



HIYAS BANKING CORPORATION
"A THRIFT BANK"

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2023
Annual Report

ABOUT THE COVER

On the cover is the image of our beloved patroness, LA PURISIMA CONCEPCION, after whom the Municipality of Sta. Maria, Bulacan, where the Bank primarily operates, is named. With her guidance, protection, and benevolence, the Bank and all of its five (5) HBC units across Bulacan remain true to their mission of empowering the countryside, serving the financial needs of the people of Sta. Maria and the nearby towns of Bocaue, Pandi, Norzagaray, and San Jose del Monte, extending our reach as far as the City of Malolos. Rising from being one of the pioneer banks at Sta. Maria, Bulacan, Hiyas Banking Corporation continues to stand strong amidst the competition from larger commercial and universal banks that have emerged over the years. We are dedicated on our mandate of reaching out and making a difference in the lives of the people we serve. In the midst of these extraordinarily difficult times, we seek refuge under the protection of LA PURISIMA CONCEPCION as we implore on her perpetual guidance, wisdom, and strength as we carry out our responsibilities to the country and the public, serving as an instrument of peace, service, and compassion to others.

ABOUT THIS REPORT

This report of HIYAS BANKING CORPORATION (HBC) encompasses our Annual Report to shareholders for the fiscal year covering the period from January to December 2023. The data presented within this document was consolidated from our Head Office, as well as our four (4) branch offices, ensuring a holistic and accurate presentation of our operations and financial performance throughout the year. The financial statements included herein have been audited and prepared by the Paguio, Dumayas & Associates, CPAs (PDAC), led by Mr. Emmanuel C. Dumayas. This report aims to provide a detailed and transparent overview of HBC's activities, achievements, and financial health, reflecting our ongoing commitment to our stakeholders and the communities we serve.

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HBC THROUGH THE YEARS...

MILESTONES....

- ✚ The Bank opened its door to the public on 29 May 1976, following the issuance of the Authority to Operate as a thrift bank by the Monetary Board of the Central Bank of the Philippines, under Certificate of Authority No. S-47. This significant milestone marked the beginning of our longstanding commitment to providing accessible and reliable banking services to our community.
- ✚ Incorporated and registered with the Securities and Exchange Commission on 21 April 1976, the Bank was founded with an initial authorized capitalization of P 2.5 million. Over the decades, we have demonstrated growth and financial stability, and today, we boast an authorized capital stock of P 100 million with total resources posted at P 1,363,385,647 as of 31 December 2023. This remarkable progress underscores our unwavering commitment to financial excellence and our dedication to serving the needs of our community.
- ✚ As of December 31, 2023, the Bank's capital accounts pegged at P 160,035,638, resulting in a Capital Adequacy Ratio (CAR) of 14.90%. This impressive ratio not only surpasses regulatory and statutory requirements but also highlights our strong financial foundation and prudent risk management practices.
- ✚ A branch office in Malolos, Bulacan, opened for business on 27 March 1980, followed by the Norzagaray Branch, which commenced operations on 29 May 1982. Despite the worldwide economic slowdown in 1983, which also impacted the Philippine banking sector, the Bank demonstrated resilience and perseverance. Surviving the trials and tribulations of the 1980s, the Bank not only endured but also thrived. In a significant milestone, the Bank purchased a new site for its Head Office and expanded further by opening another branch office in San Jose del Monte, Bulacan, on 05 October 1992.
- ✚ By 1995, the Bank faced the mandatory adherence to comply with the new capital requirements for thrift banks mandated by the Bangko Sentral ng Pilipinas. In response, efforts were directed towards ensuring full compliance with this regulation, including amending the Bank's Articles of Incorporation to increase the authorized capital stock from P 25 million to P 50 million. This strategic move not only met regulatory demands but also positioned the Bank for continued growth and stability in an evolving financial landscape.

- ✚ Further amendments to its Articles of Incorporation and By-Laws were undertaken in 2002 and again in 2004. The latter revision included an increase in the Bank's authorized capital stock from P 50 million to P 100 million. Additionally, the number of board members was increased from 11 to 15, with three seats designated for independent directors.
- ✚ On October 8, 2002, HIYAS SAVINGS AND LOAN BANK took on its new name, HIYAS BANKING CORPORATION.
- ✚ In 2007, HIYAS BANKING CORPORATION faced significant challenges as it worked diligently to achieve full compliance with the Philippine Financial Reporting Standards (PFRS), introduced in 2006. Concurrently, the Bank pursued its application for authority to establish and operate an additional banking unit in Bagbaguin, Sta. Maria, Bulacan. This effort culminated in approval from the Central Applications and Licensing Group (CALG) of the Bangko Sentral ng Pilipinas on 14 November 2007, marking a pivotal achievement for our expansion and regulatory alignment initiatives.
- ✚ The 10-months construction of our three-storey building on the 1,000 square meter Bank property along Gov. Fortunato F. Halili Avenue, Bagbaguin, Sta. Maria, Bulacan, began in December 2007 and was successfully completed in October 2008. Since 17 November 2008, this new facility has served as the Bank's corporate headquarters. Alongside this development, the Bank has expanded its presence to operate five (5) branches, namely: New Market Site Branch and Poblacion Branch, both in Sta. Maria; Malolos Branch; San Jose del Monte Branch; and Norzagaray Branch, all located in Bulacan. This significant milestone highlights the Bank's unwavering commitment to growth and operational excellence and our expanded branch network enhances our ability to serve the community and aligns with our mission of providing accessible banking services across Bulacan.
- ✚ The Bank is currently working on increasing its Authorized Capital Stock from 100 to 300 million in compliance with the requirements of Bangko Sentral ng Pilipinas Circular 854, Series of 2014, which mandates that category of banks under which HBC belongs should have a minimum capitalization of P 300 million. The Bank had been favorably granted a regulatory relief but continues to strive towards full compliance in the next five (5) years. We have yet to comply with the mandated minimum capital requirement, but the continued profitability of the Bank's operation had somehow bridged the gap and our capital deficit is now down to P 140 million. This progress shows the Bank's commitment to sound financial management and strategic growth, positioning us well to bridge the remaining gap in capitalization.

- ✚ The Bank had recently amended its Articles of Incorporation and By-laws to incorporate several corporate governance reforms, the most salient of which is the decrease in the number of directors, that is, from fifteen (15) to nine (9), three (3) of whom shall be independent members of the Board. The Board of Directors shall be chaired and primarily be composed of non-executive members of the Board. The Certificates of Amended Articles of Incorporation and By-Laws as approved by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission were issued 07 December 2017, hence, will take effect commencing 2018.
- ✚ The year 2020 brought unprecedented devastation with the onset of the COVID-19 pandemic, leaving an indelible impact on the global economy. The Bank, reliant on face-to-face transactions and service delivery, faced significant challenges as mobility restrictions and business stoppages due to lockdowns severely dampened domestic demand. These factors had a profound effect on the Bank's financial performance, compounded by the prolonged duration of varying degrees of lockdowns over nearly two years. While the operational results may not have yielded substantial income, yet the Bank remains steadfast and committed to its mission of empowering rural areas and providing essential financial assistance to our clients who now need it more than ever.
- ✚ The Bank consolidated its HBC Poblacion Branch with the HBC New Market Site Branch in September 2020, and now operates with five (5) units, namely, HBC Head Office, HBC New Market Site, HBC Malolos, HBC Norzagaray, and HBC San Jose del Monte. Stalled by the pandemic, we have requested and were granted until September 2023 by the Bangko Sentral ng Pilipinas to transfer and reopen the branch to a competitive location. However, challenges in our liquidity due to decreasing trends in deposit brought by stiff competition from bigger banks commencing January of 2023 when the liquidity relief has been lifted and resumed to its normal levels, have stalled our plans. Consequently, the Board of Directors, in view of the expiry of the extension to reopen a new branch on September 2023, decided with regret and heavy heart during the Regular Meeting on 24 August 2023 under Resolution No. 2023-180, to voluntarily surrender the branching license of HBC Poblacion Branch and just focus on strengthening our remaining branches to better serve our community.
- ✚ The Bank's Amended By-laws instituting several amendments in full compliance with the requirement of Circular 969, Series of 2017, BSP recommendations and exceptions in the Report of Examination with cut-off date of 30 June 2021 and the Revised Corporation Code, R.A. 11232 dated February 20, 2019, has already been approved by the Bangko Sentral and Securities and Exchange Commission.

✚ In February and December 2023, the Bank took significant strides by officially launching its Facebook page and official website. These platforms are essential in our journey towards digital transformation, aimed at meeting the evolving needs of our clients and community. They play an important role in enhancing our marketing efforts, information dissemination, and expanding our market reach. Utilizing these digital channels strengthen our engagement with stakeholders, promote transparency, and effectively communicate our dedication to delivering excellent financial services to our clientele.

CORPORATE POLICY

OUR MISSION...

HIYAS BANKING CORPORATION (THRIFT BANK) was organized under the existing Philippine banking laws in the goal of mobilizing small savings towards actively promoting savings consciousness, providing accessible and affordable medium and long term credit facilities and financial assistance to both small and medium enterprises, and promoting countryside development through financing in the urban and non-urban areas as a potent catalyst of growth and a reliable partner of the government towards rendering dedicated and committed service of integrity.

OUR VISION...

To rise up to the challenge of extending available, accessible and affordable credit to small and medium enterprises and the different sectors who are in need of financial assistance, in the conscious effort of becoming a potent catalyst of growth and a reliable partner of the government towards rendering service to our depositors and clients, with the dedication and commitment, integrity and responsibility expected of us as a major player in the thrift banking industry.

OUR COMMITMENT...

The management continues to commit to a more aggressive stance in pursuing our goals yet remain prudent as ever. As we maintain our efforts to streamline processes towards more efficiency and productivity, improve on our risk management; ensure faithful adherence to good governance practices and adopt the necessary reforms that will ensure a better, stronger Hiyas Banking Corporation, we assure our clients the same level of service quality that they have enjoyed and relied on for the last 48 years.

OUR BRAND...

Hiyas Banking Corporation is a homegrown Bank with its incorporators and major stockholders being members of prominent families in Bulacan. Banking on the good reputation and goodwill of our directors and senior management, what sets us apart is the personalized, accommodating, warm, friendly and prompt service we offer to our clients. Our niche lies on the small to medium entrepreneurs, farmers, livestock raising and backyard businesses, teachers, pensioners and young professionals whose parents have been long time clients of this Bank. For the last forty-eight years, we have made a name that is synonymous to integrity and credibility, excellent public relations and quality service that makes us their bank of choice. We may be small but we have proven them our strength. We may be simple but we give them excellent value for money.

OUR PRODUCTS AND SERVICES

☐ PESO DEPOSITS

- *Demand Deposit* – A deposit account otherwise known as current or checking account. This refers to deposit payable upon demand, non-interest bearing and subject to withdrawal thru check. The depositor must maintain a minimum deposit balance so as not to be charged with a corresponding service fee within the month.
- *Savings Deposit* – A deposit account opened and maintained to accumulate funds. Deposit of any amount whether in cash or check may be made for which a passbook of records of transactions is issued. Such deposit is interest-bearing and may be withdrawn anytime upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook, either by the depositor or his personal authorized representative.
- *Special Savings Deposit* – Deposit that may be made for a specified and fixed determinable future term at the option of the depositor, the shortest being thirty (30) days, for which a passbook of records of transactions is issued.
- *Long-Term Time Deposit* – This refers to long-term non-negotiable tax-exempt certificates of time deposit with denominations in increments of P 1,000.00 for a minimum maturity of five (5) years. Its interest shall be computed at prevailing Bank rates and payable upon presentment of covering passbook on specified term at the option of the depositor. Exemption from withholding tax shall be invalidated by pre-termination.

☐ LOANS

- *Agrarian Reform Loan* – This refers to the amortized cost of production and other types of loans granted to beneficiaries of agrarian reform, namely: tillers, tenant farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers, cooperatives, and compact farms, as provided for in P.D. 717.

- *Agricultural Credit Loan* – This refers to the amortized cost of loans granted to borrowers who are not beneficiaries of agrarian reform to finance activities relating to agriculture and processing, marketing, storage and distribution of products resulting from these activities.
- *Medium and Small-Scale Enterprise Loan* – This refers to amortized cost of loans granted to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership and corporation.
- *Loan for Housing Purposes* – This refers to the amortized cost of loans granted to individuals for housing purposes, which may be for the acquisition, construction, or improvement of a residential unit.
- *Loan for Other Purposes* – This refers to the amortized cost of other loans granted to individuals that cannot be classified under any of the foregoing classifications. The same shall be presented under Other Micro Enterprise Loan in the Financial Reporting Package.
- *Loans for Consumption* – This refers to the amortized cost of loans granted to individuals for consumption purposes.

