930,977	33,715,789
Disposal	0	0	0	(538,990)	(3,521,248)	0	(4,060,238)
At December 31	19,407,646	78,696,064	8,643,045	97,914,075	71,468,630	103,490,305	379,619,765
Accumulated Depreciation							
At January 1	0	28,893,646	0	70,632,234	48,594,762	41,253,750	189,374,392
Depreciation (Note 22)	0	2,344,848	0	9,482,547	3,985,259	6,676,139	22,488,793
Disposal	0	0	0	(489,894)	(3,521,234)	0	(4,011,128)
Adjustment	0	(3,227)	0	(7,167)	(6,121)	6,436	(10,079)
At December 31	0	31,235,267	0	79,617,720	49,052,666	47,936,325	207,841,978
Net Carrying Amount	**P 19,407,646**	**P 47,460,797**	**P 8,643,045**	**P 18,296,355**	**P 22,415,964**	**P 55,553,980**	**P 171,777,787**

Construction in Progress pertains to building under construction, which will be used as office space upon completion.

The Management believes that there are no indications of impairment in the value of its Bank premises, furniture, fixtures and equipment, as of December 31, 2020 and 2019.

Depreciation expenses are shown as separate component of operating expenses in the statements of comprehensive income in 2020 and 2019, as disclosed in Note 22.

All additions were paid in cash.

During the year, furniture, fixtures and equipment with carrying amount of Php795,297 were sold for Php799,822, resulting to a gain on sale of Php4,525.00, as disclosed in Note 21.

In 2019, furniture, fixtures and equipment with carrying amount of Php49,110 were sold for Php22, resulting to a loss on sale of Php49,088, as disclosed in Note 21.

As of December 31, 2020 and 2019, the Bank has no commitment to purchase Bank premises, furniture, fixtures and equipment.

14. OTHER ASSETS

This account consists of the following:

Particulars	Notes		2020		2019
Plan Assets	*27*	P	30,640,378	P	45,604,073
Account Receivables			9,777,504		9,113,325
Rent Deposit			6,630,737		7,067,549
Intangible Assets, Net			5,702,821		6,245,510
Sinking Fund – Preferred Shares			2,439,677		2,422,469
Prepaid Expenses			2,284,823		2,136,069
Other Investments			2,104,755		2,104,755
Stationery and Supplies			1,880,773		2,424,859
Accrued Interest Receivable			494,497		1,086,434
Petty Cash			210,000		210,000
Miscellaneous Assets			3,109,240		8,263,109
Total			65,275,205		86,678,152
Allowance for Credit Losses	*26*		(3,704,278)		(1,564,700)
Other Assets, Net		P	61,570,927	P	85,113,452

Plan Assets pertain to fund set aside for the settlement of retirement benefits of employees.

Accounts Receivable represents various advances and payments, subject to liquidation made by the Bank to employees.

Miscellaneous Assets represent other assets of the Bank that cannot be properly identified and merged with other common accounts, such as rent deposits and other assets not yet distributed to the branches.

Movements of intangible assets are, as follows:

Particulars		2020		2019
Cost:				
Balance, December 31	P	12,030,685	P	12,030,685
Accumulated Amortization:				
Balance, January 1		5,785,175		5,242,486
Amortization for the Year (Note 22)		542,689		542,689
Balance, December 31		6,327,864		5,785,175
Net Carrying Value	P	5,702,821	P	6,245,510

15. DEPOSIT LIABILITIES

This account consists of the following:

Particulars		2020		2019
Savings	P	2,830,809,190	P	2,460,123,632
Time Certificate of Deposits		71,225,484		125,621,625
Demand		49,482,964		52,830,176
Total	P	2,951,517,638	P	2,638,575,433

Savings deposits are composed of regular savings accounts, which are withdrawable upon demand and those with special terms and withdrawable at certain period of time.

Time deposits have different maturity dates and bear different interest rates, based on the amount of deposits and term of placements.

Interest expense recognized in 2020 and 2019 amounted to Php70,052,110 and Php60,960,652, and is presented as part of interest expense in the statements of comprehensive income.

16. BILLS PAYABLE

The Bank's borrowings are, as follows:

Particulars		2020		2019
Security Bank	P	76,597,365	P	189,161,026
Banco de Oro		84,127		1,812,746
Development Bank of the Philippines		0		75,000,000
PBSP		0		42,361,111
Land Bank of the Philippines		0		200,000,000
Total	P	76,681,492	P	508,334,883

Changes in the Bank's bills payable are, as follows:

Particulars		2020		2019
Beginning Balance	P	508,334,883	P	749,972,139
Availment		5,000,000		400,900,000
Payment		(436,653,391)		(642,537,256)
Ending Balance	P	76,681,492	P	508,334,883

Interest rate on bills payable ranges from 2% to 6% in 2020 and 2019. Interest expense incurred in 2020 and 2019 amounted to Php4,724,928 and Php26,929,195, respectively, and is presented as part of interest expense in the statements of comprehensive income.

As of December 31, 2020 and 2019, bills payable amounting to Php76,681,492 and Php508,334,883, respectively, are secured by pledge of loans receivable with outstanding balance of Php89,674,435 and Php535,325,113, respectively, as disclosed in Note 11.

17. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

Particulars		2020		2019
Accrued Interest Payable	P	6,942,891	P	12,605,203
Accrued Fringe Benefits		6,700,000		14,931,567
Accrued Taxes		1,030,852		1,363,852
Accrued Other Expenses		3,163,857		3,402,529
Total	P	17,837,600	P	32,303,151

Accrued interest payable represents interest due on deposit liabilities and borrowings of the Bank.

Accrued other expenses payable are various year-end expenses payable on the following year, such as utilities, litigation, travel and others.

18. OTHER LIABILITIES

This account consists of:

Particulars	Note		2020		2019
Pension and Other Post-Retirement Benefits Obligation	27	P	26,485,284	P	50,497,762
Accounts Payable			18,580,942		16,028,346
Dividends Payable			14,072,972		13,570,597
Government Payables and Contributions			7,784,717		9,696,269
Redeemable Preferred Share			2,164,000		2,164,000
Due to Treasurer of the Philippines			204,230		184,453
Others			461,867		196,910
Total		P	69,754,012	P	92,338,337

Pension and other post-retirement benefits obligation represents liability recognized by the Bank for the benefit of its officers and employees upon reaching their retirement age, as disclosed in Note 27.

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

Redeemable preferred share refers to preferred shares issued which provides for redemption on a specific date at the option of the owners.

The movements in dividends payable are, as follows:

Particulars	Note		2020		2019
Beginning		P	13,570,597	P	13,430,926
Declaration	19		14,070,747		11,868,473
Payment			(13,568,372)		(11,728,802)
Total		P	14,072,972	P	13,570,597

19. MEMBERS' EQUITY

19.1 Preferred Shares

Shown below are the details on the movements in preferred shares.

Particulars	2020			2019		
	Shares		Amount	Shares		Amount
Authorized						
at Php1,000 Par Value						
Preferred A	750	P	750,000	750	P	750,000
Preferred B	1,750		1,750,000	1,750		1,750,000
Preferred C	77,500		77,500,000	77,500		77,500,000
Total	80,000	P	80,000,000	80,000	P	80,000,000
Paid-up						
Balance, January 1	66,249	P	66,249,940	67,007	P	67,007,540
Addition	769		769,757	0		0
Withdrawals	(210)		(210,750)	(757)		(757,600)
Balance, December 31	66,808	P	66,808,947	66,250	P	66,249,940

Preferred Shares "A"

a. Shall comprise seven hundred fifty (750) shares equivalent to seven hundred fifty thousand pesos (Php750,000), to be issued only against the investment of the Development Bank of the Philippines (DBP) in the capital stock of the Cooperative Bank. Preferred Shares so issued shall have preference over Common Share in the assets of the Bank in the event of liquidation, as provided hereunder.

b. Shall be non-voting, but in case of sale by the DBP of its Preferred share to the regular members of the Bank, such share shall automatically become Common share with voting rights, thereby, reducing the number of Preferred Share "A" and increasing the number of outstanding Common share.

c. Shall share in dividend distribution at two percentum (2%) thereof without preference. The amount of any dividends payable to any holder of share may be applied to the repayment of the shareholders' indebtedness to the Bank.

Preferred Shares "B"

a. Shall comprise one thousand seven hundred fifty (1,750) shares equivalent to one million seven hundred fifty thousand pesos (Php1,750,000), to be made available for subscription by the Land Bank of the Philippines (LBP) and other government agencies or institutions. Preferred Shares so issued shall have preference over Common Share in the distribution of dividends. Dividends shall be subject to the investment guidelines, policies and procedures of the subscribing government bank or agency.

b. Shall be non-voting, but in case of sale by the government of its Preferred Share to the regular members of the Bank, such share shall be automatically become Common Share, with voting rights, thereby, reducing the number of outstanding Preferred Share and increasing the number of outstanding Common Share. The Board of Directors shall have the authority to covert such number of unissued Preferred Shares "B" into other class of Preferred Shares of the Bank to be issued for sale or subscription, with such features, terms or restrictions of the kind or class of shares to which said Preferred Shares "B" have been converted.

Preferred Shares "C"

a. Shall comprise seventy-seven thousand five hundred (77,500) shares equivalent to seventy-seven million five hundred thousand pesos (Php77,500,000), to be made available for subscription by Filipino individuals or associations qualified to be associate members of the Cooperative Bank. Preferred Shares so issued shall have preference over Common Share in the distributions of dividend. The amount of any dividends payable to any holder of share may be applied to the repayment of the shareholders' indebtedness to the Bank. The Board of Directors shall have the authority to convert such number of unissued Preferred Shares "C" into other class of Preferred Shares "C" into other class of Preferred Shares of the Bank to be issued for sale or subscription, with such features, terms and restrictions of the kind or class of shares to which said Preferred Shares "C" have been converted.