BUSINESS MODEL

As approved by the Bangko Sentral ng Pilipinas our Bank, Hiyas Banking Corporation (HBC), is categorized as a simple non-complex thrift bank, engaged in deposit solicitation and providing short-term working capital-, medium- and long-term financing to businesses engaged in agriculture, services, industry and housing as well as diversified financial services particularly to small and medium enterprises and individuals. HBC accredits to the retail funded business model with deposits being our primary source of fund. Our consumer-oriented services include demand and savings accounts, mortgages and various types of loans. Following are our key financial ratios, to wit:

TOTAL DEPOSIT LIABILITIES FOR 2023

Demand	1,292,248
Savings	896,154,417
Time	48,087,052
Total Deposit	945,533,717

TOTAL GROSS LOANS FOR 2023

Current	363,525,751
Past Due	100,357,043
Items in Litigation	1,180,936
Total Loans and Receivables	465,063,730

KEY FINANCIAL RATIOS FOR RETAIL BANKING

1. Loans to Deposit Ratio

Loans and Receivables	465,063,730
Total Deposit Liabilities	945,533,717
Loans to Deposit Ratio	49.19%

2. Net Interest Margin

Interest on Loans	8.00%
Interest on Deposit	3.00%
Net Interest Margin	5.00%

3. Loans-to-Asset Ratio

Loans and Receivables	465,063,730
Total Assets	1,363,385,647
Loans-to-Asset Ratio	34.11%

4. Return-on-Asset Ratio

Net Income	5,473,496
Total Assets	1,363,385,647
Return-on-Asset Ratio	0.40%

5. Deposit-to-Asset Ratio

Total Deposit	945,533,717
Total Assets	1,363,385,647
Deposit-to-Asset Ratio	69.35%

The Bank's funding is primarily sourced from deposits as evidenced by the 69.35% ratio of deposit to total Bank assets.

6. Investment-to-Asset Ratio

Total Investment	504,014,942
Total Assets	1,363,385,647
Investment-to-Asset Ratio	36.97%

36.97% of the Bank's funds are tied up in long-term investment since they were placed in long term government securities during those lean period when the Bank's loan portfolio was on a downtrend and the Bank was suffering from a slump. To maximize its excess funds, they were invested in long-term privileged earning Held-to-Maturity (HTM) investments limited to government issued notes and bonds. It should be noted, however, that such is no longer the case as we no longer invest in long-term investments.

FINANCIAL HIGHLIGHTS

Minimum Required Data	2023	2022
Profitability		
Total Net Interest Income	46,021,651	49,277,788
Total Non-Interest Income	17,888,209	11,309,040
Total Non-Interest Expense	57,481,610	58,111,991
Pre-provision Profit	6,428,250	2,474,837
Provision for Credit Losses	954,754	1,397,254
Net Income	5,473,496	1,077,583
Selected Balance Sheet Data		
Liquid Assets	228,076,304	232,357,878
Gross Loans	465,063,730	415,810,337
Total Assets	1,363,385,647	1,401,600,499
Deposits	945,533,717	1,119,852,238
Total Equity	160,035,638	151,350,009
Selected Ratios		
Return on Equity	3.51%	0.71%
Return on Assets	0.40%	0.08%
Capital Adequacy Ratio	14.90%	14.02%
Others		
Cash Dividend Declared	N.A.	N.A.
Headcount	55	55
Officers	9	9
Staff	46	46

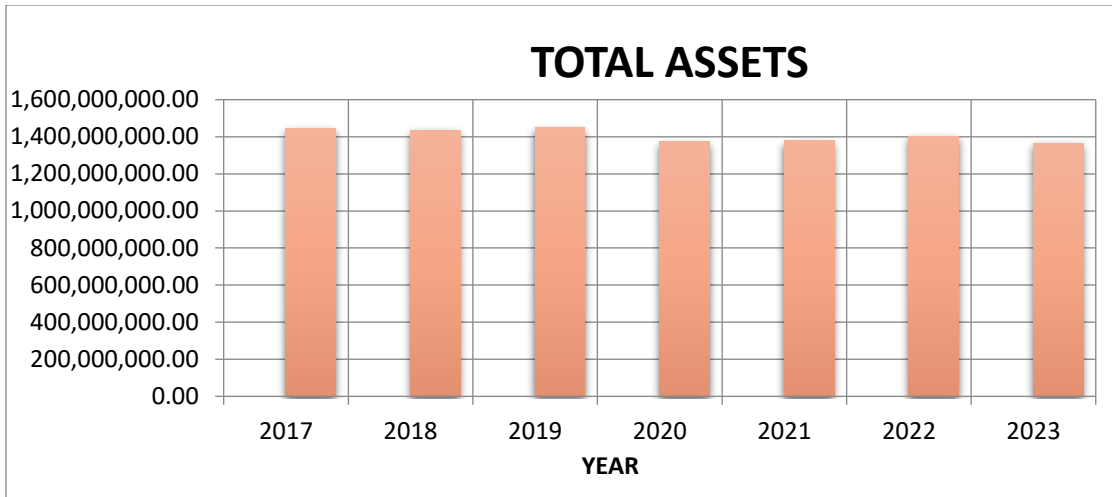
FINANCIAL CONDITION AND RESULTS OF OPERATION

Then Secretary of Finance Benjamin E. Diokno in his address during the Chamber of Thrift Banks Annual Convention last 22 September 2023 lauded the Chamber for serving as the voice of the thrift banking community for five decades now and for being “an instrument in building a sound and responsive regulatory framework that promotes the collective interest of thrift banks in the country. He commends the Chamber for adopting digitalization as this year's theme as this is a crucial step in keeping the industry abreast of the developments in the global financial landscape.” He has given the assurance that the “Department of Finance stands ready to work with the thrift banking community in bringing quality, affordable, and accessible financial services to the Filipino people.”

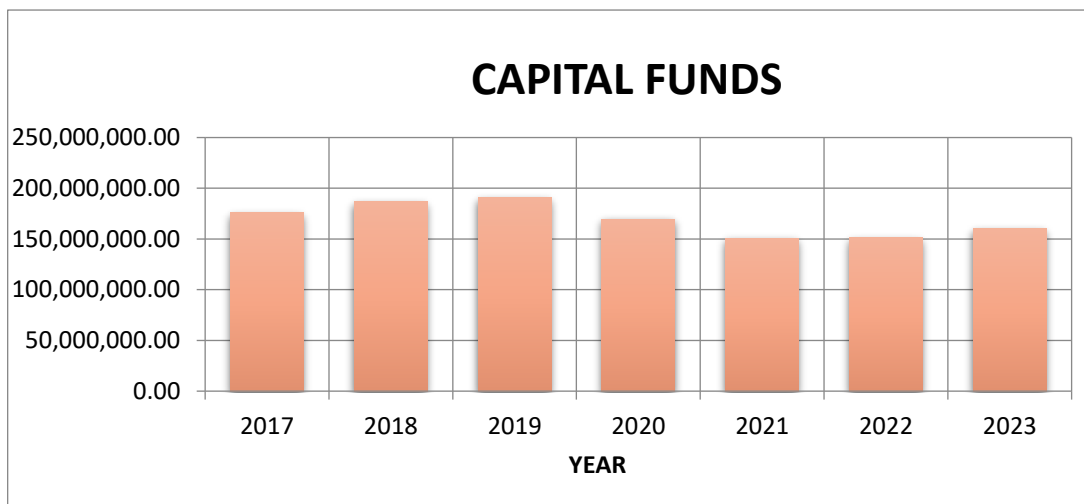
On the home-front, the Bank was challenged by the non-extension of the Bangko Sentral ng Pilipinas (BSP) prudential relief measures, reinstating the minimum liquidity ratio (MLR) requirement back to twenty percent (20%) commencing January 2023. With the lifting of relief measures on MLR, there was a notable uptick in deposit withdrawals, coinciding with a surge in loan applications. These dual phenomena were brought about by the gradual re-opening of the economy wherein businesses began to resume operations and consumers regained confidence in the economic stability, thus the heightened demand for funds to support various endeavors, which amplifies the challenges in maintaining compliance with the 20% Minimum Liquidity Ratio (MLR) requirement. The Bank’s resilience and steadfastness in its operations was once again tested, striking a delicate balance between sustaining liquidity levels and safeguarding profitability concurrently.

FINANCIAL HIGHLIGHTS:

The Bank closed the year with audited total resources of P 1,363,385,646.85, a decrease of P 38,214,851.27 over P 1,401,600,497.72 of 2022. The downtrend was due to the decline in our Deposit Liabilities portfolio, a trend directly influenced by the full reopening of the economy as customers opted to utilize their savings for personal spending, business expansion plans, real estate, or capital investments.

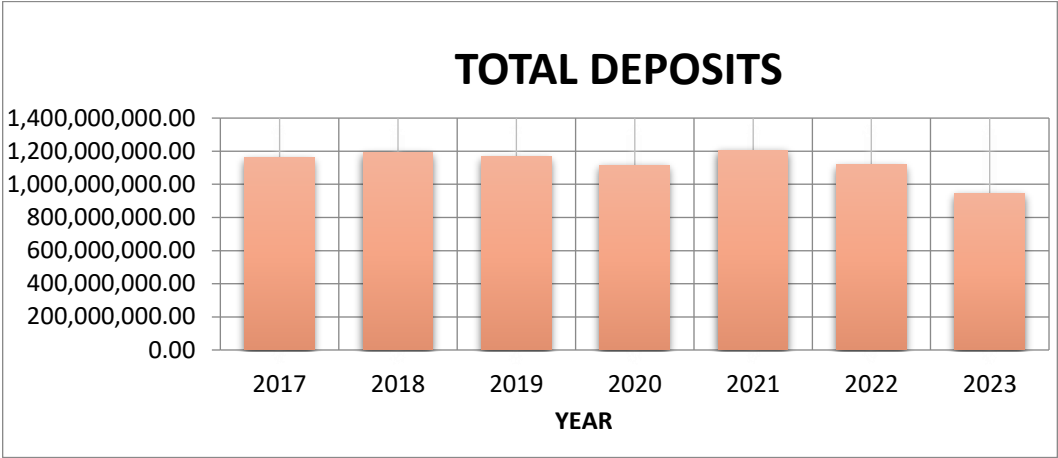


As we emerge from the unprecedented challenges posed by the pandemic crisis, our capital account is slowly inching its way up at P 160,035,636.81, an increase of P 8,685,629.67 from P 151,350,007.14 of 2022, bringing to P 139,964,363.19 our capital deficit to fully comply with the 300-million minimum capitalization requirement of Circular 854. It should be noted that we continue to sustain a capital adequacy ratio of 14.90% which is comfortably higher than the 10% minimum regulatory standards.

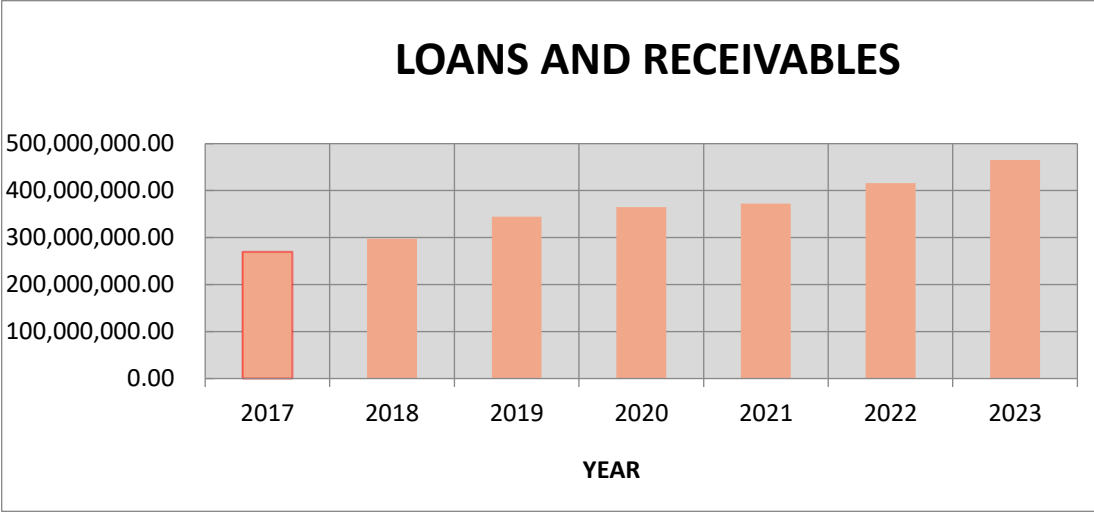


Our deposit generation efforts and solicitation campaigns suffered a setback given the gradual reopening of the economy, individuals and businesses including our clients have been eager to seize opportunities for spending and investment, diverting a portion of their funds away from traditional deposit accounts thus the bigger withdrawals that translated to a year-end 2023 deposit liabilities portfolio of P 945,533,717.21, down by P 174,318,521.29 from last year's P 1,119,852,238.50. Despite the downtrend in our deposit liabilities portfolio, we have successfully maintained compliance with the minimum liquidity ratio (MLR) requirement, with a year-end MLR of 28.145%, higher by 4.085 percentage point than the 24.060% of 2022, demonstrating our

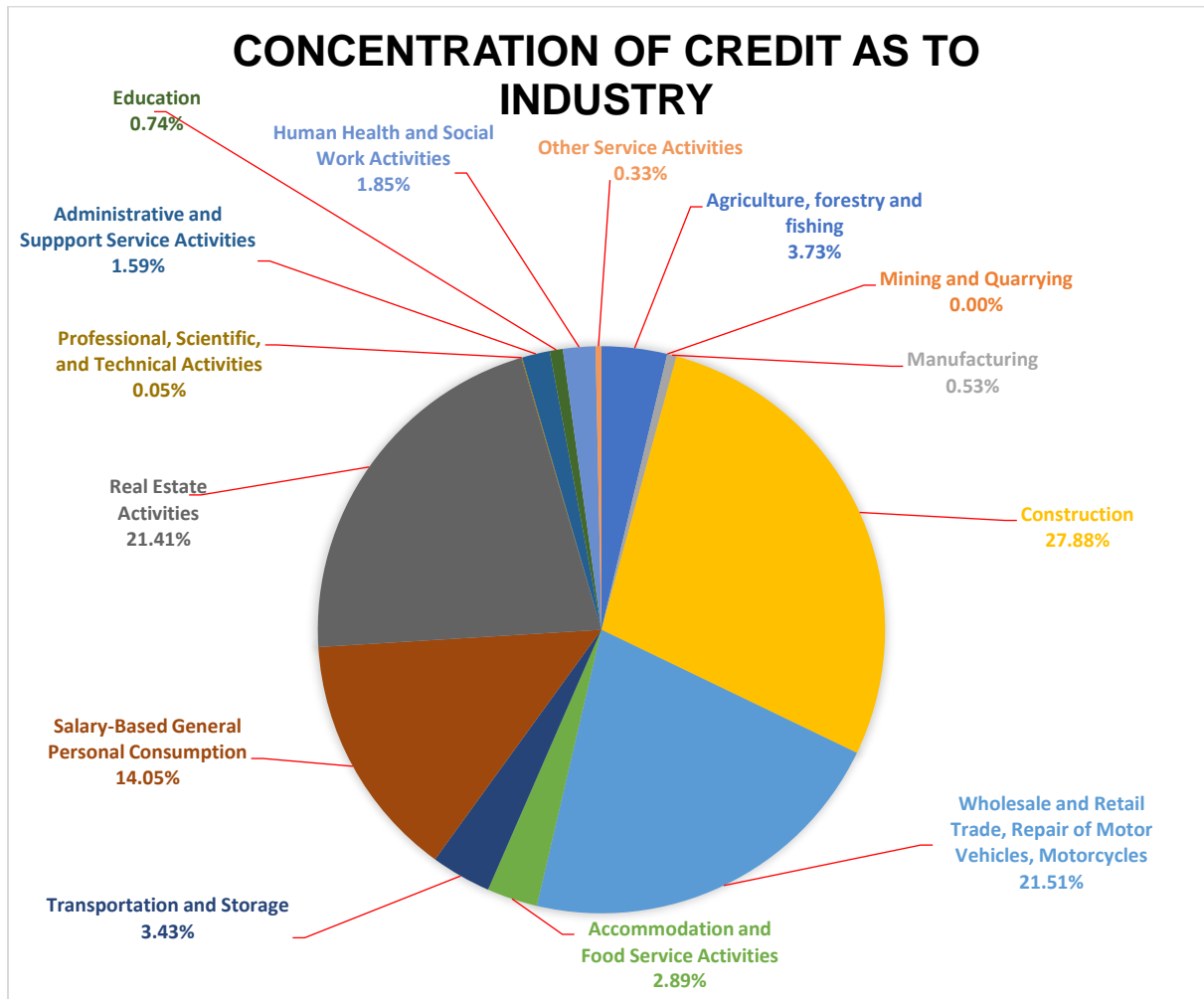
commitment to prudent financial management and regulatory compliance. despite the challenges to our liquidity posed by bigger than usual withdrawals.



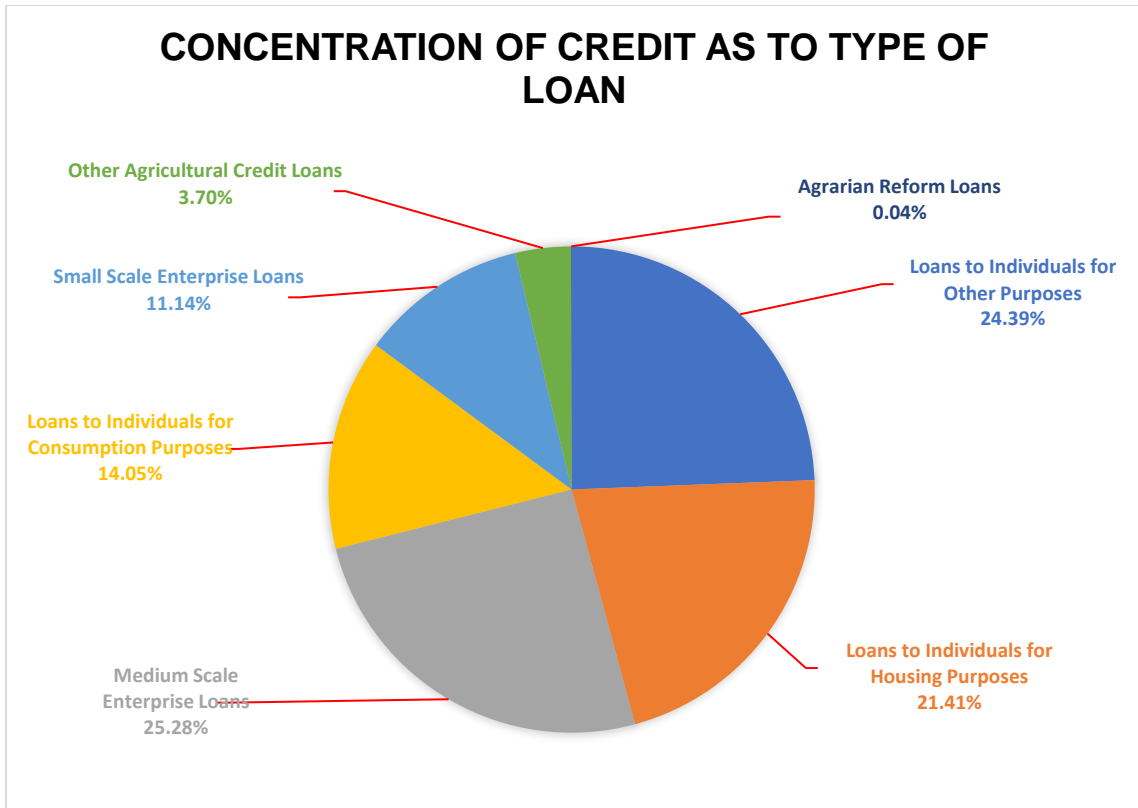
On the other hand, our loan portfolio has grown by 11.85% and as of 31 December 2023 was pegged at P 465,063,730.71 an upswing of P 49,253,393.60 from last year’s P 415,810,337.11. The Bank’s relentless efforts to bolster our loan portfolio have yielded significant returns as evidenced by the sustained uptrend in loan applications which continues to this day. Having released a total of P 260,014,040.00 in loans, comparatively higher by P 60,330,235.00 with that of last year’s P 199,683,805.00, the management remains optimistic, and expectations are high that loans will continue to enjoy an upswing as a result of the ongoing aggressive marketing and loan solicitation efforts under the lower and competitive interest rates we offer.



A closer look at our loan portfolio would show manageable credit concentration in the construction, wholesale/retail trade and real estate sectors where positive business outlook and more buoyant business sentiment has been noted upon the full reopening of the economy.

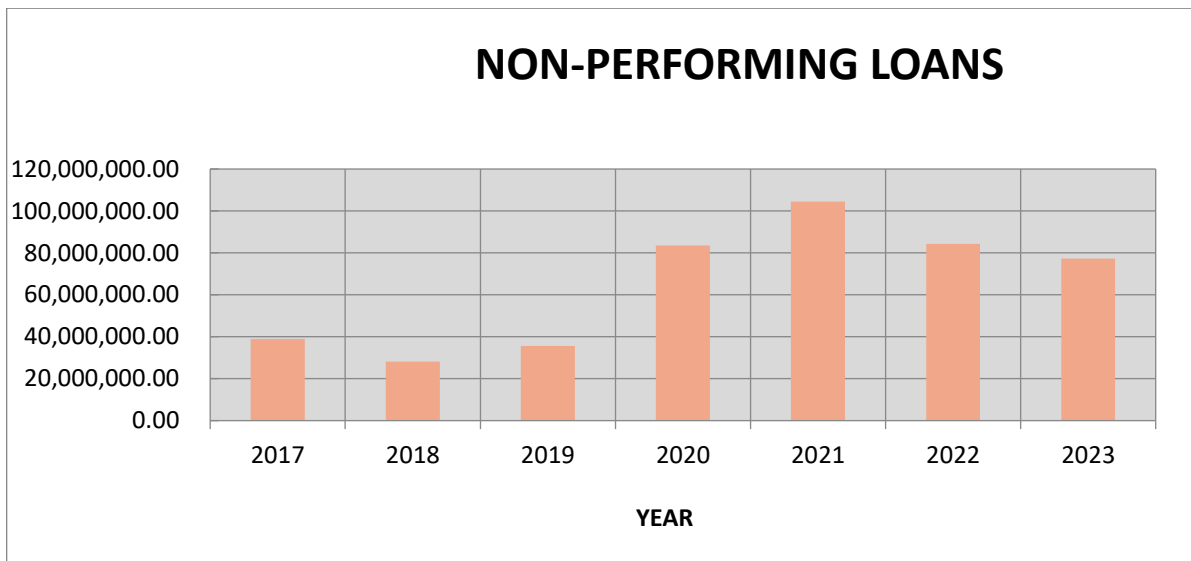
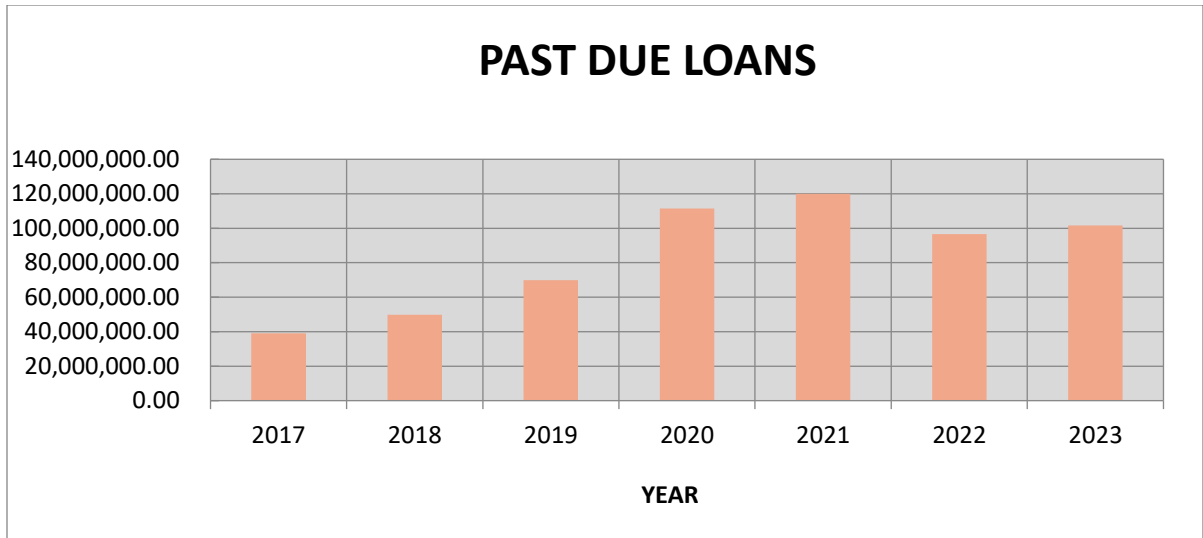


As per type of loan, we cater most to medium scale enterprise loans, loans to individuals for other purposes, primarily consists of loans for construction business, construction of commercial/residential/apartment buildings, purchase of trucks and additional capital for business like sari-sari store; loans to individual for housing purposes, followed by loans to individuals for consumption purposes and small scale enterprise loans. Much as we would like to build up on our Other Agricultural Credit Loans and Agrarian Reform Loans (AGRI-AGRA) there is a scarcity in loan applications for the said purpose owing to obvious departure from agricultural to commercial nature of business our clients are engaged in.