19.2 Ordinary Shares

Only one kind of common share with voting rights shall be issued. The common shares shall be made available for sale to, or subscription by, only the regular members of the Bank; provided, that the investment of the members shall be subject to restrictions, as may be allowed by applicable provisions of applicable laws and pertinent rules and regulations of the Philippines.

Notes to Financial Statements
December 31, 2020 and 2019

Shown below are the details on the movements in common shares.

Particulars	2020			2019		
	Shares		Amount	Shares		Amount
Authorized at Php1,000 Par Value	185,000	P	185,000,000	185,000	P	185,000,000
Issued and Fully Paid at Php1,000 Par Value						
Balance, January 1	114,960		114,960,000	114,960		114,960,000
Addition	2		2,000	0		0
Balance, December 31	114,962	P	114,962,000	114,960	P	114,960,000

19.3 Stock Dividends Distributable

In 2019, the Bank, through Board Resolution No.18-05-18b, approved the declaration of stock dividends on all common shares outstanding as of December 31, 2017 amounting to Php35,000,000 equivalent to 35,000 shares.

As of December 31, 2020 and 2019, no payment has been made for the outstanding stock dividends distributable amounting to Php35,040,000.

19.4 Surplus Reserves/Statutory Funds

The movements in total statutory reserves are, as follows:

Particulars		2020		2019
Surplus Reserves, Beginning	P	454,729,617	P	410,378,454
Appropriations During the Year		57,109,089		56,578,845
Expenditure from Reserves		(2,450,763)		(12,227,682)
Surplus Reserves, Ending	P	509,387,943	P	454,729,617

The detailed movement of surplus reserve/statutory funds is, as follows:

Particulars		General Reserve		Optional Fund		Community Development Fund		Education and Training Fund		Total
Balance at December 31, 2018	P	296,298,834	P	73,688,037	P	24,020,930	P	16,370,653	P	410,378,454
Appropriation During the Year		43,522,188		7,253,698		4,352,219		1,450,740		56,578,845
Expenditure from Reserves		0		0		(630,000)		(11,597,682)		(12,227,682)
Balance at December 31, 2019		339,821,022		80,941,735		27,743,149		6,223,711		454,729,617
Appropriation During the Year		43,930,068		7,321,678		4,393,007		1,464,336		57,109,089
Expenditure from Reserves		0		0		0		(2,450,763)		(2,450,763)
Balance at December 31, 2020	P	383,751,090	P	88,263,413	P	32,136,156	P	5,237,284	P	509,387,943

19.5 Surplus Free

This account consists of:

Particulars	Note		2020		2019
Beginning Balance		P	407,099,277	P	318,245,734
Net Income for the Year			145,917,965		145,309,494
Appropriations During theYear			(57,109,089)		(56,578,845)
Cash Dividends Declared	*18*		(14,070,747)		(11,868,473)
Prior-Year Adjustments			705,395		11,991,367
Ending Balance		P	482,542,801	P	407,099,277

Prior-year adjustments pertain to various cash advance settlements and other income and expense adjustments with small amounts.

On July 4, 2020, the Bank, through General Assembly Resolution No. 07 (GA 2020), declared 10% cash dividend to be paid to Common Shareholders on record as of December 31, 2019, a 2% cash dividend for Preferred "A" and "B" shareholders and 3% to 8% for individual Preferred "C" shareholders amounting to Php14,070,747. A report on dividend declaration dated July 13, 2020 was sent to the Supervision and Examination Sector of the BSP.

On March 8, 2019, the Bank, through Board Resolution No. 19-23-27, declared 8% cash dividend to be paid to Common Shareholders on record as of December 31, 2018, a 2% cash dividend for Preferred "A" and "B" shareholders and 3% to 8% for individual Preferred "C" shareholders amounting to Php11,868,473. A report on dividend declaration dated March 21, 2019 was sent to the Supervision and Examination Sector of the BSP.

Notes to Financial Statements
December 31, 2020 and 2019

Shown below are the details on the movements in common shares.

Particulars	2020 Shares	2020 Amount	2019 Shares	2019 Amount
Authorized at Php1,000 Par Value	185,000	P 185,000,000	185,000	P 185,000,000
Issued and Fully Paid at Php1,000 Par Value				
Balance, January 1	114,960	114,960,000	114,960	114,960,000
Addition	2	2,000	0	0
Balance, December 31	114,962	P 114,962,000	114,960	P 114,960,000

19.3 Stock Dividends Distributable

In 2019, the Bank, through Board Resolution No.18-05-18b, approved the declaration of stock dividends on all common shares outstanding as of December 31, 2017 amounting to Php35,000,000 equivalent to 35,000 shares.

As of December 31, 2020 and 2019, no payment has been made for the outstanding stock dividends distributable amounting to Php35,040,000.

19.4 Surplus Reserves/Statutory Funds

The movements in total statutory reserves are, as follows:

Particulars	2020	2019
Surplus Reserves, Beginning	P 454,729,617	P 410,378,454
Appropriations During the Year	57,109,089	56,578,845
Expenditure from Reserves	(2,450,763)	(12,227,682)
Surplus Reserves, Ending	P 509,387,943	P 454,729,617

The detailed movement of surplus reserve/statutory funds is, as follows:

Particulars	General Reserve	Retirement of Preferred Shares	Contingency	Optional Fund	Community Development Fund	Education and Training Fund	Total
Balance at December 31, 2018	P 120,917,867	P 105,027,291	P 70,353,676	P 73,688,037	P 24,020,930	P 16,370,653	P 410,378,454
Appropriation During the Year	14,507,396	14,507,396	14,507,396	7,253,698	4,352,219	1,450,740	56,578,845
Expenditure from Reserves	0	0	0	0	(630,000)	(11,597,682)	(12,227,682)
Balance at December 31, 2019	135,425,263	119,534,687	84,861,072	80,941,735	27,743,149	6,223,711	454,729,617
Appropriation During the Year	14,643,356	14,643,356	14,643,356	7,321,678	4,393,007	1,464,336	57,109,089
Expenditure from Reserves	0	0	0	0	0	(2,450,763)	(2,450,763)
Balance at December 31, 2020	P 150,068,619	P 134,178,043	P 99,504,428	P 88,263,413	P 32,136,156	P 5,237,284	P 509,387,943

19.5 Surplus Free

This account consists of:

Particulars	Note	2020	2019
Beginning Balance		P 407,099,277	P 318,245,734
Net Income for the Year		145,917,965	145,309,494
Appropriations During theYear		(57,109,089)	(56,578,845)
Cash Dividends Declared	*18*	(14,070,747)	(11,868,473)
Prior-Year Adjustments		705,395	11,991,367
Ending Balance		P 482,542,801	P 407,099,277

Prior-year adjustments pertain to various cash advance settlements and other income and expense adjustments with small amounts.

On July 4, 2020, the Bank, through General Assembly Resolution No. 07 (GA 2020), declared 10% cash dividend to be paid to Common Shareholders on record as of December 31, 2019, a 2% cash dividend for Preferred "A" and "B" shareholders and 3% to 8% for individual Preferred "C" shareholders amounting to Php14,070,747. A report on dividend declaration dated July 13, 2020 was sent to the Supervision and Examination Sector of the BSP.

On March 8, 2019, the Bank, through Board Resolution No. 19-23-27, declared 8% cash dividend to be paid to Common Shareholders on record as of December 31, 2018, a 2% cash dividend for Preferred "A" and "B" shareholders and 3% to 8% for individual Preferred "C" shareholders amounting to Php11,868,473. A report on dividend declaration dated March 21, 2019 was sent to the Supervision and Examination Sector of the BSP.

Capital Management

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

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

BSP Circular No. 688 or Revised Risk-Based Capital Adequacy Framework for Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks, which took effect on January 1, 2012, represents BSP's commitment to align existing prudential regulations with international standards, consistent with the BSP's goal of promoting the soundness and stability of individual banks and of the banking system as a whole.

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

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

Risk assets consist of designated market risk and total risk-weighted 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.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under the relevant BSP regulations, the regulatory capital is analyzed into two (2) tiers, which are Tier 1 Capital plus Tier 2 Capital, less allowable deductions from the total of Tier 1 Capital and Tier 2 Capital.

The Tier 1 Capital and Tier 2 Capital of the Bank are, as follows:

a. Tier 1 Capital includes:

(1) Paid-up Common Stock;
(2) Paid-up Perpetual and Non-Cumulative Preferred Stock;
(3) Surplus; and
(4) Surplus Reserves;

b. Tier 2 Capital includes:

(1) Paid-up Limited Life Redeemable Preferred Stock; and
(2) General Loan Loss Provision;

Subject to deduction for:
(1) Sinking Fund for Redemption of Limited Life Redeemable Preferred Stock.

As of December 31, 2020 and 2019, the Bank's capital adequacy ratios are 23.83% and 21.95%, respectively, which are higher than the BSP minimum requirement of 10% on the ratio of capital accounts against the weighted assets.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS or Reporting Framework in some aspects.

Information regarding the Bank's "unimpaired capital" as of December 31, 2020 and 2019 are shown below.