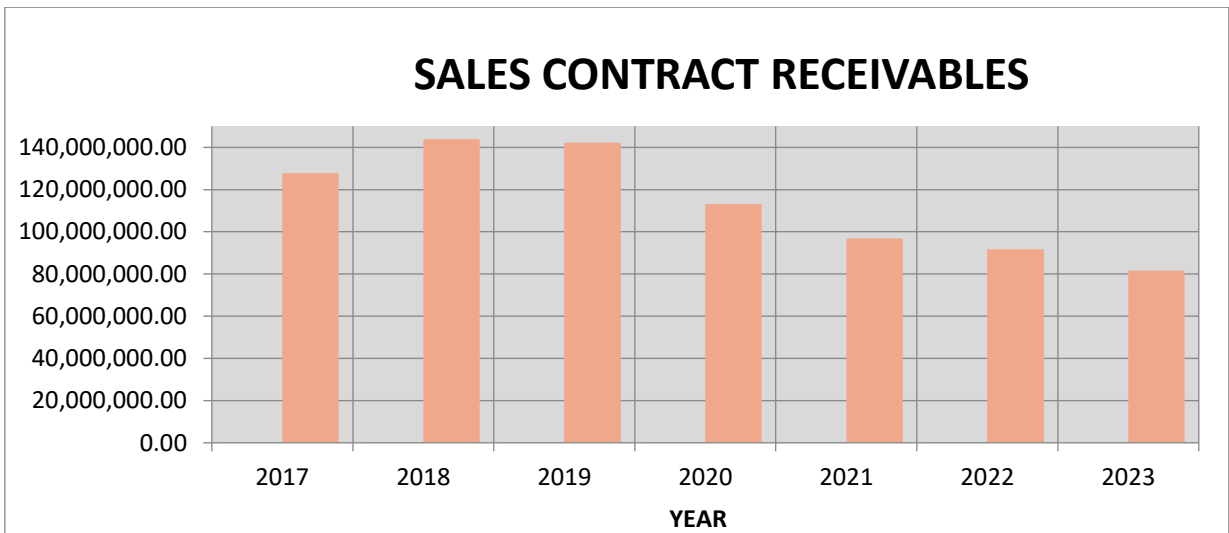
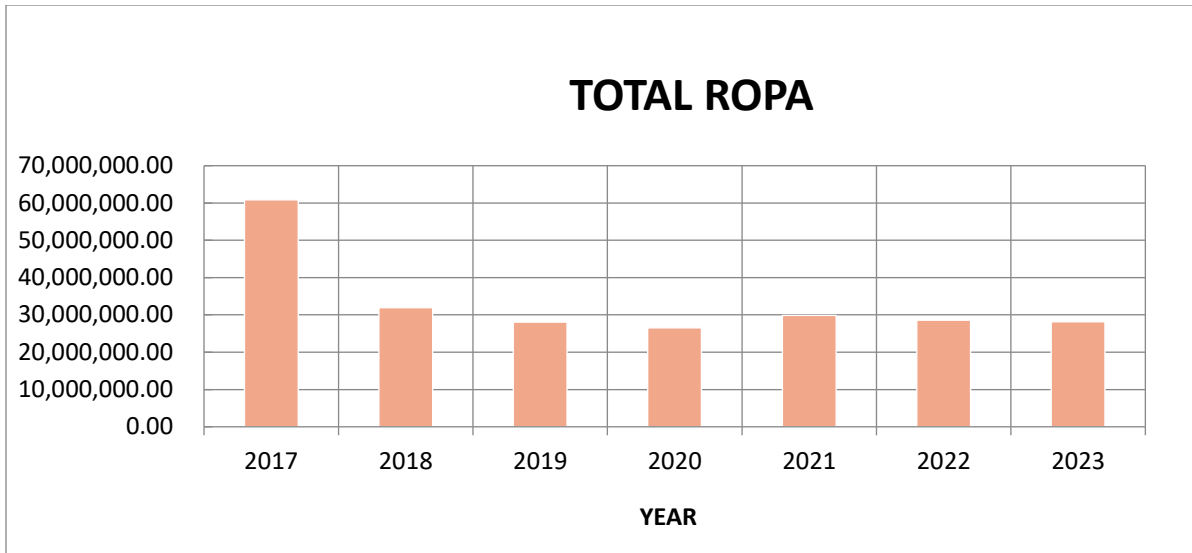
Despite the indefatigable efforts to collect on our past due loans, there remains a segment of our borrowers who unfortunately encountered challenges in meeting their obligations, as a consequence, our past due loan as of end of December 2023 posted at P 101,537,979.67, an upsurge of P 4,942,924.39 from last year's P 96,595,055.28. Notwithstanding the increase in past due level, our past due ratio of 21.83% as of 31 December 2023 has decreased by 1.40 percentage point compared from last year's 23.23%, an event attributed to the rise in loan releases that contributed to a larger loan portfolio which in turn has influenced the calculation of our past due ratio.

Our non-performing loan ratio has likewise improved with a 3.68 percentage point decrease having reduced our NPLs by P 7,139,982.24, with a year-end balance of P 77,214,342.40 from that of 2022 posted at P 84,354,324.64.



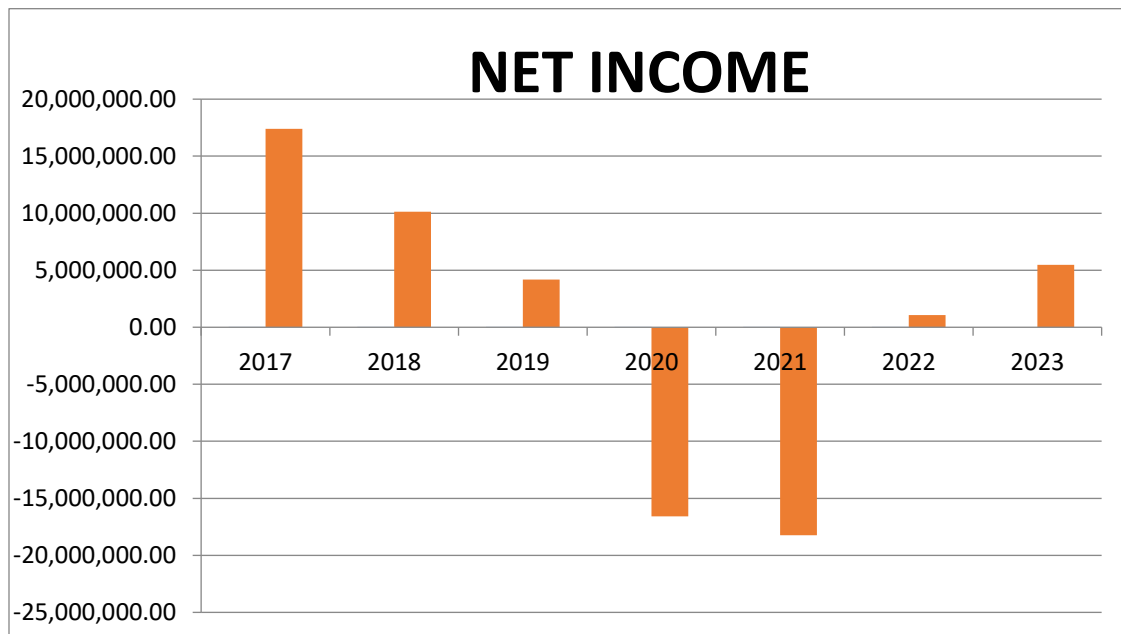
As expected, negotiations for the disposal of our ROPA continue to be sluggish and derailed until better days so to speak. Just like the previous year, we were only able to sell three (3) ROPA properties at a skimpy aggregate selling price of P 1,220,000.00 with a gain on sale of P 6,345,799.31. Thus, our ROPA portfolio pegged at a net book value of P 30,346,171.21 only decreased by P 478,154.05 from that of P 30,824,325.26 of 2022.

The decrease of P 4,214,526.95 in the Bank's Sales Contract Receivables net of allowance for credit losses now pegged at P 57,227,812.07 compared to P 61,442,339.02 of 2022 is mainly due to payments made therefor. Disposal of the few remaining but big-ticket ROPA accounts, particularly that of Mr. Joaquin Lagman, which disposal will accrue to capital build-up, continue to be one of the management's on-going concern with no new foreclosures being made hopeful that our ROPA portfolio will be totally cleaned up in the next two years.



Gross income grew by 7.75% realizing a year-end total of P 89,160,092.68 compared to the previous year of P 82,745,618.24, an increase of P 6,414,474.44 mainly from the improved revenue generation and surge in collection of loans and sales contract receivables, service fees from loan releases and reversals of provisioning for losses from fully paid Sales Contract Receivable. Total gross expenses are recorded at P 83,686,596.01, increased by P 2,018,561.28 from the 2022 gross expense level of P 81,668,034.73, resulting from the expenses incurred from the availment of Deposit Hold-Out obligation under the Securities Lending and Borrowing Agreement with the Land Bank of the Philippines availed to cater various withdrawals and loan releases translating to a net income of P 5,473,496.67, which coming from the 2022 net income of P1,077,583.51 is an improvement for the Bank.

Amidst the challenges encountered during the year, we have not only stayed afloat but remained competitive. Our collections have rebounded, loan operations are gaining momentum, and we anticipate progress in ROPA disposal negotiations.



The Bank only released a single loan accommodation to its Directors, Officers, Stockholders and Related Interests (DOSRI) in the amount of P 900,000.00. Outstanding balance thereof is P 825,271.69 which when added to a previous loan granted in 2021 and 2022 totals to P 995,602.15. On the other hand, the Bank's transactions with Related Parties (RPT) decreased by P 63,922,744.08 from that of 2022 pegged at P 470,848,168.70 to last year's P 406,925,424.62 primarily consists of deposits, loans and sales contract receivables. The Bank posted 38 transactions with Politically Exposed Persons in the total amount of P 38,129,514.44 down by P 2,732,374.28 from P 40,861,888.72 of 2022 consists of 28 transactions.

PROSPECTS FOR 2024:

A slowing global economy coupled with a divergent economic landscape will challenge the banking industry in new ways in 2024. Although recent efforts to combat inflation are showing signs of success in many countries, the risks brought to light by supply chain disruptions, rewiring of trade relationships, and ongoing geopolitical tensions will complicate economic growth worldwide. Extreme weather-related events, such as floods, heatwaves, and hurricanes, may also cause severe economic disruption. With this backdrop, the International Monetary Fund (IMF) expects the world economy to grow at no more than 3.0 percent in 2024. As per the IMF, global inflation is expected to drop to 5.2 percent in 2024, from a high of 8.7 percent in 2022.

Despite expectations of a drop in global inflation rates, the International Monetary Fund upgraded its 2024 economic forecast for the Philippines. IMF resident representative Ragnar Gudmundsson said, the multilateral lender raised its 2024 gross domestic product (GDP) growth forecast for the Philippines to 6.0 percent, based on the January 2024 World Economic Outlook (WEO) update from the October 2023 WEO projection of 5.9 percent, in view of the slightly stronger than expected recovery in investments and exports. The IMF's decision to raise the GDP growth forecast underscores the resilience and dynamism of the Philippine economy in the face of challenging global economic conditions. While many nations grapple with the specter of inflationary pressures, the Philippines appears to be charting a different course, buoyed by robust investment inflows and surge in exports.

The year 2023 was a year of roadblocks and challenges for the Bank. Despite these hurdles, our resilience and perseverance which have been our steadfast companions throughout our 48-years journey remain our strongest virtues. Our operation is definitely on the path to recovery with our perseverance and diligent efforts gradually yielding positive results. Our loan solicitation has witnessed a remarkable upward trajectory, signifying not only encouragement but also a testament to our resilience and adaptability. While our momentum in loan solicitation is undeniable, we intend to remain vigilant in ensuring each loan we extend is of highest quality. All loan applications received commencing February 2024 are required to undergo mandatory checking with the Credit Information Corporation (CIC) as additional means of ensuring the quality of accounts. We also intend to maintain the foundation we have built through years of dedicated service, unwavering integrity, and personalized approach to each client upon which we stand strong and renowned for going above and beyond, even if it means extending ourselves to assist them. It is noteworthy that the majority of our loan accounts stem from the trust of our longstanding clients and their referrals. This highlights the profound impact of positive word-by-mouth publicity, a proof to the quality of our services and the relationships we cultivate.

We remain committed to achieving our goals of reducing past due and non-performing loan ratios down to single-digit levels at par with industry standards. To this end, the Bank has implemented diverse collection strategies and appointed a dedicated Loan Collection Officer to spearhead our collection efforts ensuring a proactive approach to minimizing delinquencies. Moreover, procedures for the continuous review and monitoring of asset quality ratios were meticulously crafted to promptly identify any deviations from desired benchmarks and effectively address root causes underlying significant changes in past due and non-performing loan levels. Through these concerted efforts, we are hopeful in our ability to reverse the Allowance for Credit Losses we have booked in previous years, signifying a positive path towards enhanced financial performance.

In line with our proactive approach to asset management, we have embarked on an aggressive pursuit on disposing off our remaining foreclosed properties. Utilizing the full potential of online platforms such as the Bank's social media page and website in its ROPA disposal campaigns and deploying a tailored disposal strategy, particularly for the Bank's big-ticket account. On the other hand, deposit generation has become a formidable challenge, with clients opting to withdraw rather than deposit funds amidst the improving economic landscape. Many are channeling their resources into business ventures, property acquisitions, and personal expenses. To counter this trend, minimum/maintaining balance requirement for Special Savings Account was increased to P 100,000.00, and mandatory deposit quota of P 500,000.00 for each employee and branch quota for new deposit placement and net increase in the deposit liabilities portfolio was set. Also, a personalized approach, such as house-to-house including school campaigns, will be initiated to bolster the deposit portfolio back to its billion-peso level to be able to meet the rising demand for loans and to fully settle the existing deposit hold-out obligation under the Securities Lending and Borrowing Agreement with the Land Bank of the Philippines, in order to mitigate the need for high-cost funding that erode the Bank's profitability.

For our capital build-up towards full compliance with the required minimum capital of 300 million, the Board of Directors in its 23 February 2024 Board Meeting, has called for the full payment of the outstanding 40,341 shares of authorized capital on or before 31 August 2024. Moreover, hinge on the goal of building-up capital and increasing revenue streams, repricing of loan interest rates to a higher level is already underway for approval and implementation. The Bank ensures that the proposed interest adjustment strikes the right balance between maximizing profitability and preserving our competitive edge in the market. In tandem with this income generation and capital build-up initiative is the aggressive disposal of our remaining foreclosed properties through strategic sales and disposition strategies aim to convert the value of these assets into liquid funds that can be utilized to strengthen financial position. Additionally, our focus extends to proactive loan solicitation and deposit generation by actively engaging with existing and prospective clients to meet their financing needs while promoting deposit products to encourage savings and investment within the Bank which will in turn contribute to revenue generation as well as foster deeper relationship with our clientele. Further, in response to the rapid digitalization of the banking landscape and in an aim to broaden our reach in marketing and promoting our products and services, the Bank has taken proactive steps to establish its online presence by launching both a Facebook page and an official website. These platforms serve as vital channels for disseminating information about the Bank's products, services and other relevant updates to a wide range of clients. By using these platforms, we can broaden our reach and ensure that our clients stay informed about the latest offerings, promotions, and industry insights, fostering stronger connections and enhancing customer satisfaction. Recognizing the importance of regulatory compliance alongside our marketing endeavors, the Bank has integrated a downloadable form

functionality within its website to enable customers to conveniently download Customer Information Form (CIF) directly from the website, facilitating seamless customer identification updating process in adherence to the stringent Know-Your-Customer (KYC) updating requirement mandated by the Anti-Money Laundering Act (AMLA). Furthermore, in our relentless pursuit of optimizing our collection and our commitment to embracing innovative solutions that enhance convenience and accessibility for our customers, we are currently in the process of exploring the procedures to become a registered merchant with the G-Cash facility.

On the other hand, the regular examination of the Bank as of 30 June 2023 was conducted by the Bangko Sentral, headed by Mr. Celso V. Loriega III, on 09 August 2023 to 31 August 2023. This onsite risk assessment exercise resulted to a SAFr composite rating of 3 for the Bank, i.e., the Bank is stable, risks are adequately managed across the organization, supervisory concerns are within the ability of the Board and Management to address, and the Bank's buffers will enable it to withstand most adverse events. Risk areas where notable improvement was noted vis-à-vis year 2021 onsite examination are the Money Laundering/Terrorist Financing/Proliferation Financing Risk from ABOVE AVERAGE rating in 2021 to MODERATE rating in 2023, and the Institutional Level Support for Capital, Governance and Overall Support from INADEQUATE rating in 2021 to ACCEPTABLE rating in 2023. Various initiatives addressing all exceptions noted by the Bangko Sentral and other regulators are being implemented. The Bank also ensure full adherence to all regulations including consistent support to the government's sustainability programs. Risk management continues to conduct various initiatives such as walkthroughs which are performed to enhance and streamline existing operations standards and proactively deal with the different risk areas of credit, operational, liquidity, market/interest rate and Anti-Money Laundering. Compliance with BSP directives is all complied with and strictly being monitored. Audit and compliance exceptions are stringently being monitored for strict compliance.

Looking ahead to the coming year, our prospects are filled with optimism and promise. Despite the challenges we have faced, we are well-positioned to capitalize on emerging opportunities and drive continued growth and success. With a solid foundation in place and a resilient team dedicated to excellence, we are confident in our ability to overcome obstacles and achieve our goals. As we embark on the journey ahead, we remain steadfast and dedicated in achieving our goals navigating a steady and sustainable path as a small but competitive industry player worthy of the trust, loyalty and confidence of the public and our stakeholders for the last forty-eight years. With the guidance and protection of our beloved Patroness, La Purisima Concepcion, there is no doubt that we will prevail!

RISK MANAGEMENT

RISK MANAGEMENT CULTURE AND PHILOSOPHY

The Board and management views risk management as an integral part and an essential element of good corporate governance. The Bank is a risk-averse financial institution, which basically reflects the view that satisfactory fulfillment of its role and responsibilities could be seriously jeopardized if there were to be significant disruptions to its operations and/or damage to its reputation. The Bank functions within an environment characterized by continuous change and uncertainty, which requires constant monitoring and analysis of, and appropriate response to, potential and actual risks emanating from the global political and economic environment.

In this regard, the Bank had established a risk management policy that ensure risks are managed in a coordinated, comprehensive and systematic manner that is consistent with internationally accepted standards and guidelines. This policy regulates all risk management initiatives and activities facilitating their alignment with the Bank’s strategic and operational objectives to ensure that threatening risks are adequately and effectively managed at acceptable levels. The Bank subscribes to the definition of risk management as an active process requiring commitment and focus, the strict implementation of which through operational procedures and control will promote and develop stability of the Bank’s financial condition; protect the interest and investment of both the stockholders and the Bank’s clientele and promote efficient and safe banking operations and practices at all times.

RISK MANAGEMENT GOVERNANCE FRAMEWORK

➤ RISK MANAGEMENT GOVERNANCE STRUCTURE

The ultimate responsibility for risk management lies with the Board of Directors who should make risk management objectives and policies a key driver of their overall business strategy and implement through operational procedures and controls. The Bank’s Risk Management Officer assists the Board to ensure a dedicated focus on risk management of the Bank. The support and control functions of internal audit, compliance, risk management, information technology and human resources all form an integral part of the overall risk management system.

Within the risk framework defined by the Board of Directors, the Management of the Bank has established risk management policies designed to ensure that these risks are identified, appropriately measured and controlled, and monitored and reported. To achieve these objectives, the Bank has an independent, integrated risk management function covering both

financial and operational risks. The Risk Management Officer designated for the purpose develops corresponding policies and proposals, and monitors adherence to defined rules and limits and reports directly to the Board of Directors the results of such monitoring efforts.

➤ **RISK MANAGEMENT FUNCTION**

The risk management function is generally responsible for:

- a. Overseeing the risk-taking activities across the Bank, as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic direction.
- b. Ensure that the risk governance framework remain appropriate relative to the complexity of risk-taking activities of the Bank.
- c. Responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis.
- d. Responsible for overseeing the management of E&S risks.
- e. Supporting management policies, defining roles and responsibilities, and setting goals for implementation.
- f. Assisting management in developing processes and controls to manage risks and issues.
- g. Providing guidance and training on risk management processes.
- h. Facilitating and monitoring implementation of effective risk management practices by operational management.
- i. Reporting on a regular basis to senior management and to the Board of Directors of the results of assessment and monitoring.

Risk management personnel shall possess sufficient experience and qualifications, including knowledge on the banking business, the developments in the market, industry and product lines as well as mastery of risk disciplines. They shall have the ability and willingness to challenge business lines regarding all aspects of risk arising from the Bank's activities.

➤ **RISK MANAGEMENT AND CONTROL POLICIES**

- Oversight function of the Board of Directors and senior officers in the over-all risk management process;
- Comprehensive internal control and audit procedures that will guide management to adeptly manage risks;
- Detailed structure of limits, guidelines and other parameters to govern risk-taking indicating propriety of management oversight to ensure compliance with risk limits --- be it regulatory or industry limits;
- Continuous measuring, monitoring and controlling of all risks paying high attention to credit and liquidity risks;
- Accurate and reliable management information;
- Clearly delineated responsibilities for managing risk based on the three (3) lines of defense;

- Framework for risk data aggregation and risk reporting
- Frequent and periodic management reporting;
- Sound control and operational systems; and
- High level of personnel professionalism

➤ **RISK MANAGEMENT PROCESS**

▶ **RISK MANAGEMENT PROCESS**

Risk management processes are the procedures, programs, and practices that impose order on the Bank's pursuit of its objectives. Processes define how daily activities are carried out. Effective processes are consistent with the underlying policies, are efficient, and are governed by checks and balances.

a. **RISK IDENTIFICATION**

Risk identification is the process of determining risks that could potentially prevent the Bank from achieving its objectives. Risk identification should be a continuing process and should occur at both the transaction and portfolio level.

Risk Categories

While the types and degree of risks the Bank may be exposed to depend upon a number of factors, such as its size, complexity, business activities, and volume, the Bank had identified the following categories of risks as critical risks of the Bank, to wit:

INTERNAL RISKS

✚ **Credit Risk** is the risk of default that may arise from a customer or other party failing to fulfill the obligation to the Bank according to the credit agreement. Included in the credit risk are the risk of default of debtor, the risk of financing concentration, counter party credit risk, and settlement risk.

✚ **Market Risk** is the risk in the balance sheet position and administrative account due to the changes in the market prices, that includes the risk of changes in the value of tradeable or rentable asset.

✚ **Interest Rate Risk** is the risk arising from movements in interest rates.

✚ **Liquidity Risk** is the risk due to the inability of the Bank to fulfil the short-term obligation by using its cash flow as the source of fund and/or high quality pledgeable liquid assets without creating any disruption in the Bank activities and financial condition.


✚ **Operational Risk** is the risk of loss due to inadequate internal process, failure of internal process, human error, system error, inability to manage

information and/or the occurrence of external events impacting the Bank operations. Operational risk encompasses product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

- ✦ **Information Technology Risk** is the potential for technology weaknesses to result in shortfalls. This includes the potential for project failures, operational problems and information security incidents. IT structures that fail to support operations or projects.
- ✦ **Legal Risk** is the risk due to lawsuits and/or weaknesses in juridical aspects.
- ✦ **Strategic Risk** is the risk arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the Bank's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals, and the quality of implementation.
- ✦ **Compliance Risk** is the risk arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.

EXTERNAL RISKS

- ✦ **Reputational Risk** is the risk due to the diminishing confidence level of the stakeholders resulting from the negative perception of the Bank.
- ✦ **Social Media Risk** is the potential threats or adverse consequences that may be encountered as a result of presence and activities on social media platforms.
- ✦ **Environmental and Social (E&S)** refers to potential financial, legal and/or reputational negative effects of environment and social issues on the Bank. E&S include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety and security, and threats to community, biodiversity, and cultural heritage, among others.
- ✦ **Natural Calamities and Disaster Risk** is the effect of a natural hazards, e.g., flood, volcanic eruption, earthquake, or landslide, that affect the environment and lead to financial, environmental, and/or human losses.
- ✦ **Physical Risk** refers to the potential loss or damage to tangible assets arising from climate change and/or weather-related conditions such as floods, typhoons, droughts, earthquakes, extreme weather variability and rising sea levels.

 **Transition Risk** refers to the potential economic adjustment cost resulting from policy, legal, technology and market changes to meet climate change mitigation and adaptation requirements.

b. RISK ASSESSMENT

Risk assessment is the process of determining the likelihood that a specified negative event will occur. It is the way in which the Bank gets a handle on how significant each risk is to the achievement of the company’s overall goal.

The Risk Management Officer conducts risk assessment of the Bank’s identified risk areas on an annual basis, assessing the same as Low, Moderate or High using specific key risks indicator.

The assessment of the Bank’s risk areas are as follows:

Risk Areas	Key Risks Indicator	Bank Assessment
Credit Risk	<ul style="list-style-type: none"> ▪ Past Due Ratio ▪ Non-performing Loan Ratio 	High
Market Risk	<ul style="list-style-type: none"> ▪ Interest Rates 	Low
Liquidity Risk	<ul style="list-style-type: none"> ▪ Minimum Liquidity Ratio 	Moderate
Operational Risk	<ul style="list-style-type: none"> ▪ Net Earnings and Capital 	Moderate
Legal Risk	<ul style="list-style-type: none"> ▪ Number of legal cases 	Low
Information and Technology Risk	<ul style="list-style-type: none"> ▪ IT Incident reports ▪ Connectivity issues 	Low
Social Media Risk	<ul style="list-style-type: none"> ▪ Complaints/negative feedback received from social media account 	Low
Reputational Risk	<ul style="list-style-type: none"> ▪ Complaints 	Low
Compliance Risk	<ul style="list-style-type: none"> ▪ Penalties 	Low

c. RISK LIMITS

Risk limits refer to the allocation of the Bank’s risk appetite statement to specific risk categories (e.g., credit, market, liquidity, operational); the business unit or platform level (e.g., retail, capital markets); lines of business or product level (e.g., concentration, value-at-risk (VaR), or other limits; and other levels, as appropriate.