Particulars		2020		2019
Core Tier 1 Capital, Gross	P	1,173,701,691	P	1,043,038,834
Less: Regulatory Adjustments to Core Tier 1		0		0
Core Tier 1 Capital, Net		1,173,701,691		1,043,038,834
Add: Hybrid Tier 1		0		0
Tier 1 Capital		1,173,701,691		1,043,038,834
Tier 2 Capital		26,878,743		34,431,403
Total Qualifying Capital	P	1,200,580,434	P	1,077,470,237
Total Risk-Weighted Assets	P	5,038,703,361	P	4,909,634,774
Tier 1 Capital Ratio		23.29%		21.24%
Total Capital Adequacy Ratio		23.83%		21.95%

Notes to Financial Statements

December 31, 2020 and 2019

A. Tier 1 (Core Plus Hybrid) Capital		
A.1 Core Tier 1 Capital		
(1) Paid-up Common Stock	P 114,962,000.00	
(2) Paid-up Perpetual and Non-Cumulative Preferred Stock	66,808,947.09	
(3) Retained Earnings	845,777,246.88	
(4) Undivided Profits	146,433,556.62	**P 1,173,981,750.59**
A.2 Deductions from Core Tier 1 Capital	0.00	**0.00**
Total Tier 1 Capital		**1,173,981,750.59**
B. Tier 2 (Supplementary) Capital		
B.1 Upper Tier 2 Capital		
(1) Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption	2,164,000.00	
(2) General loan loss provision (limited to 1.00% of total credit risk-weighted assets)	27,154,420.19	**29,318,420.19**
B.2 Deductions from Upper Tier 2		
(1) Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon requirement upon redemption	2,439,677.37	**2,439,677.37**
Total Tier 2 Capital		**26,878,742.82**
C. Total Qualifying Capital (A + B)		**P 1,200,860,493.41**

The capital requirements of the Bank for risk-weighted assets as of December 31, 2020 are shown below.

Capital Requirements		
Credit Risk	P	**4,196,851,051.28**
Market Risk		**0.00**
Operational Risk		**841,852,309.92**
Total	P	**5,038,703,361.20**

In addition, Section 127 and Appendix 62 of the MORB discusses the guidelines implementing the Risk-Based Capital Adequacy Framework for Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks. The said framework was amended by BSP Circular No. 1079 dated March 9, 2020 and BSP Circular No. 1084 dated April 28, 2020 to strengthen the quality of capital of the covered entities by the introduction of other capital requirements, such as the Common Equity Tier (CET) 1 ratio, in addition to the existing minimum CAR of 10%. The CET1 ratio is calculated by dividing CET1 capital by total risk-weighted assets.

The implementation of the enhanced capital standards, which include the CET1 ratio, to the aforementioned banks will take effect on January 1, 2023.

The Bank's leverage ratio, computed as total capital over total assets, is 27.95% and 24.79%, as of December 31, 2020 and 2019, respectively.

20. INCOME TAXES

The Bank transacts with members and non-members.

a. Business transactions with members – Business activities engaged in by such cooperatives with its members where said cooperative generates revenues shall be exempt from all national internal revenue taxes for which it is liable, as enumerated in Section 7 of Joint Rules and Regulations.

b. Business transactions with non-members – Cooperatives with accumulated reserves and undivided net savings of more than Php10,000,000.00, which transact with non-members, shall pay the following taxes at the full rate:

b.1 Income Tax – On the amount allocated for interest on capitals: Provided, that the same tax is not consequently imposed on interest individually received by the members. The tax base for all cooperatives liable to income tax shall be the net surplus arising from the business transactions with non-members after deducting the amounts for the statutory reserve funds, as provided for in the Cooperative Code and other laws;

b.2 Value Added Tax (VAT) – On transactions with non-members: Provided, however, that cooperatives, pursuant to Section 109 of the NIRC, as amended by RA 9337, shall be exempt from the imposition of VAT, namely the following:

i. Sales by agricultural cooperatives duly registered and in good standing with the CDA to their members;
ii. Gross receipts from lending activities by credit or multi-purpose cooperatives duly registered with the CDA;
iii. Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the CDA; and
iv. Transactions of cooperatives as may be deemed VAT-exempt under the NIRC;

b.3 Percentage Tax – All sales of goods and/or services rendered to non-members shall be subject to the applicable percentage taxes imposed by Title V of the NIRC; and

b.4 All other Internal Revenue Taxes, unless otherwise provided by the law.

20.1 Income Tax Recognized in Profit or Loss

The components of income tax expense are, as follows:

Particulars		2020		2019
Income Tax Expense – Current	P	550,395	P	69,446
Income Tax Expense – Final		1,615,167		2,725,990
Total	P	2,165,562	P	2,795,436

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2020 and 2019 is, as follows:

Particulars		2020		2019
Accounting Profit	P	148,083,527	P	148,104,930
Tax Expense at 30%		44,425,058		44,431,479
Tax Effect of:				
Income Exempted from Tax		(48,076,588)		(53,783,347)
Origination of NOLCO		2,523,412		7,519,759
Provision for Credit Losses		1,062,131		1,492,142
MCIT		550,395		69,446
Provision for Retirement		409,485		666,959
Interest Expense Limitation		403,048		1,349,365
Income Subject to Final Tax, Net of Tax Paid		393,810		(1,362,995)
Accrued Fringe Benefits		391,936		1,915,404
Limitation on Representation Expense		0		425,930
Non-Deductible Expenses		82,875		71,294
Income Tax Expense	P	2,165,562	P	2,795,436

20.1.1 Minimum Corporate Income Tax

Section 27(E) of the National Internal Revenue Code provides that an MCIT of two percent (2%) of the gross income, as of the end of the taxable year, is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year.

The details of the Bank's MCIT are, as follows:

Year Incurred		Amount		Applied in Prior Year		Applied in Current Year		Expired		Balance	Date of Expiry
2017	P	233,437	P	0	P	0	P	233,437	P	0	2020
2018		307,693		0		0		0		307,693	2021
2019		69,446		0		0		0		69,446	2022
2020		550,395		0		0		0		550,395	2023
Total	P	1,160,971	P	0	P	0	P	233,437	P	927,534	

20.1.2 Net Operating Loss Carry Over (NOLCO)

Under Section 34(D) of the National Internal Revenue Code of 1997, the net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

In 2020, to address the impact of COVID-19, the Senate and the House of Representatives enacted Republic Act (R.A.) No. 11494 or the Bayanihan to Recover as One Act (Bayanihan II) effective September 15, 2020 with an original expiry date of December 19, which has since been extended to mid-2021. Bayanihan II provides for COVID-19 response and recovery interventions and mechanisms to accelerate the recovery and to bolster the resiliency of the economy.

Among the response and recovery interventions provided under Bayanihan II are the carry-over of net operating losses incurred by the business or enterprise for taxable years 2020 and 2021 as deductions from gross income (for purposes of computing net taxable income subject to regular corporate income tax) over the next five (5) consecutive taxable years immediately following the year of such loss Section 4 (bbbb) of the Bayanihan II.

Under Bayanihan II, net operating loss carry-over (NOLCO) would remain in effect even after the expiration of the Act, provided that the deductions are claimed within the next five (5) consecutive taxable years.

On December 22, 2020, the Bureau of Internal Revenue (BIR) clarified, through Revenue Memorandum Circular (RMC) No. 138-2020, that the NOLCO may be availed of under RR No. 25-2020 for taxpayers operating on fiscal-year reporting. The RMC enumerated fiscal years ending between July 31 and November 30, 2020 and January 31 to June 30, 2021 as falling within the taxable year 2020. Meanwhile, fiscal years ending between July 31 to November 30, 2021 and January 31 to June 30, 2022 fall within the taxable year 2021. Thus, net losses incurred by businesses or taxpayers during these fiscal years can be carried over as deductions from gross income for the next five (5) consecutive taxable years.

It should be noted that generally, under existing rules (Section 34 of the Tax Code and RR No. 14-01), the accumulated net operating loss of a business by individuals engaged in trade or business or practice of profession and domestic and resident foreign corporations can be carried over as a deduction from gross income only for the next three (3) consecutive taxable years.

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The details of the Bank's NOLCO are, as follows:

Year Incurred		Amount		Applied in Prior Year		Applied in Current Year		Expired		Balance	Date of Expiry
A. NOLCO with 3-Year Expiration											
2017	P	26,752,245	P	0	P	0	P	26,752,245	P	0	2020
2018		21,635,913		0		0		0		21,635,913	2021
2019		25,065,864		0		0		0		25,065,864	2022
B. NOLCO with 5-Year Expiration (Under Bayanihan II Act)											
2020		8,411,374		0		0		0		8,411,374	2025
Total	P	81,865,396	P	0	P	0	P	26,752,245	P	55,113,151	

20.2 Deferred Tax

There was no recognition of deferred tax assets for the current and previous years since the Management believes that they will not generate taxable income in the future to which they can fully utilize the deferred tax assets. The breakdown of the unrecognized deferred tax assets as at December 31 are, as follows:

Particulars	2020				2019			
		Amount		Tax Effect		Amount		Tax Effect
Allowance for Credit Losses – Loans and Other Receivables	P	103,230,570	P	30,969,171	P	103,579,978	P	31,073,993
NOLCO		56,457,776		16,937,333		73,454,022		22,036,207
Allowance for Impairment Loss – Investment Properties		8,056,177		2,416,853		7,204,118		2,161,235
Allowance for Credit Losses – Held-to-Maturity Investments		4,978,368		1,493,510		6,253,587		1,876,076
Allowance for Credit Losses – Other Assets		3,704,278		1,111,283		1,564,700		469,410
Excess of MCIT over RCIT		927,534		927,534		610,576		610,576
Total	P	177,354,703	P	53,855,684	P	192,666,981	P	58,227,497

20.3 Revenue Regulations (RR) No. 34-2020 – Related Party Transaction (RPT) Form and Transfer Pricing Documentation

The Bureau of Internal Revenue, in its Revenue Regulation No. 34-2020, requires taxpayers to submit BIR Form No. 1709 (RPT Form) to allow the BIR to verify that taxpayers are reporting their related party transactions at arm's length prices. It is also intended to improve and strengthen the Bureau's transfer pricing risk assessment and audit functions. Most importantly, the information that will be gathered from the RPT Form and its attachments will be used by the BIR during the transfer pricing risk assessment to determine whether or not to conduct a thorough review/audit of a particular entity or transaction.