Control limits should be valid tools that management should be able to adjust when conditions or risk tolerances change. The Bank should have a process to authorize exceptions or changes to risk limits when warranted.

The Bank's risk limit setting is based on individual and aggregate level and types of risk that the Bank is willing to assume in order to achieve its business objectives and taking into consideration the Bank's capability to manage risk. The minimum requirements, set forth in the Manual of Regulations for Banks (MORB) are adopted by the Bank, i.e., capital adequacy ratio, minimum liquidity ratio, large exposure, and credit concentration, among others.

Responsible officers should be aware of the Board approved risk tolerance, limits, or thresholds. Transactions or activities should always be within the approved limits/thresholds. Exception to the rule is allowed, provided that any dealings that will breach the established limits/thresholds are authorized, i.e., should have prior Board approval.

► **RISK MANAGEMENT OFFICER**

The Bank has appointed a Risk Management Officer who has sufficient stature, authority and seniority within the Bank. She has the ability, without compromising her independence, to engage in discussions with the Board, President and other senior management on key risk issues and to access such information as she deems necessary to form her judgment.

DUTIES

The Risk Management Officer has been tasked with the following major functions and responsibilities:

1. To monitor exposure of the Bank to the various risk areas and take the necessary action based on the above risk management control policies.
2. To study, discuss, formulate and implement well-defined risk tolerances, loss limits and specific strategies to reduce, if not totally eliminate the Bank's exposure to risks.
3. To report to the Board of Directors on the Bank's overall risk exposure, actions taken to address and reduce such risks, and recommend further action or plans as necessary.
4. To issue inter-office memorandums providing specific risk management rules, tolerances, limits and strategies towards the effective implementation of the system.
5. To review, update and/or amend the risk management system and policies as the need arises, upon approval of the Board of Directors.
6. To assist the Board and senior management in establishing and communicating the Bank's risk management objectives and direction.

7. To assist the Board and senior management with capital and resource allocation decisions.
8. To assist in developing risk mitigation strategies for the Bank's critical risks and for monitoring these risks.
9. To review, analyze, enhance and update risk management policies, risk appetite and risk limits for approval of the Board.
10. To assess and plan for potential risks in the various units of the Bank.
11. To provide options and recommendations to senior management on how to mitigate or transfer risks.
12. To be accountable for the efficient and effective governance of significant risks and related opportunities to the Bank.
13. To liaise with regulators regarding new regulations on risk management.
14. To be responsible for managing adequate credit, market and operational risk by ensuring the Bank's full compliance with all banking laws, regulations and internal policies and procedures.
15. Responsible for overseeing the risk-taking activities across the Bank, as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic direction.
16. Ensure that the risk governance framework remains appropriate relative to the complexity of risk-taking activities of the Bank.
17. Responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis.
18. Responsible for overseeing the management of E&S risks.
19. Supporting management policies, defining roles and responsibilities, and setting goals for implementation.
20. Assisting management in developing processes and controls to manage risks and issues.
21. Providing guidance and training on risk management processes.
22. Facilitating and monitoring implementation of effective risk management practices by operational management.

► **RISK MEASUREMENT TOOLS**

Risk Areas	Risk Management Report	Responsible Personnel	Frequency of Monitoring
Credit Risk	<ul style="list-style-type: none"> ▪ Monitoring of Large Exposure ▪ Monitoring of Credit Concentration ▪ Monitoring of Single Borrower's Limit 	<ul style="list-style-type: none"> ▪ Loan Officer/ Comptroller ▪ Loan Officer/ Comptroller ▪ Comptroller 	<ul style="list-style-type: none"> ▪ Daily/ Monthly ▪ Weekly/ Monthly ▪ Monthly

Risk Areas	Risk Management Report	Responsible Personnel	Frequency of Monitoring
	<ul style="list-style-type: none"> ▪ Monitoring of Past Due Ratio ▪ Monitoring of Non-performing Loan Ratio ▪ Monitoring of Loan Loss Provisioning 	<ul style="list-style-type: none"> ▪ Comptroller ▪ Comptroller ▪ Loan Officer/ Branch Managers/ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Weekly ▪ Weekly ▪ Quarterly
Market & Interest Rate Risk	<ul style="list-style-type: none"> ▪ Interest Rate and Maturity Matching ▪ Monitoring of Exposure on Held-to-Maturity Investment 	<ul style="list-style-type: none"> ▪ Branch Accountant/ Comptroller/ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Monthly
Liquidity Risk	<ul style="list-style-type: none"> ▪ Minimum Liquidity Ratio ▪ Liquidity Stress Test 	<ul style="list-style-type: none"> ▪ Comptroller ▪ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Daily ▪ Weekly
Operational Risk	<ul style="list-style-type: none"> ▪ Consolidated Trial Balance ▪ Capital Stress Test ▪ Internal Audit Exceptions Monitor 	<ul style="list-style-type: none"> ▪ Comptroller ▪ Risk Management Officer ▪ Chief Internal Auditor 	<ul style="list-style-type: none"> ▪ Daily ▪ Monthly ▪ Quarterly
Strategic Risk	<ul style="list-style-type: none"> ▪ Variance Analysis 	<ul style="list-style-type: none"> ▪ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Quarterly
Legal Risk	<ul style="list-style-type: none"> ▪ Legal Status Report ▪ Legal Risk Monitor 	<ul style="list-style-type: none"> ▪ Paralegal ▪ Risk Management Officer 	<ul style="list-style-type: none"> ▪ Quarterly ▪ Monthly
Information Technology Risk	<ul style="list-style-type: none"> ▪ IT Incident Report 	<ul style="list-style-type: none"> ▪ Risk Management Officer 	<ul style="list-style-type: none"> ▪ When incident occurs
Social Media Risk	<ul style="list-style-type: none"> ▪ List of queries/ feedback receipt for the month 	<ul style="list-style-type: none"> ▪ IT Specialist 	<ul style="list-style-type: none"> ▪ Monthly
Reputational Risk	<ul style="list-style-type: none"> ▪ Complaints Report 	<ul style="list-style-type: none"> ▪ General and 	<ul style="list-style-type: none"> ▪ Monthly

Risk Areas	Risk Management Report	Responsible Personnel	Frequency of Monitoring
		Branch Managers/ Chief Compliance Officer	
Compliance Risk	<ul style="list-style-type: none"> ▪ Compliance Report ▪ ROE Tracking Report ▪ Compliance Tracking Report 	<ul style="list-style-type: none"> ▪ Chief Compliance Officer 	<ul style="list-style-type: none"> ▪ Monthly ▪ Quarterly
Environmental & Social (E&S), Physical, Transition Risk	<ul style="list-style-type: none"> ▪ Environmental & Social (E&S), Physical and Transition Risk Monitoring Report 	<ul style="list-style-type: none"> ▪ Loan Officer/ Branch Managers 	<ul style="list-style-type: none"> ▪ Quarterly

► **RISK AREAS THAT REQUIRE ATTENTION**

INTERNAL RISKS:

- OPERATIONS RISK
- LIQUIDITY RISK
- CREDIT RISK
- COMPLIANCE RISK

EXTERNAL RISKS:

- MARKET RISK
- REPUTATION RISK
- SECURITY RISK

► **MITIGATING RISKS**

- Continuous management evaluation and review.
- Stringent monitoring of high-risk areas.
- Pro-active stance based on industry and market trends.
- Conservative investment strategies.

► **SOCIAL MEDIA RISK MANAGEMENT**

Social media, a low-cost solution capable of disseminating real-time information via the internet, presents vast opportunities for growth, customer engagement and business benefits as usage, customer reach and adoption scale up and become widespread and everywhere. Considering these potential benefits alongside exponential growth in the number of social media users and its massive reach, the Bank have started to leverage on

social media platform i.e., having its own Facebook page, to promote the business and improve customer interaction experience to help drive business objectives/strategies.

Similar to any new technology, however, social media introduces a new attack vector which may expose the Bank to compliance, legal, reputational, strategic, and operational risks. Risks in social media include susceptibility to account take-over, malware distribution, brand bashing, inadvertent disclosure of sensitive information and privacy violation, among other possible threats. As such, the Bank adopts an appropriate risk management system, commensurate with the extent and degree of their social media usage, to effectively identify, measure, manage and monitor risks arising from the use of social media platforms. This forms an integral part of the Bank's operational risk management system.

To ensure that social media risks are well managed, the following were incorporated in the Bank's social media risk management: (i) content management and approval process; (ii) ongoing assessment, management and monitoring of risks associated with social media-related activities; (iii) acceptable use as well as restrictions on the use of social media platforms; (iv) use and monitoring of the Bank's proprietary social media site/page to ensure compliance with applicable laws, regulations and internal policies; (v) monitoring and recording of suspicious transactions and customer activities on the bank's proprietary social media site/page; (vi) adoption of technical and non-technical controls to address risks associated with the use of social media platforms; (vii) due diligence process for selecting, managing and continuous monitoring of third-party service providers that administer the Bank's social media site/page; (viii) social media crisis management plan and escalation procedures; (ix) enterprise-wide employee training and awareness program; (x) records retention of social media data; (xi) communication of the Bank's official social media site/page; and (xii) the specific roles and responsibilities of risk management, consumer protection, audit, and compliance functions.

► **CREDIT RISK MANAGEMENT**

The management continues to be thorough and circumspect, attentive to details and perceptive in ensuring the quality of loan and creditability of a prospective borrower, while remaining committed to improving productivity and alleviating the economic conditions of the people in the countryside through credit and financial assistance to those who need it most. A sweeping credit investigation is conducted not only on proponent borrowers but even on depositors of the Bank in line with its anti- money laundering program. The management believes that exhaustive efforts should be made at the very onset of a loan

transaction--- interview, screening, appraisal, credit investigation and loan processing and documentation----to avoid the pitfalls and consequences of a bad loan. The Bank strictly abides by the policy and principles of Customer Due Diligence on customer acceptance, identification, on-going monitoring of high-risk accounts and risk management.

▶ **REMEDIAL MANAGEMENT**

- Extensive collection and personal follow-ups.
- Principle of Win-Win solution in settlement negotiations.
 - The Bank is quite flexible and highly considerate of the client’s capacity to pay and proposed mode of settlement.
- Reminder, collection and demand letters are generally circularized in accordance with the Collection System of the Bank’s Amended Manual on Credit: Policies, Procedures and Risk Management Practices.
 - When an account turns past due, the Loan Collection Officer for the Head Office and Branch Manager for their respective branches shall contact and notify the borrower, through text message, social media account, telephone call, email, or personal follow-up, of his outstanding past due account and pursue collection of the same.
 - The Loan Collection Officer, Branch Managers and Loan Officer should conduct series of follow-ups including the sending of collection letters prior to transfer/referral of the accounts to the Bank’s Legal Counsel for the sending of demand letters.
 - Borrowers served with demand letters who still fails to settle their loans shall be given a final 10-day notice after which their account shall be transferred to Legal Counsel for the appropriate legal action, e.g., extra-judicial foreclosure.

RISK APPETITE AND STRATEGY

Risk appetite is the level and type of risk the Bank is willing to assume in its exposures and business activities, given its objectives and obligations to its stakeholders. Generally expressed through both quantitative and qualitative means, it considers extreme conditions, events and outcomes and their impact on earnings, capital and liquidity.

Generally, the Board of Directors and the management adopt a conservative risk appetite inclined towards taking minimum risks. In terms of credit risks, majority of the loans are secured by real estate mortgages and bound with the Single Borrower’s Limit (SBL). For its market risks, investments are limited only to government securities, i.e., Retail Treasury Bonds (RTB) and Fixed Rate Treasury Notes (FxTN) secured through the Land Bank of the Philippines. Whereas, new placement to depository banks shall be subject to prior Board approval. Lastly, for purchases prior

Board approval is required for items amounting to more than P 1 million. The Bank has zero tolerance for compliance risks and all exceptions are promptly addressed.

The Bank’s strategic business objectives consist of:

1. Profit volatility and return on capital
2. Regulatory compliance
3. Customer loyalty
4. Customer service and products
5. People/Values
6. Scale and Efficiency

The Bank’s strategic risk objectives are as follows:

1. Financial Risk – acceptable profit volatility and financial strength
2. Reputational Risk – A positive stakeholder perception (market reputation, customer experience and regulatory compliance)
3. Operational Risk – where process, people and technology work efficiently

In response, the Bank’s strategic risk measures consist of:

1. Setting limits and monitoring if risk profile is significantly lower, within, approaching or outside appetite limit or outside capacity.
2. Stress testing and business continuity planning.
3. Formulating mitigating measures and procedures whenever risks breach the risk limits set for the purpose.

DISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED BALANCE SHEET (Appendix 62, MORB)

TIER 1 & 2 CAPITAL AND THEIR COMPONENTS AND DEDUCTIONS (for the years 2023 and 2022)

December 31, 2023			
Nature of Item	Amount (Php)		
	Tier 1	Tier 2	Total
Core Capital			
Common Capital Stock Paid-in	95,968,600.00		95,968,600.00
Additional Paid-in Capital	73,176.90		73,176.90
Retained Earnings Reserve – Contingencies	8,734,751.26		8,734,751.26
Retained Earnings Reserve – Others	0.00		0.00
Retained Earnings Reserve – Free	50,466,515.62		50,466,515.62
Undivided Profits	0.00		0.00
Net Unrealized Gains/Losses on AFS Financial Assets	0.00		0.00
General Loan Loss Provision	0.00	3,451,183.79	3,451,183.79
	155,243,043.78	3,451,183.79	158,694,227.57

December 31, 2023			
Nature of Item	Amount (Php)		
	Tier 1	Tier 2	Total
Deductions			
Net unrealized losses on available for sale equity securities purchased	0.00	0.00	0.00
Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board	0.00	0.00	0.00
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses, and total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	0.00	0.00	0.00
Deferred Tax Assets, net of Deferred Tax Liability	45,155,755.40	0.00	45,155,755.40
Goodwill, net of allowance for losses	0.00	0.00	0.00
	45,155,755.40	0.00	45,155,755.40
Gross Qualifying Capital	110,087,288.38	3,451,183.79	113,538,472.17

December 31, 2022			
Nature of Item	Amount (Php)		
	Tier 1	Tier 2	Total
Core Capital			
Common Capital Stock Paid-in	93,644,100.00		93,644,100.00
Additional Paid-in Capital	73,176.90		73,176.90
Retained Earnings Reserve – Contingencies	8,676,467.22		8,676,467.22
Retained Earnings Reserve – Others	0.00		0.00
Retained Earnings Reserve – Free	49,715,538.83		49,715,538.83
Undivided Profits	0.00		0.00
Net Unrealized Gains/Losses on AFS Financial Assets	0.00		0.00
General Loan Loss Provision	0.00	2,385,717.63	2,385,717.63
	152,109,282.95	2,385,717.63	154,495,000.58
Deductions			
Net unrealized losses on available for sale equity securities purchased	0.00	0.00	0.00
Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board	0.00	0.00	0.00
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses, and total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	0.00	0.00	0.00
Deferred Tax Assets, net of Deferred Tax Liability	45,296,305.37	0.00	45,296,305.37
Goodwill, net of allowance for losses	0.00	0.00	0.00
	45,296,305.37	0.00	45,296,305.37
Gross Qualifying Capital	106,812,977.58	2,385,717.63	109,198,695.21

TOTAL QUALIFYING CAPITAL INCLUSIVE OF DEDUCTIONS

December 31, 2023			
Nature of Item	Amount (Php)		
	Tier 1	Tier 2	Total
Gross Qualifying Capital	155,243,043.78	3,451,183.79	158,694,227.57
Deduction from Tier 1 and Tier 2 Capital			

December 31, 2023			
Nature of Item	Amount (Php)		
	Tier 1	Tier 2	Total
Deferred Tax Assets, net of Deferred Tax Liability	45,155,755.40	0.00	45,155,755.40
TOTAL QUALIFYING CAPITAL	110,087,288.38	3,451,183.79	113,538,472.17
% to Total	96.96	3.04	100.00

December 31, 2022			
Nature of Item	Amount (Php)		
	Tier 1	Tier 2	Total
Gross Qualifying Capital	152,109,282.95	2,385,717.63	154,495,000.58
Deduction from Tier 1 and Tier 2 Capital			
Deferred Tax Assets, net of Deferred Tax Liability	45,296,305.37	0.00	45,296,305.37
TOTAL QUALIFYING CAPITAL	106,812,977.58	2,385,717.63	109,198,695.21
% to Total	97.82	2.18	100.00

CAPITAL REQUIREMENT FOR CREDIT RISK

CREDIT RISK-WEIGHTED ASSETS	TOTAL CREDIT RISK-WEIGHTED ASSETS FOR 2023
Total Risk Weighted On-Balance Sheet Assets – (Schedule A)	697,992,229.46
Total Risk Weighted Off-Balance Sheet Assets	0.00
Total Counterparty Risk-Weighted Assets	0.00
Total Gross Risk-Weighted Assets	697,992,229.46
Deductions: General Loan Loss Provision (in excess of the amount permitted to be included in Upper Tier 2 Capital)	0.00
TOTAL CREDIT RISK-WEIGHTED ASSETS	697,992,229.46

SCHEDULE A

December 31, 2023

ON-BALANCE SHEET ASSETS	Risk Weights							Total Credit Risk-Weighted Assets
	0%	20%	50%	75%	100%	130%	150%	
Cash on Hand	3,650,901.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Checks and Other Cash Items	0.00	406,163.08	0.00	0.00	0.00	0.00	0.00	81,232.62
Due from Bangko Sentral ng Pilipinas (BSP)	39,688,915.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due from Other Banks	0.00	0.00	0.00	0.00	184,330,325.28	0.00	0.00	184,330,325.28
Available-for-Sale (AFS) Financial Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Held-to-Maturity Financial Assets	534,014,942.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unquoted Debt Securities Classified as Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans and Receivables	0.00	0.00	89,227,844.33	169,381,333.67	131,514,370.20	0.00	35,260,542.96	356,055,107.06
Loans and Receivables arising from	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

ON-BALANCE SHEET ASSETS	Risk Weights							Total Credit Risk-Weighted Assets
	0%	20%	50%	75%	100%	130%	150%	
Repurchase Agreements, Certificates of Assignments/ participation with Recourse and Securities Lending and Borrowing Transactions								
Sales Contract Receivable (SCR)	0.00	0.00	0.00	0.00	27,969,731.79	0.00	29,258,080.28	71,856,852.21
Real and Other Properties Acquired	0.00	0.00	0.00	0.00	0.00	0.00	28,105,514.06	42,158,271.09
Total Exposures excluding Other Assets	577,354,758.85	406,163.08	89,227,844.33	169,381,333.67	343,814,427.27	0.00	92,624,137.30	654,481,788.25
Other Assets	0.00	0.00	0.00	0.00	88,666,196.61	0.00	0.00	88,666,196.61
Deductions from Other Assets	0.00	0.00	0.00	0.00	45,155,755.40	0.00	0.00	45,155,755.40
Total exposures, including Other Assets	577,354,758.85	406,163.08	89,227,844.33	169,381,333.67	387,324,868.48	0.00	92,624,137.30	697,992,229.46
TOTAL RISK-WEIGHTED ON BALANCE SHEET ASSETS	0.00	81,232.62	44,613,922.17	127,036,000.25	387,324,868.48	0.00	138,936,205.95	697,992,229.46

SCHEDULE B

December 31, 2022

ON-BALANCE SHEET ASSETS	Risk Weights							Total Credit Risk-Weighted Assets
	0%	20%	50%	75%	100%	130%	150%	
Cash on Hand	4,104,257.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Checks and Other Cash Items	0.00	110,339.53	0.00	0.00	0.00	0.00	0.00	22,067.91
Due from Bangko Sentral ng Pilipinas (BSP)	37,890,360.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due from Other Banks	0.00	0.00	0.00	0.00	190,252,921.09	0.00	0.00	190,252,921.09
Available-for-Sale (AFS) Financial Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Held-to-Maturity Financial Assets	582,679,246.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unquoted Debt Securities Classified as Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans and Receivables	0.00	0.00	75,751,776.51	138,021,830.90	124,877,187.23	0.00	38,434,657.24	323,921,434.52
Loans and Receivables arising from Repurchase Agreements,	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

ON-BALANCE SHEET ASSETS	Risk Weights							Total Credit Risk-Weighted Assets
	0%	20%	50%	75%	100%	130%	150%	
Certificates of Assignments/ participation with Recourse and Securities Lending and Borrowing Transactions								
Sales Contract Receivable (SCR)	0.00	0.00	0.00	0.00	24,554,851.83	0.00	36,887,487.19	79,886,082.62
Real and Other Properties Acquired	0.00	0.00	0.00	0.00	0.00	0.00	28,583,668.11	42,875,502.17
Total Exposures excluding Other Assets	624,673,864.97	110,339.53	75,751,776.51	138,021,830.90	339,684,960.15	0.00	103,905,812.54	636,958,008.30
Other Assets	0.00	0.00	0.00	0.00	122,024,389.10	0.00	0.00	122,024,389.10
Deductions from Other Assets	0.00	0.00	0.00	0.00	45,296,305.37	0.00	0.00	45,296,305.37
Total exposures, including Other Assets	624,673,864.97	110,339.53	75,751,776.51	138,021,830.90	416,413,043.88	0.00	103,905,812.54	713,686,092.03
TOTAL RISK-WEIGHTED ON BALANCE SHEET ASSETS	0.00	22,067.91	37,875,888.26	103,516,373.18	416,413,043.88	0.00	155,858,718.81	713,686,092.03

CAPITAL REQUIREMENT FOR MARKET RISK

MARKET RISK-WEIGHTED ASSETS	TOTAL MARKET RISK-WEIGHTED ASSETS FOR 2023
Using Standardized Approach:	
Interest Rate Exposures	0.00
Equity Exposures	0.00
Foreign Exposures	0.00
TOTAL MARKET RISK-WEIGHTED ASSETS	0.00

CAPITAL REQUIREMENT FOR OPERATIONAL RISK

OPERATIONAL RISK-WEIGHTED ASSETS	AVERAGE GROSS INCOME YEAR 2023
Interest Income	61,848,117.90
Interest Expense	23,978,278.27
Net Interest Income	37,869,839.62
Dividend Income	0.00
Fees and Commissions Income	3,885,468.13
Net Gain/Loss on Financial Assets and Liabilities Held for Trading	0.00
Net Gain/Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	0.00
Net Profit/Loss on Foreign Exchange	0.00
Net Gain/Loss on Fair Value Adjustment in Hedge Accounting	0.00
Other Income	1,041,821.60
Total Other Non-Interest Income	4,927,289.72
Gross Income	42,797,129.35
Capital Charge (12%)	5,135,655.52
Adjusted Capital Charge (125%)	6,419,569.40
TOTAL MARKET RISK-WEIGHTED ASSETS	64,195,694.02

CAPITAL ADEQUACY RATIO (TOTAL & TIER 1 CAPITAL)

RISK	Amount (Php)	
	2023	2022
Adjusted Tier 1	110,087,288.38	106,812,977.58
Adjusted Tier 2	3,451,183.79	2,385,717.63
Total Qualifying Capital	113,538,472.17	109,198,695.21
Total Credit risk-weighted assets	697,992,229.46	713,686,092.03
Total Market risk-weighted assets	0.00	0.00
Total Operational risk-weighted assets	64,195,694.02	65,308,739.94
Total risk-weighted assets	762,187,923.48	778,994,831.97
Solo CAR (%)	14.90	14.02
Tier 1 Capital Ratio (%)	14.44	13.71

RISK	Regulatory Capital	
	2023	2022
Total Credit risk-weighted assets	697,992,229.46	713,686,092.03
Total Market risk-weighted assets	0.00	0.00
Total Operational risk-weighted assets	64,195,694.02	65,308,739.94
Total	762,187,923.48	778,994,831.97

ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

➤ BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING

The Bank in line with its policy shall apply the following principles:

- Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system;
- Know your customer sufficiently at all times and ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank;
- Adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing.
- Comply fully with the rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance;
- Fully cooperate with the Anti-Money Laundering Council (AMLC) and AMLSG-SES for the effective implementation and enforcement of the AMLA as amended and its RIRR.

➤ RISK MANAGEMENT

The Bank developed sound risk management policies and practices to ensure that risks associated with money laundering/terrorist financing such as reputational, operational and compliance risks are identified, assessed, monitored, mitigated and controlled, as well as to ensure effective implementation of these regulations, to the end that the Bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism.

A. BOARD AND SENIOR MANAGEMENT OVERSIGHT

Senior management shall oversee the day-to-day management of the Bank; ensure effective implementation of AML/CFT policies approved by the Board and alignment of activities with the strategic objectives, risk profile and corporate values set by the Board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances. It shall be the ultimate responsibility of the Board of Directors to provide oversight and ensure that the Bank's compliance management and full cooperation with the AMLC and AMLSG-SES is more than adequate in adherence with these rules, the AMLA, as amended, the TFPSA and their RIRR. It shall ensure that ML/TF risk is effectively managed and that this forms part of the Bank's enterprise risk management system. It is likewise their duty to institute a mechanism that ensures all deficiencies noted during the audit and/or BSP regular examination are immediately corrected and acted upon as well as adequately and effectively monitor measures and status of actions taken to address previous BSP directives and avoid a repeat of the same exceptions and noted AML findings on the implementation of the MTPP.

Regular appraisal of relevant AML matters to the Board which shall include, but not limited to management/resolution of possible suspicious transaction and the status of AML awareness/ updates and training shall be made by the Chief Compliance Officer on a quarterly basis or immediately following an AML issue, concern or situation that requires prompt attention and resolution. Such reporting may also be made on a more frequent basis when necessary.