Under the said RR, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

1. Large taxpayers;
2. Taxpayers enjoying tax incentives, i.e., Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
3. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
4. A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (1), (2) or (3) above. For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

In addition, the preparation and submission of Transfer Pricing Documentation (TPD) under RR No. 02-2013, otherwise known as "Transfer Pricing Guidelines" and all other relevant issuances, shall be mandatory for taxpayers enumerated above who meet the following materiality thresholds:

1. Annual gross sales/revenue for the subject taxable period exceeds Php150 million and the total amount of related party transactions with foreign and domestic related parties exceeds Php90 million; or
2. Related party transactions meeting the following materiality threshold:
   (i) If it involves sale of tangible goods in the aggregate amount exceeding Php60 million within the taxable year;
   (ii) If it involves service transaction, payment of interest, utilization of intangible goods or other related party transaction in the aggregate amount exceeding Php15 million within the taxable year; and
   (iii) If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

As it does not belong to taxpayers who are required to file and submit the RPT Form under Section 2 of RR 34-2020, the Bank is not covered by the requirements and procedures for related party transactions under the said RR.

20.4 Republic Act No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act

On February 3, 2021, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.

Under the proposed law, effective July 1, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding Php100 million, excluding land, and total net taxable income of not more than Php5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The Bill would also lower the minimum corporate income tax (MCIT) from 2% to 1% effective July 2020 until June 30, 2023.

Other key provisions of the CREATE Bill include:

- Effective January 1, 2021, income tax rate for non-resident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals, which are nonprofit, is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax, subject to the following conditions:
  (i) The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  (ii) Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries and infrastructure project; and
  (iii) The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of two (2) years at the time of the dividend distribution.
- Qualified export enterprises shall be entitled to four (4) to seven (7) years income tax holiday (ITH), to be followed by ten (10) years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to four (4) to seven (7) years ITH, to be followed by five (5) years ED.
- For investments prior to effectivity of CREATE:
  (i) Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH; and
  (ii) RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for ten (10) years.

The said bill was signed into law on March 26, 2021, except for certain provisions that were vetoed, by the President of the Philippines.

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. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT/2% MCIT) for financial reporting purposes.

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

This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, amounting to Php408,826 and Php138,491, respectively, or a reduction of Php141,569. The reduced amounts which will be reflected in the Bank's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements.

The following is the expected impact of CREATE Act in the Bank's financial statements:

Particulars	Old Tax Rate	New Tax Rate	Change
Total Liabilties	**P 3,116,070,802**	**P 3,115,929,233**	**P (141,569)**
Income Tax Payable	280,060	138,491	(141,569)
Total Equity	**1,208,741,691**	**1,208,883,260**	**141,569**
Retained Earnings	482,542,801	482,684,370	141,569
Net Profit	**145,917,965**	**146,059,534**	**141,569**
Income Tax Expense – Current	550,395	408,826	(141,569)

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21. OTHER OPERATING INCOME

This account consists of the following:

Particulars		2020		2019
Fees and Commission	P	106,737,313	P	125,859,759
Service Charge		24,390,815		33,107,732
Gain from Sale/Derecognition of Assets		13,363,894		7,867,196
Intermediation Services		1,972,285		2,152,113
Miscellaneous Income		38,300,165		32,148,209
Total	P	184,764,472	P	201,135,009

Miscellaneous income composed of other income related to loans, collections on written-off accounts, income from retirement fund and others.

Gain from sale/derecognition of assets consists of the following:

Particulars	*Notes*		2020		2019
Investment Properties	*12*	P	13,359,369	P	7,916,284
Bank Premises, Furniture, Fixtures and Equipment	*13*		4,525		(49,088)
Total		P	13,363,894	P	7,867,196

22. OTHER OPERATING EXPENSES

This account consists of the following:

Particulars	*Note*		2020		2019
Personnel Costs		P	251,020,143	P	252,542,080
Security, Messenger and Janitor Services			32,397,450		30,830,813
Depreciation and Amortization			28,067,489		24,016,538
Rent	*23*		20,747,576		19,547,333
Insurance Expense – Others			11,412,161		6,366,286
Taxes and Licenses			9,122,428		13,894,855
Power, Light and Water			8,238,393		8,844,955
Representation and Entertainment			6,427,066		16,380,096
Fuel, Oil and Lubricants			6,178,696		8,334,890
Stationeries and Supplies Used			5,682,649		5,811,973
Insurance Expense – PDIC			5,480,750		4,972,388
Travelling			4,859,326		19,780,172
Repairs and Maintenance			4,765,919		4,731,653
Management and Other Professional Fees			4,564,270		277,222
Postage, Telephone and Telegram			4,082,642		7,915,916
Advertising and Publicity			2,744,201		4,124,660
Supervision Fees			904,560		902,915
Training and Education			790,103		8,880,716
Donations and Charitable Contributions			276,250		237,645
Litigation/Assets Acquired Expenses			240,347		395,158
Periodicals and Magazines			205,824		327,261
Fees and Commission			83,375		164,569
Membership Fees and Dues			65,580		232,261
Information Technology Expenses			25,655		10,425
Fines and Penalties			0		4,746
Documentary Stamps			0		934
Miscellaneous			1,833,460		1,017,174
Total		P	410,216,313	P	440,545,634

Litigation expenses pertain to attorney's fees, filing fees for document in court for the foreclosure of mortgage properties and other legal-related expenses.

Personnel costs consist of:

Particulars		2020		2019
Salaries and Wages	P	107,121,876	P	103,415,156
Fringe Benefits – Officers and Employees		94,558,262		88,912,040
Directors' Compensation and Committee Members' Fees		31,699,453		36,023,256
SSS, Pag-IBIG and PhilHealth Contribution		10,640,552		10,691,628
Retirement Expense (Note 27)		7,000,000		13,500,000
Total	P	251,020,143	P	252,542,080

Depreciation and amortization expense consists of:

Particulars	Notes		2020		2019
Investment Properties	*12*	P	2,235,615	P	985,056
Bank Premises, Furniture, Fixtures and Equipment	*13*		25,289,185		22,488,793
Intangible Assets	*14*		542,689		542,689
Total		P	28,067,489	P	24,016,538

23. OPERATING LEASE COMMITMENTS

The Bank entered into various lease agreements for its branches. The lease transaction is classified by the Bank under operating lease where total rental payments are charged to current operation spread-over the term of the lease.

At the reporting date, the future minimum lease payment under non-cancellable operating leases is, as follows:

Particulars		2020		2019
Not Later Than One Year	P	18,134,295	P	19,502,656
Later Than One Year and Not Later Than Five Years		80,991,487		88,971,177
More Than Five Years		67,508,687		91,871,490
Total	P	166,634,469	P	200,345,323

Rent expense amounted to Php20,747,576 and Php19,547,333, as of December 31, 2020 and 2019, respectively, as disclosed in Note 22.

24. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loans and other transactions with certain directors, officers, stakeholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the terms as with other individuals and businesses of comparable risks.

24.1 DOSRI Loans

The General Banking Act and BSP regulations limit the amount of loans to each directors, officers, shareholders and related interest (DOSRI).

a. The individual ceiling for credit accommodation of a bank to each of its DOSRI shall be equivalent to his/her outstanding deposits and book value of his/her paid-in capital in the lending bank. The unsecured credit accommodation to each of the Bank's DOSRI shall not exceed thirty percent (30%) of his/her total credit accommodations.

b. The aggregate ceiling for credit accommodation, whether direct or indirect, to DOSRI of a bank shall not exceed fifteen percent (15%) of the total loan portfolio of the Bank or its combined capital accounts, net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of DOSRI shall not exceed thirty percent (30%) of the aggregate ceiling or outstanding direct/indirect credit accommodation thereto, whichever is lower.

As of December 31, 2020 and 2019, the Bank has no DOSRI and other related party loans.

24.2 DOSRI Deposits

Certain key management personnel maintain deposit accounts and placements with the Bank, which are included as part of Deposit Liabilities account in the statements of financial position. Such accounts are interest-bearing and subject to normal banking terms and conditions applied by the Bank to ordinary depositors.

24.3 Remuneration of Key Management Personnel

Particulars		2020		2019
Short-Term Employee Benefits	P	45,325,752	P	53,733,996
Post-Employee Benefits		4,129,866		7,456,293
Total	P	49,455,618	P	61,190,289

The key management compensation is shown as part of personnel costs under other operating expenses account in the statements of comprehensive income.

25. NOTES TO STATEMENT OF CASH FLOWS – RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the reconciliation analysis of liabilities arising from financing activities for the years ended December 31, 2020 and 2019.

Particulars	December 31, 2019	Cash Flows	Non-Cash Changes: Dividend Declaration	December 31, 2020
2020				
Bills Payable	P 508,334,883	P (431,653,391)	P 0	P 76,681,492
Dividends Payable	13,570,597	(13,568,372)	14,070,747	14,072,972
Total Liabilities from Financing Activities	**P 521,905,480**	**P (445,221,763)**	**P 14,070,747**	**P 90,754,464**

Particulars	December 31, 2018	Cash Flows	Non-Cash Changes: Dividend Declaration	December 31, 2019
2019				
Bills Payable	P 749,972,139	P (241,637,256)	P 0	P 508,334,883
Dividends Payable	13,430,926	(11,728,802)	11,868,473	13,570,597
Total Liabilities from Financing Activities	P 763,403,065	P (253,366,058)	P 11,868,473	P 521,905,480

In 2020, cash flows related to bills payable is net of cash inflow amounting to Php5,000,000 and cash outflow amounting to Php436,653,391.

In 2019, cash flows related to bills payable is net of cash inflow amounting to Php400,900,000 and cash outflow amounting to Php642,537,256.

26. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

The movements of account are, as follows:

Particulars	Held-to-Maturity Investments (Note 10)	Loans and Other Receivables (Note 11)	Investment Properties (Note 12)	Other Assets (Note 14)	Total
Balance, January 1, 2019	P 6,795,551	P 84,803,012	P 1,097,778	P 1,465,715	P 94,162,056
Provision	0	29,269,026	815,340	118,250	30,202,616
Reversal	(541,964)	(1,904,583)	0	(19,265)	(2,465,812)
Reclassification	0	(5,291,000)	5,291,000	0	0
Write-off	0	(3,296,477)	0	0	(3,926,477)
Balance, December 31, 2019	6,253,587	103,579,978	7,204,118	1,564,700	117,972,383
Provision	0	15,224,024	598,300	2,334,432	18,156,756
Reversal	(1,275,219)	(6,065,965)	0	0	(7,341,184)
Reclassification	0	(58,905)	253,759	(194,854)	0
Write-off	0	(9,448,562)	0	0	(9,448,562)
Balance, December 31, 2020	**P 4,978,368**	**P 103,230,570**	**P 8,056,177**	**P 3,704,278**	**P 119,339,393**

27. RETIREMENT BENEFIT OBLIGATION

Republic Act (RA) No. 7641 (New Retirement Law) took effect on January 17, 1993. Under the new law, the Bank is required to provide minimum retirement benefits to qualified retiring employees.

The Bank maintains partially funded, tax-qualified and non-contributory post-employment benefit plan that will be administered by a trustee bank that is legally separated from the Bank. The trustee bank will manage the fund in coordination with the Bank's Retirement Plan Committee, who acts in the best interest of the plan assets and is responsible for setting the investment policies.

The normal retirement age is 60, with minimum of 10 years of credited service. The plan also provides for an early retirement at age 45, with minimum of 10 years of credited service, and late retirement age after 60 but not beyond 65, both subject to the approval of the Bank's Board of Directors. Normal retirement benefit is an amount equivalent to 150% of plan salary for every year of credited service. The normal and late retirement benefits shall be computed in accordance with the retirement benefit formula as of normal or late retirement date.

As of December 31, 2020 and 2019, the accumulated balance of retirement benefit obligation amounted to Php26,485,284 and Php50,497,762, respectively, and is presented under Other Liabilities-Pension and Other Post-Retirement Benefit Obligation, which is funded under other asset account, as plan assets.

The movements of retirement benefit obligation, as disclosed in Note 18 are, as follows:

Particulars		2020		2019
Beginning Balance	P	50,497,762	P	42,683,040
Retirement Expense (Note 22)		7,000,000		13,500,000
Payments		(31,012,478)		(5,685,278)
Ending Balance	P	26,485,284	P	50,497,762

The movements of retirement fund, as disclosed in Note 14 are, as follows:

Particulars		2020		2019
Beginning Balance	P	45,604,073	P	43,368,407
Interest/Gains		1,761,801		2,235,666
Payments		(16,725,496)		0
Ending Balance	P	30,640,378	P	45,604,073

28. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

The following are the significant commitments and contingencies involving the Bank:

a. The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against its delinquent borrowers. The final decision of which cannot be determined at present. The loans and receivables under litigation amounted to Php253,473 and Php333,472, as of December 31, 2020 and 2019, respectively, as disclosed in Note 11.

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

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

d. The Bank had no outstanding outward and inward bills for collection at the end of the year.

Aside from those stated above, the Bank has no other contingent assets and liabilities, as of December 31, 2020 and 2019.

29. EVENTS AFTER THE REPORTING DATE

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill was signed into law by President Rodrigo R. Duterte. The said law will take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

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. As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT/2% MCIT) for financial reporting purposes. See Note 20 for full discussion of the law and its impact to the financial statements.

Except for the above, no events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date), and that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements for the year ended December 31, 2020 was approved and authorized for issue by the Board of Directors (BOD) on April 12, 2021.

31. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

Revenue Regulations (RR) No. 21-2002 prescribing additional procedural and/or documentary requirements, in connection with the preparation and submission of financial statements accompanying income tax returns, was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions. Moreover, RR No. 19-2011 that prescribes the use of new income tax

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forms starting with calendar year 2011 became effective on December 9, 2011. Companies are now required to include, as part of the notes to the financial statements, the schedules and information on taxable income and deductions.

Below are the additional information required by RR Nos. 15-2010 and 19-2011. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

RR 15-2010

31.1 Gross Receipt Tax (GRT)

Section 8 of Articles 60, 61 and 144 of Republic Act 9520, otherwise known as the Philippine Cooperative Code of 2008, provides that cooperatives with accumulated reserves and undivided net savings of more than Ten Million (Php10,000,000.00) are subject to percentage tax on sales of goods and/or services rendered to non-members using applicable percentage taxes imposed by Title V of the NIRC, as amended, except sales made by producers, marketing or service cooperatives.

Gross receipt taxes paid or accrued in relation to income from non-members for the years ended December 31, 2020 and 2019 consist of:

Particulars		Paid		Accrued		Total
2020						
Gross Receipt Tax	P	**4,514,121**	P	**1,924,289**	P	**6,438,410**
2019						
Gross Receipt Tax	P	4,583,777	P	1,804,858	P	6,388,635

31.2 Importations

The Bank has no importations for the years ended December 31, 2020 and 2019.

31.3 Excise Taxes

The Bank is exempted from excise tax for which it is directly liable.

31.4 Documentary Stamp Taxes

Pursuant to Revenue Regulation No. 13-2004, dated December 23, 2004, or "Implementing Provisions of Republic Act No. 9243," an act rationalizing the provisions of the documentary stamp tax (DST) of the Internal Revenue Code of 1997 (as amended), below are some of the circular affecting the operation of bank and non-bank financial intermediaries. One peso and fifty centavos (Php1.50) on each two hundred pesos (Php200.00) or any fractional part thereof of the issue price of any such debt instrument. If the debt instrument has a maturity date of less than one (1) year, the DST due shall be computed based on the number of days the instrument is outstanding as a fraction of 365 days.

31.5 All Other National and Local Taxes

All other local and national taxes paid by the Bank and presented as part of Other Operating Expenses for the two periods ended December 31, 2020 and 2019 consist of:

Particulars		2020		2019
National Taxes				
Percentage Tax	P	**5,690,551**	P	5,525,749
Local Taxes				
Business Permit		**2,622,505**		2,249,515
Vehicle Registration		**250,651**		273,734
Others		**558,721**		5,845,857
Total	P	**9,122,428**	P	13,894,855

31.6 Withholding Taxes

Withholding taxes paid or accrued for the years ended December 31, 2020 and 2019 consist of:

Particulars		Paid		Accrued		Total
2020						
Expanded Withholding Tax	P	4,009,975	P	979,343	P	4,989,318
Final Withholding Tax		5,635,008		1,599,335		7,234,343
Withholding Tax on Compensation		20,743,982		2,632,033		23,376,015
Total	P	30,388,965	P	5,210,711	P	35,599,676

Particulars		Paid		Accrued		Total
2019						
Expanded Withholding Tax	P	3,130,371	P	1,052,607	P	4,182,978
Final Withholding Tax		6,175,110		1,584,492		7,759,602
Withholding Tax on Compensation		11,874,378		4,168,361		16,042,739
Total	P	21,179,859	P	16,805,460	P	27,985,319

31.7 Tax Assessments

The Bank received a letter of authority on September 17, 2020 from the Bureau of Internal Revenue RDO 015 for examination of books of accounts and other accounting records for all internal revenue taxes including documentary stamp tax (DST), and other taxes (Miscellaneous tax) (OTH) for the period from January 1, 2019 to December 31, 2019 pursuant to Section 6(A) and Section 10(A) of the National Internal Revenue Code of 1997, as amended.

31.8 Tax Cases

The Bank has no outstanding tax cases in any other court or bodies outside of the BIR, as of December 31, 2020 and 2019.

32. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19-2011

Revenue Regulation No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2011. In case of the corporations using BIR form 1702, the tax payer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return (ITR), the schedules and information on taxable income and deductions to be taken. The information is presented for the purposes of filing with the BIR and is not required part of the basic financial statements.

The following are the schedules prescribed under existing revenue issuances applicable to the Bank, as of December 31, 2020:

32.1 Interest Income

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

Particulars		Per Financial Statement		Per Income Tax Return		
				Exempt		Taxable
Loans Receivable	P	458,050,112	P	369,811,712	P	88,238,400
Due from Other Banks		5,611,124		4,347,859		0
Held-to-Maturity Investments		2,807,926		0		0
Total	**P**	**466,469,162**	**P**	**374,159,571**	**P**	**88,238,400**

32.2 Cost of Service

The breakdown of the Bank's cost of service consists of:

Particulars		Per Financial Statement		Per Income Tax Return		
				Exempt		Taxable
Personnel Cost	P	212,320,690	P	170,919,685	P	40,094,553
Interest Expense		74,777,038		18,031,135		55,402,410
Insurance Expense – PDIC		5,480,750		4,412,043		1,068,707
Supervision Fees		904,560		728,178		176,382
Total	**P**	**293,483,038**	**P**	**194,091,041**	**P**	**96,742,052**

32.3 Other Taxable Income

The details of the Bank's other taxable income are, as follows:

Particulars		Per Financial Statement		Per Income Tax Return		
				Exempt		Taxable
Fees and Commission	P	106,737,313	P	106,131,632	P	605,681
Service Charge		24,390,815		17,885,635		6,505,180
Gain from Sale/Derecognition of Assets		13,363,894		6,193,801		7,170,093
Intermediation Services		1,972,285		914,100		1,058,185
Miscellaneous Income		38,300,165		17,615,927		20,684,238
Total	**P**	**184,764,472**	**P**	**148,741,095**	**P**	**36,023,377**

Notes to Financial Statements
December 31, 2020 and 2019

32.4 Allowable Deductions

The details of the Bank's allowable deductions are, as follows:

Particulars	Per Financial Statement		Per Income Tax Return Exempt		Per Income Tax Return Taxable	
Personnel Cost	P	38,699,453	P	31,153,338	P	6,181,165
Security, Messenger and Janitor Services		32,397,450		26,080,181		6,317,269
Depreciation and Amortization		28,067,489		22,594,529		5,472,960
Rent		20,747,576		16,701,948		4,045,628
Provision for Credit and Impairment Losses		18,156,756		14,616,319		0
Insurance Expenses – Others		11,412,161		9,186,872		2,225,289
Taxes and Licenses		9,122,428		7,336,835		1,785,593
Power, Light and Water		8,238,393		6,631,967		1,606,426
Representation and Entertainment		6,427,066		5,173,834		1,253,232
Fuel, Oil and Lubricants		6,178,696		4,973,893		1,204,803
Stationeries and Supplies Used		5,682,649		4,574,574		1,108,075
Travelling		4,859,326		3,911,793		947,533
Repairs and Maintenance		4,765,919		3,836,600		929,319
Management and Other Professional Fees		4,564,270		3,674,270		890,000
Postage, Telephone and Telegram		4,082,642		3,286,557		796,085
Advertising and Publicity		2,744,201		2,209,102		535,099
Training and Education		790,103		636,039		154,064
Donations and Charitable Contributions		276,250		0		0
Litigation/Assets Acquired Expenses		240,347		193,481		46,866
Periodicals and Magazines		205,824		165,691		40,133
Fees and Commission		83,375		67,117		16,258
Membership Fees and Dues		65,580		52,792		12,788
Information Technology Expenses		25,655		20,653		5,002
Miscellaneous		1,833,460		1,475,948		357,512
Total	**P**	**209,667,069**	**P**	**168,554,333**	**P**	**35,931,099**

33. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 8, 2020, the Monetary Board (MB) amended BSP Circular No. 1074, requiring banks to include the additional information on the following:

33.1 Basic Quantitative Indicators of Financial Performance

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

Particulars	2020	2019
Return on Average Equity (ROE)	12.76%	14.36%
Return on Average Asset (ROA)	3.36%	3.34%
Net Interest Margin	10.01%	10.68%
Debt-to-Equity	2.58:1	3.03:1
Tier 1 Capital/Total Exposure Measure	26.97%	23.79%

**Total exposure measure amounted to Php4,351,966,913 and Php4,384,320,511 as of December 31, 2020 and 2019, respectively*

33.2 Capital Instruments Issued

Description of capital instrument issued by the Bank is disclosed in Note 19.

33.3 Significant Credit Exposures

The Bank's concentration of credit as to industry/economic sector (net of unamortized discount), are, as follows:

Particulars		2020	%		2019	%
Agriculture, Forestry and Fishing	P	1,132,064,488	38.23%	P	1,339,105,023	41.61%
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles		751,758,472	25.39%		734,477,767	22.82%
Household Consumption		433,335,758	14.63%		478,837,799	14.88%
Construction		156,207,833	5.27%		131,862,398	4.10%
Accommodation and Food Service Activities		66,874,349	2.26%		79,069,900	2.46%
Transportation and Storage		18,701,499	0.63%		18,436,352	0.57%
Administrative and Support Service Activities		17,411,961	0.59%		7,889,377	0.25%
Manufacturing		15,756,665	0.53%		20,265,187	0.63%
Real Estate Activities		10,727,797	0.36%		15,902,600	0.49%
Electricity, Gas, Steam and Air-Conditioning Supply		8,853,327	0.30%		14,535,261	0.46%
Arts, Entertainment and Recreation		7,382,758	0.25%		8,259,408	0.26%

Particulars	2020	%	2019	%
Professional, Scientific and Technical Activities	6,242,805	0.21%	7,418,894	0.23%
Water Supply, Sewerage, Waste Management and Remediation Activities	4,448,540	0.15%	4,069,193	0.13%
Activities of Households as Employers and Undifferentiated Goods and Services Producing Activities of Households for Own Use	3,141,387	0.11%	0	0.00%
Human Health and Social Work Activities	2,334,557	0.08%	467,235	0.01%
Education	2,080,568	0.07%	2,352,595	0.07%
Information and Communication	1,072,298	0.04%	1,701,215	0.05%
Other Service Activities	322,899,079	10.90%	353,318,978	10.98%
Total	P 2,961,294,141	100.00%	P 3,217,969,182	100.00%

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital, which is equivalent to Php117,373,546 and Php104,303,883 as of December 31, 2020 and 2019, respectively.

In 2020 and 2019, the Bank is exposed to credit risk concentration on agricultural, forestry and fishing amounting to more than 30% of total loan portfolio. Also, the Bank is exposed to credit risk concentration on agricultural, forestry and fishing, wholesale and retail trade, repair of motor vehicles and motorcycles, household consumption, construction and other service activities amounting to more than 10% of Tier 1 capital.

33.4 Breakdown of Total Loans

33.4.1 As to Security

As to security, loans are classified into (net of unamortized discount):

Particulars	2020	%	2019	%
Secured Loans:				
Real Estate Mortgage	P 2,128,550,244	71.88%	P 2,219,983,919	68.99%
Other Collateral	435,826,337	14.72%	492,494,036	15.30%
Total Secured	2,564,376,581	86.60%	2,712,477,955	84.29%
Unsecured	396,917,560	13.40%	505,491,227	15.71%
Total Loans	P 2,961,294,141	100.00%	P 3,217,969,182	100.00%

34.4.2 As to Status

Breakdown of loans as to performing and non-performing status per product is, as follows:

2020			
Particulars	Performing	Non-Performing	Total
Other Agricultural Credit Loans	P 808,321,886	P 21,892,834	P 830,214,720
Medium Eterprise	566,825,574	32,086,977	598,912,551
Small Enterprise	476,358,137	19,780,015	496,138,152
Agrarian Reform Loans	255,038,339	46,811,429	301,849,768
Microenterprise Loans	15,232,367	8,828,406	24,060,773
Salary Loan	1,485,953	9,387,398	10,873,351
Loans to Individuals for Other Purposes	679,860,411	19,384,415	699,244,826
Total	P 2,803,122,667	P 158,171,474	P 2,961,294,141

2019			
Particulars	Performing	Non-Performing	Total
Other Agricultural Credit Loans	P 909,445,442	P 28,411,308	P 937,856,750
Medium Eterprise	624,985,956	11,753,357	636,739,313
Small Enterprise	432,579,623	16,058,021	448,637,644
Jewelry Loan	412,013,740	9,653,869	421,667,609
Agrarian Reform Loans	356,032,663	45,215,609	401,248,272
Microenterprise Loans	23,590,129	11,480,399	35,070,528
Loans to Individuals for Other Purposes	319,055,047	17,694,019	336,749,066
Total	P 3,077,702,600	P 140,266,582	P 3,217,969,182

33.5 Information on Related Party Loans

Information on related party loans is disclosed in Note 24.

33.6 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2020 and 2019, bills payable amounting to Php76,681,492 and Php508,334,883, respectively, are secured by pledge of loans receivable with outstanding balance of Php89,674,435 and Php535,325,113, respectively.

33.7 Contingencies and Commitments Arising from Off-Balance Sheet Items

As of December 31, 2019 and 2018, the Bank has no contingencies and commitments arising from off-balance sheet items, as described in Circular No. 1074.

Board of Directors

Mr. ERWIN B. TABUCOL
Chairperson of the Board

Filipino and 57 years old. Chairperson of the Board of Directors of FICOBank since 2017; and member of the Board for seven (7) years now. Incumbent Chairperson of the Executive Committee, Bids & Awards Committee, Conciliation & Mediation Committee, Special Investigation Committee and Budget Committee; and member of the Corporate Governance Committee. Current Director and former Finance Officer of the Village Farmers' Cooperative. Former Accounting Clerk, Clearing Assistant, Teller, Account Officer and then Loan Officer of the Land Bank of the Philippines; Financial Analyst of the Farm System Development Corporation; and Bookkeeper of the Local Government Unit of Roxas, Isabela. Graduate of Bachelor of Science in Commerce (major in Accounting), University of the East, and Juris Doctor, Isabela State University. A Certified Public Accountant (CPA).

Dr. PASENCIA B. BATTUNG
Vice Chairperson of the Board

Filipino and 53 years old. Vice Chairperson of the Board of Directors since 2018; member of the Board for seven (7) years now; and former Treasurer of FICOBank. Incumbent Chairperson of the Education & Training Committee; and member of the Executive Committee, Bids & Awards Committee, Conciliation & Mediation Committee and Budget Committee. Principal II of the Department of Education; and current Chairperson of the Board of the Damortis Multi-Purpose Cooperative and member of the Board of the Mallig Samahang Nayon Area Marketing Cooperative. Graduate of Bachelor of Science in Elementary Education, St. Ferdinand College, Master of Arts in Education, Mallig Plains College, and Doctor of Education, Northeastern College. A Licensed Professional Teacher (LPT).

Ms. AILEEN GALE M. AGCAOILI
Director

Filipino and 31 years old. Independent Director of FICOBank since 2017. Incumbent Chairperson of the Corporate Governance Committee; and member of the Executive Committee, Audit & Inventory Committee and Gender & Development Committee. Current Director of the Mapuroc Multi-Purpose Cooperative Inc. Former Private Nurse of the Skylab Diagnostic and Medical Laboratory, and Lecturer/Review Analyst of the Achiever Review Center, Santiago City. Graduate of Bachelor of Science in Nursing, Northeastern College, and Bachelor of Science in Secondary Education, University of La Salette. A Registered Nurse (RN).

Mr. WILFREDO DC. ANTONIO
Director

Filipino and 69 years old. Director of FICOBank since 2013 and has been Chairperson and Vice Chairperson of the Board of Directors. Incumbent Vice Chairperson of the Ethics Committee; and member of the Executive Committee, Audit & Inventory Committee, Corporate Governance Committee and Budget Committee. Current Chairperson of the Board of Directors of the San Manuel Multi-Purpose Cooperative. Former *Sangguniang Bayan* (SB) Member of the Local Government Unit (LGU) of San Manuel, Isabela; and Farm Management Technician of the Bureau of Agricultural Extension, Department of Agriculture. Graduate of Bachelor of Science in Agriculture, Major in Animal Husbandry and Minor in Economics, Central Luzon State University.

Mr. EUFEMIO M. BASUEL
Director

Filipino and 71 years old. Director of FICOBank since 2011 (on staggered terms) and has been Corporate Secretary. Incumbent Chairperson of the Gender & Development Committee; and member of the Education & Training Committee and Credit Committee. Current Chairperson of the San Pablo Multi-Purpose Cooperative and Alliance of Samahang Nayon Marketing Cooperative (ALSANAMARCO); and Director of the Cagayan Valley Development Cooperative. Former Agricultural Cooperative Development Officer of the Ministry of Local Government and Community Development; Agricultural Food Technologist of the Ministry of Agriculture and Food; and Agricultural Technician of the Department of Agriculture. Graduate of Bachelor of Science in Elementary Education, Major in Agriculture (BSEEd-Ag), Tarlac College of Agriculture, Camiling, Tarlac. A recipient of local, regional and national awards, foremost of which is the Gawad Geny Lopez Bayaning Pilipino Award by the ABS-CBN and UGAT Foundation.

Board of Directors

Mr. ROGELIO B. BENITEZ
Director

Filipino and 71 years old. Director of FICOBank since 2016 and has been Corporate Secretary. Incumbent member of the Education & Training Committee, Bids & Awards Committee, Credit Committee and Special Investigation Committee. Current Chairperson of the New Casili Multi-Purpose Cooperative. Former Manager of the Mallig Samahang Nayon Area Marketing Cooperative; Municipal Planning and Development Coordinator and retired *Sangguniang Bayan* (SB) Secretary of the Local Government Unit of Mallig; Farm Management Technician and then Agrarian Reform Technician of the Department of Agrarian Reform; and Vice President and then Director of the Philippine League of Secretaries to the Sanggunian Inc. Graduate of Bachelor of Science in Agriculture, Araneta University Foundation, and Master in Public Administration, Our Lady of the Pillar College.

Mr. ERNESTO C. GAMBOA
Director

Filipino and 69 years old. Director of FICOBank since 2014 and has been Vice Chairperson of the Board of Directors. Incumbent member of the Executive Committee, Audit & Inventory Committee, Education & Training Committee, Conciliation & Mediation Committee, Corporate Governance Committee and Ethics Committee. Current Chairperson of the Board of the Roxas Hybrid Seed Growers Multi-Purpose Cooperative. Former Collector, Loan Officer and then Bookkeeper of the Rural Bank of Burgos; and Loan Officer and then Branch Manager of the Consolidated Rural Bank (Cagayan Valley) Inc. Graduate of Bachelor of Science in Business Administration (major in Accounting), National College of Business and Arts.

Engr. JEFFERSON G. MARIANO
Director

Filipino and 40 years old. Independent Director of FICOBank since 2017. Incumbent Chairperson of the Audit & Inventory Committee; and member of the Gender & Development Committee and Corporate Governance Committee. Current Director of the Natan-oc Multi-Purpose Cooperative. Graduate of Bachelor of Science in Civil Engineering, St. Mary's University. A freelance Civil Engineer (Building Designer and Contractor).

Mr. FREDERIQUE M. OBEDOZA
Director

Filipino and 54 years old. Director of FICOBank since 2018 and has been Corporate Secretary. Incumbent Chairperson of the Credit Committee and Ethics Committee; and member of the Audit & Inventory Committee, Corporate Governance Committee, Special Investigation Committee and Budget Committee. Current Chairperson of the Bugallon Proper Samahang Nayon Multi-Purpose Cooperative. Former Loan Officer/Appraiser of the Land Bank of the Philippines; Accountant of the Universal Earth Resources Corporation; Branch Manager of FICOBank; and Executive Secretary and then Head of the Economic Enterprise Department of the Local Government Unit of Ramon, Isabela. Graduate of Bachelor of Science in Accountancy, Philippine School of Business Administration, and Bachelor of Laws, Northeastern College. A Certified Public Accountant (CPA).

Atty. HUBERT E. MOLINA
President & CEO

Ms. MAY A. SUNIO
Corporate Secretary

Senior Management

Atty. HUBERT E. MOLINA
President & CEO

Filipino and 50 years old. President & CEO of FICOBank since 2016. Current Board Chairperson of the Cooperative Banks Federation of the Philippines (BANGKOOP). Former Executive/Senior Vice President for Treasury & Corporate Services Group, Vice President of Administration & Support Services, Head of Asset Management & Legal Department, Executive Assistant to the President, and Corporate Secretary of FICOBank. Former Senior Associate Lawyer of JGLaw, Lecturer in the College of Law of the Isabela State University and the Manuel L. Quezon University, Instructor of the Centro Escolar University and the St. Scholasticas' College, and Consultant of the Department of Agrarian Reform. Graduate of Bachelor of Science in Commerce (major in Accounting), University of Sto. Tomas, and Bachelor of Laws, San Beda College. Completed a Diploma Program in Banking, Ateneo De Manila University Graduate School of Business. A Certified Public Accountant (CPA) and a Full-fledged Lawyer.

Mr. GILBERT A. GALOPE
Executive Vice President,
Treasury & Corporate Services Group

Filipino and 33 years old. Executive Vice President for Treasury & Corporate Services Group of FICOBank since 2017. Former Head of Accounting Department and Accounting Assistant of FICOBank. Graduate of Bachelor of Science in Accountancy, Central Luzon State University, Master in Business Administration, Our Lady of the Pillar College, and Juris Doctor, Isabela State University. A Certified Public Accountant (CPA) and a Certified International Bookkeeper (CIB).

Mr. GILBERT A. GALOPE
Executive Vice President,
Treasury & Corporate Services Group

Treasury & Corporate Services Group

Mr. ROMMEL M. LINDO
Head, Information & Communications Technology Department

Ms. JUVY M. GALUTERA
Head, Treasury Department

Ms. MARJORIE J. CABIGAS
Head, Credit Risk Management Office

Dr. MARLENE M. OBEDOZA
Head, Human Resource & Administration Department

Treasury & Corporate Services Group

Mr. GLENN MARK F. RINION
Head, Internal Audit Department

Mr. ALEXANDER E. MANLAPIG, JR.
Head, Accounting Department

Mr. RUBEN S. PORLUCAS
Chief Security Officer

Atty. AIZA G. ORDOÑO
Head, Asset Management &
Legal Department

Mr. EMERSON C. UMAYAM
Head, Credit Department

Ms. LARA ANGELIE P. MANZANO
Chief Compliance Officer

Operation & Banking Services Group

Ms. MA. PILAR MILAGROS C. ATIENZA
Head, Northeast Luzon Area Operation

Mr. RONALD C. BUSTO
Head, Northwest-Central Luzon Area Operation

Mr. ALBERT V. AGNES
Manager, Corporate Banking Center

Mr. JIMMY R. PARONGAN
Manager, Roxas Banking Center

Operation & Banking Services Group

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Manager, FICOBank Alicia

Ms. FRANTES T. CADIZ
Manager, FICOBank Echague

Mr. ROMEO C. GATAN
Manager, FICOBank Tuguegarao

Mr. REYNALDO U. VALDEZ, JR.
Manager, FICOBank Ilagan

Mr. DENVER M. HIPOLITO
Manager, FICOBank Jones

Mr. NOEL DE AMOR S. NAVARRO
Manager, FICOBank Cauayan

Mr. WARREN C. TUPPAL
Manager, FICOBank Maddela

Mr. JOEL G. CADORNA
Manager, FICOBank Santiago

Ms. MAY P. MABUNGA
Manager, FICOBank Solano

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Manager, FICOBank Aurora

Mr. NOEL A. VILORIA
Manager, FICOBank Tumauini

Mr. JAYSON R. CLARO
Manager, FICOBank Bambang

Mr. REDENTOR S. FERNANDEZ
Manager, FICOBank San Mateo

Engr. ROLANDO S. TANAP
Manager, FICOBank Solana

Mr. REYMUND C. MATIAS
Manager, FICOBank Abulug

Mr. MARLON G. JACINTO
Manager, FICOBank Gonzaga

Mr. VICENTE M. MAGAOAY
Manager, FICOBank Aparri

Mr. REYGIE G. BUNGCAYAO
Manager, FICOBank Tabuk

Operation & Banking Services Group

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Manager, FICOBank Diffun

Mr. ANGELO T. SALVADOR
Manager, FICOBank Lingayen

Mr. RICARDO G. TIMBOL
Manager, FICOBank Paniqui

Ms. BENILDA R. LABAUZA
Manager, FICOBank Urdaneta

Ms. MAUREEN LYN H. SIGUA
Manager, FICOBank Dinalupihan

Ms. GENELENE L. DELA CRUZ
Manager, FICOBank San Jose

Mr. MENDEL RYAN D. BAL
Manager, FICOBank Gapan

Mr. SONNY R. FABRO
Manager, FICOBank Guimba

Mr. RODEL A. JUANATAS
Manager, FICOBank Concepcion

Operation & Banking Services Group

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Manager, FICOBank Baliwag

Mr. DAMASO T. GALERIO, JR.
Manager, FICOBank Muñoz

Mr. RANIEL C. CASTRO
Manager, FICOBank Cabanatuan

Mr. GUY JERIC R. VALDEZ
Manager, FICOBank Aliaga

Mr. GIDEON P. QUETIVES
Manager, FICOBank Malasiqui

Ms. MARY JOY R. LASTROLLO
Manager, FICOBank San Fernando

Ms. ARMEN B. HERMOSO
Manager, FICOBank Zaragoza

Ms. KRISTINE BERNADETTE M. FELICIANO
Manager, FICOBank Rizal

Products & Services

Deposit Products

Loan Products

Other Services

- Inter-Branch Deposit
- Online Money Transfer
- FICO Protektodo
- FICO TeleKonsulta
- ENCASH SuperPOS
- PERA HUB GCASH In
- PERA HUB Remittance
- CashKO Bayad Express
- Project i2i Remittance

Deposits are insured by PDIC up to P500,000 per depositor.

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E-mail : info@ficobank.com

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Northwest-Central Luzon Area (Regions I & III)
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FICOBank Malasiqui
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Malasiqui, Pangasinan
Tel./Fax No.: (075) 536-4294

FICOBank Urdaneta
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CAR

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0927-871-2336

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FICOBank Aparri
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Tel. No.: (078) 888-0753

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San Jose, Aurora, Isabela
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FICOBank Bambang
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Bambang, Nueva Vizcaya
Tel./Fax No.: (078) 362-0025

FICOBank Cabatuan
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Brgy. Centro, Cabatuan, Isabela
Tel. No.: (078) 307-6593

FICOBank Cauayan
Cor. Don Juan Dacanay &
Consuelo Lucas Sts., San Fermin
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Tel. Nos.: (078) 652-3363/652-0215

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Tel. No.: (078) 307-1276

FICOBank Jones
Torio St., Brgy. 1
Jones, Isabela
Mobile No.: 0917-827-6089

FICOBank Maddela
Magsaysay St.
Poblacion Norte
Maddela, Quirino
Tel. No.: (078) 353-9576
Mobile No.: 0999-223-1743

FICOBank Roxas
Cor. Leal & Jara Sts., Bantug
Roxas, Isabela
Tel. No.: (078) 325-9474

FICOBank San Mateo
Public Market, Magsaysay St.
Brgy. 3, San Mateo, Isabela
Tel./Fax No.: (078) 323-0661

FICOBank Santiago
Heritage Bldg., Maharlika Hwy.
Malvar, Santiago City
Tel. No.: (078) 305-5515
Tel./Fax No.: (078) 305-1472

FICOBank Solana
Municipal Compound
Centro Southwest
Solana, Cagayan
Tel./Fax No.: (078) 377-0948

FICOBank Solano
Alvarez Bldg., Cor. Burgos &
Luna Sts., Quirino, Solano
Nueva Vizcaya
Tel. No.: (078) 362-3141

FICOBank Tuguegarao
Ground Floor, JB Prime Bldg.
Maharlika Hwy., Tanza
Tuguegarao City, Cagayan
Tel. No.: (078) 844-2502

FICOBank Tumauini
Uy Bldg., Maharlika Hwy.
Lingaling, Tumauini, Isabela
Tel./Fax No.: (078) 323-1139

REGION III

FICOBank Aliaga
Rizal St., Poblacion Centro
Aliaga, Nueva Ecija
Mobile No.: 0917-500-2843

FICOBank Baliwag
Sauco-Francisco Bldg.
Benigno S. Aquino Ave.
Bagong Nayon
Baliwag, Bulacan
Tel. No.: (044) 798-1226

FICOBank Cabanatuan
Maharlika Hwy.
Dicarma District
Cabanatuan City, Nueva Ecija
Tel. No.: (044) 464-7466

FICOBank Concepcion
CRB Plaza, L. Cortez St.
San Nicolas, Concepcion, Tarlac
Tel. No.: (045) 923-1638

FICOBank Dinalupihan
National Hwy., San Ramon
Dinalupihan, Bataan
Tel. No.: (047) 613-5363

FICOBank Gapan
KL Bldg., Tinio St., San Vicente
Gapan City, Nueva Ecija
Tel. No.: (044) 940-8016

FICOBank Guimba
RSY Bldg., Faigal St., Saranay
Guimba, Nueva Ecija
Tel. No.: (044) 940-2183

FICOBank Muñoz
535 T. Delos Santos St.
Poblacion West
Science City of Muñoz
Nueva Ecija
Tel. No.: (044) 958-0432

FICOBank Paniqui
252 M.H. Del Pilar St.
Estacion, Paniqui, Tarlac
Tel. No.: (045) 609-0005

FICOBank Rizal
Aglipay St., Poblacion Sur
Rizal, Nueva Ecija
Tel. No.: (044) 456-0703

FICOBank San Fernando
PLSC Bldg., A Consunji St.
Sto. Rosario, San Fernando City
Pampanga
Tel. No.: (045) 403-9402
Mobile No.: 0949-616-2050

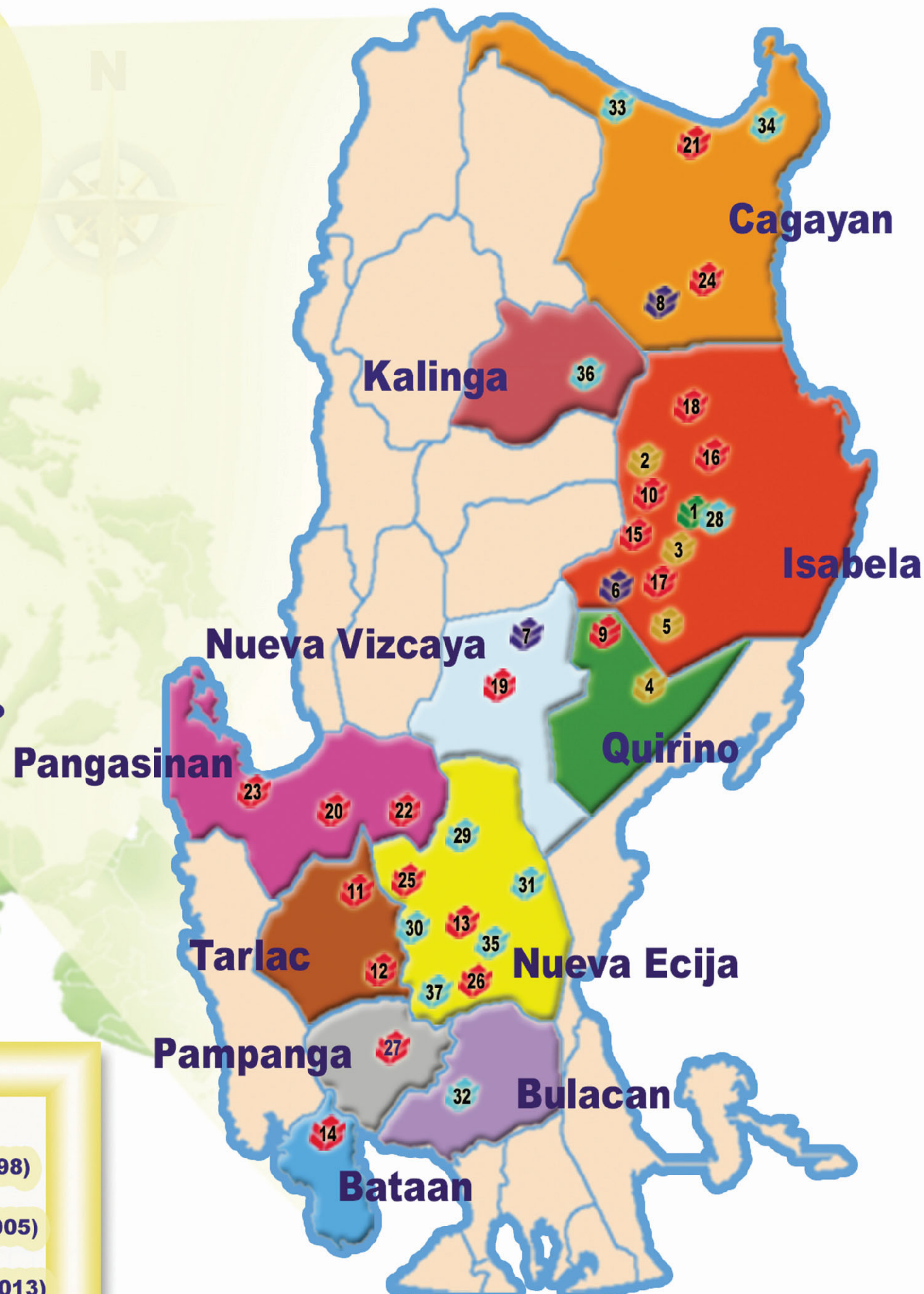
FICOBank San Jose
Ignacio Bldg., Maharlika Hwy.
Brgy. F.E. Marcos
San Jose City, Nueva Ecija
Tel. No.: (044) 958-2288

FICOBank Zaragoza
San Isidro, Zaragoza
Nueva Ecija
Tel. No.: (044) 940-3916

Market Footprints

1. FICOBank Head Office
2. FICOBank Roxas
3. FICOBank Alicia
4. FICOBank Maddela
5. FICOBank Jones
6. FICOBank Santiago
7. FICOBank Solano
8. FICOBank Solana
9. FICOBank Diffun
10. FICOBank Aurora
11. FICOBank Paniqui
12. FICOBank Concepcion
13. FICOBank Cabanatuan
14. FICOBank Dinalupihan
15. FICOBank San Mateo
16. FICOBank Ilagan
17. FICOBank Echague
18. FICOBank Tumauini
19. FICOBank Bambang
20. FICOBank Malasiqui
21. FICOBank Aparri
22. FICOBank Urdaneta
23. FICOBank Lingayen
24. FICOBank Tuguegarao
25. FICOBank Guimba
26. FICOBank Gapan
27. FICOBank San Fernando
28. FICOBank Cauayan
29. FICOBank San Jose
30. FICOBank Zaragoza
31. FICOBank Rizal
32. FICOBank Baliwag
33. FICOBank Abulug
34. FICOBank Gonzaga
35. FICOBank Muñoz
36. FICOBank Tabuk
37. FICOBank Aliaga

- Home Market (1976)
- Market Expansion I (1995-1998)
- Market Expansion II (2003-2005)
- Market Expansion III (2007-2013)
- Market Expansion IV (2014-2020)



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