1. COMPLIANCE OFFICE

Management of the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) shall be a primary task of the Compliance Office. To ensure the independence of the compliance office, it shall have a direct reporting line to the Board of Directors through its Audit Committee on all matters related to AML and terrorist financing compliance and their risk management.

The Chief Compliance Officer, with the rank of senior officer, is currently designated as the Bank's AML Compliance Officer as well. As the lead implementer of the MTPP he acts as liaison between the Bank, the BSP and the AMLC on matters relating to the Bank's AML compliance. To assist him towards a more effective implementation of the Bank's MTPP, an AML/Compliance Assistant shall be designated for the purpose.

DUTIES:

- Ensure compliance by all responsible officers and employees with this MTPP, the AMLA as amended and its RIRR and its own MLPP. Conduct periodic compliance checking which covers among others evaluation of existing processes, policies and procedures including on-going monitoring of performance by staff and officers involved in money laundering and terrorist financing prevention, reporting channels, effectivity of the electronic money laundering transaction monitoring system and record retention system through sample testing and review of audit or examination reports. Report compliance findings to the Board of Directors through its Audit Committee.
- Ensure that all infractions discovered either by internally initiated audits or by regular examination conducted by the BSP and other applicable regulators are immediately corrected.
- Conduct independent compliance testing focused on the completeness of minimum required information and documentary requirements; implementation of customer risk profiling and appropriate due diligence; AML compliance of the Bank's loan administration and ROPA disposal activities, among others. The Bank shall review the appropriateness of compliance testing program in relation to its risk profile and adopt a risk-based approach in determining the scope of testing, i.e., AML risk areas and branches/units to be subjected to compliance testing conducted under specific procedures.
- Inform all responsible officers and employees of all resolutions, circulars and other issuances by the BSP and the AMLC in relation to matters aimed at preventing money laundering and terrorist financing.
- Alert senior management, the Board of Directors or other board level committees if it believes the Bank is failing to sensibly address anti-money laundering and terrorist financing issues.
- Organize the timing and content of AML training of officers and employees including regular refresher trainings.

2. GROUP-WIDE AML/CFT COMPLIANCE

The Bank implements group wide-MTPP applied to all branches as provided in Section 911 of the MORB. The Bank adopts a comprehensive and risk based MTPP geared

towards the promotion of high ethical and professional standards and the prevention of the Bank being used, intentionally or unintentionally, for money laundering and terrorism financing. The MTPP shall be consistent with the AMLA, as amended, its RIRR and the provisions set out by the MORB and designed according to the Bank's corporate structure and risk profile. It shall be in writing, approved by the Board of Directors and well disseminated to all officers and staff Bank wide who are obligated to implement the same on a consolidated basis.

B. MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM (MTPP)

The Bank adopts a comprehensive and risk-based MTPP geared towards the promotion of high ethical and professional standards and prevention of the Bank from being used, intentionally or unintentionally, for ML/TF activities. The MTPP includes policies, controls, and procedures to enable the Bank to manage and mitigate the risks that have been identified in the risk assessment process including taking enhanced measures for those classified as posing higher risks. The MTPP shall also be consistent with the AMLA, as amended by the TFPISA, their respective RIRR and the provisions set forth. It shall be in writing approved by the Board of Directors and well disseminated to all officers and staff who are obligated by law and by the program to implement the same. All of the Bank's branches shall implement the consolidated ML/TF risk management system to ensure the coordination and implementation of policies and procedures on a group wide basis taking into account local business considerations and the requirements of the jurisdiction.

The MTPP shall also be readily available in user-friendly form, whether in hard or soft copy. The Bank shall ensure an audit trail evidencing dissemination process for new and amended policies and procedures is adequately and effectively in place.

The program shall embody the following at a minimum.

1. Detailed procedures of the Bank's compliance and implementation of the following major requirements of the AMLA, as amended, its RIRR and the provisions of the MORB, to wit:
 - a. Customer identification process including acceptance policies and on-going monitoring processes.
 - b. Record keeping and retention.
 - c. Covered transaction reporting.
 - d. Suspicious transaction reporting including the adoption of a system, electronic or manual, of flagging, monitoring and reporting of transactions that qualify as

suspicious transactions, regardless of amount, that will raise a “red flag” for purposes of conducting further verification of investigation, or transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breach the threshold. Suspicious transaction reporting covers all transactions, whether completed or attempted. Suspicious transactions shall be promptly filed within the next working day from the occurrence thereof, which for purposes of the rule, shall be the date of establishment of suspicion or determination of the suspicious nature of transaction. The suspicious transactions reporting shall include a reporting chain under which a suspicious transaction will be processed and the designation of the Board level committee who will ultimately decide whether or not the Bank should file a report to the AMLC. If the resources of the Bank do not permit the designation of a committee it may designate the compliance officer to perform this function instead, provided that the Board of Directors is informed of his decision.

2. An effective and continuous anti-money laundering and countering of terrorist financing training program for all directors and responsible officers and employees to enable to fully comply with the obligations and responsibilities under these rules, the AMLA as amended, the RIRR and its internal policies and procedures as embodied in the MLPP. The training program shall include refresher training to remind their obligations and responsibilities as well as update them of any changes in AML laws, rules and internal policies and procedures.
3. An adequate screening and recruitment process to ensure that only qualified personnel who have no criminal record/s are employed to assume sensitive banking functions.
4. An internal audit system in accordance with Section 911 of the MORB.
5. An independent audit program with written scope of audit that will ensure the completeness and accuracy of the information and identification documents obtained from clients, the covered and suspicious transaction reports submitted to AMLC and the records retained in compliance with these rules as well as the adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing.
6. A mechanism that ensures all deficiencies noted during the audit and/or BSP regular or special examination are immediately corrected and acted upon.
7. Cooperation with the AMLC and Bangko Sentral.
8. Designation of an AML officer, who shall at least be at senior officer level, as the lead implementer of the program within an adequately staffed Compliance Office. The AML compliance officer may also be the liaison between the covered institution, the BSP and the AMLC on matters relating to the Bank’s AML compliance. Where resources of the

Bank do not permit the hiring of an AML compliance officer, the Chief Compliance Officer shall also assume the responsibility of the former.

- SUBMISSION OF THE REVISED UPDATED MTPP

The Bank shall prepare and have available for inspection an Updated MTPP embodying the principles and provisions of Part VIII of the Manual of Regulations for Banks. Henceforth, each MTPP shall be regularly updated at least once every two (2) years to incorporate changes in AML policies and procedures, latest trends in money laundering and terrorist financing typologies and latest pertinent BSP issuances. Any revision or update in the MTPP shall likewise be approved by the Board of Directors.

9. Policies and procedures for sharing information required for the purposes of customer due diligence (CDD) and risk management.
10. A provision that the group-level compliance, audit and/or AML/CFT functions should be provided with customer account and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This should include information on analysis of transactions or activities which appear unusual, if such analysis was done. Similarly, branches and subsidiaries should receive such information from these group level functions when relevant and appropriate to risk management. The MTPP may require a potential and/or existing customer to sign a waiver on the disclosure of information within the group.
11. Adequate safeguards on the confidentiality and use of information exchanged including safeguards to prevent tipping-off.
12. A mechanism to comply with freeze, bank inquiry and asset preservation orders and all directives of the AMLC.
13. A mechanism to comply with the prohibitions from conducting transactions with designated persons and entities as set out in the relevant United Nations Security Council Resolutions (UNSCRs) relating to the prevention and suppression of terrorism and terrorist financing and financing of proliferation of weapons of mass destruction.

C. MONITORING AND REPORTING TOOLS

The Bank shall adopt an AML and terrorist financing monitoring system that is appropriate for its risk profile and ensure that it is capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks and to regularly apprise the Board of Directors and Senior Management on anti-money laundering and terrorist financing compliance. A monitoring tool to identify accounts with suspicious activities, such as but not limited to, aggregation of transaction with clients using multiple accounts maintained with different branches shall be established allowing the Bank to capture all transactions of a particular client for appropriate monitoring and analysis.

To ensure that all deficiencies noted during the audit and/or BSP examinations are immediately corrected and acted upon, the Chief Compliance Officer and Internal Auditor shall maintain an AML ROE Tracking Report which shall be reported to the Board of Directors on a quarterly basis rendering an account of the status of actions taken/being taken towards full compliance thereto.

- *Manual Monitoring* – The Bank in the absence of an AML/CFT electronic system must ensure that it has the means of complying with Section 911 of the MORB pending the installation of such system.

D. INTERNAL AUDIT

An independent audit program with written scope of audit that will ensure the completeness and accuracy of the information and identification of documents obtained from clients, the covered and suspicious transactions reports submitted to the AMLC and the records retained in compliance with Part VIII of the MORB as well as adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing shall be in place. The coverage of the internal audit program shall include testing of the effectiveness of the Bank's customer identification process, reporting of covered and suspicious transactions and all significant AML risk areas.

The result of the Internal Audit shall be timely communicated to the Board of Directors through its Audit Committee and shall be open for scrutiny by the BSP examiners in the course of the regular or special examination without prejudice to the conduct of its own evaluation whenever necessary. Results of the audit shall likewise be promptly communicated to the Compliance Office for its appropriate corrective action. The Chief Compliance Officer shall regularly submit reports to the Board of Directors through its Audit Committee to inform the management's action to address deficiencies noted in the audit, if any. The internal audit function shall be conducted by the Bank's Internal Auditor, and as such, independent and with direct reporting line to the Board of Directors through the Audit Committee.

DUTIES:

- Responsible for the periodic and independent evaluation of the risk management, degree of adherence to internal control mechanisms related to the customer identification process such as the determination of the existence of customers and the completeness of the minimum information and/or documents establishing the true and full identity of, and the extent and standard of due diligence applied to

customers, CT and ST reporting and record keeping and retention, as well as the adequacy and effectiveness of other existing internal controls associated with money laundering and terrorist financing.

- The results of the internal audit shall be timely communicated to the Board of Directors and shall be open for scrutiny by BSP examiners in the course of regular or special examination without prejudice to the conduct of its own evaluation whenever necessary.
- Results of the audit shall likewise be promptly communicated to the Compliance Office for its appropriate corrective action.
- The Chief Compliance Officer shall regularly submit reports to the Board through the Audit Committee to inform them of management's action to address deficiencies noted in the audit, if any.

E. RISK ASSESSMENT

Consistent with risk-based approach, the Bank is required to identify, understand and assess the Money Laundering and Terrorist Financing risks, arising from customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels. The assessment methodology shall be appropriate to the nature of operations and complexity of the business of the Bank. The risk assessment shall consider all relevant risk factors, adequately document results and findings and update the same periodically or as necessary. The Bank's risk assessment shall be conducted at least once every two (2) years or as often as the Board or senior management may direct depending on the level of risks identified in the previous risk assessment, or other relevant AML/CFT developments that may have an impact on the Bank's operations. Based on the risk assessment, the Bank shall take appropriate measures to manage and mitigate ML/TF risks. The Bank's risk assessment shall consider all relevant risk factors, including the results of national and sectoral risk assessments.

New products and business practices risk assessment. The Bank is also required to identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanism and the use of new or developing technologies for both new and pre-existing products. Such risk assessment should be an integral part of product or service development process and should take place prior to the launch of the new product, business practice or the use of new or developing technologies. The Bank should take appropriate measures to manage and mitigate the identified risks.

➤ CUSTOMER DUE DILIGENCE

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

Identifying the customer and verifying the true identity of the customer based on official documents or other reliable, independent source documents, data or information. In case of corporate and judicial entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.

- a. Identifying the customer and verifying the true identity of the customer based on official documents or other reliable, independent source documents, data or information. In case of corporate and judicial entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.
- b. Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner based on official documents, or using relevant information or data obtained from reliable sources, such that the Bank is satisfied that it knows who the beneficial owner is. The Bank should have a system to understand the nature of the customer's business and ownership and control structure, in case of juridical persons or legal arrangements.

Where the customer or the owner of the controlling interest is a company listed in a stock exchange and subject to disclosure requirements (either by stock exchange rules or through law or enforceable means) to ensure adequate transparency of beneficial ownership or is a majority-owned subsidiary of such company, the Bank is not required to verify the identity of any shareholder or beneficial owner of such companies. The relevant identification data may be obtained from a public register from the customer or from other reliable sources.

The Bank shall keep records of the actions taken in order to identify the beneficial owner.

- c. Understanding and as appropriate obtaining information on the purpose and intended nature of the business relationship.
- d. Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the Bank knowledge of the customer, their business and risk profile, including where necessary the source of funds.

Where the Bank is unable to comply with the relevant CDD measures, it shall refuse to open an account, commence business relations or terminate the business relationship or perform the transaction and consider filing a suspicious transaction report (STR) in relation to the customer.

In cases where the Bank forms a suspicion of ML/TF and associated unlawful activities and reasonably believes that performing the CDD process will tip-off the customer, the Bank need not pursue the CDD process but should file an STR, closely monitor the account and review the business relationship.

2. The Bank shall be required to undertake customer due diligence when:
 - a. It establishes business relations with any customer;
 - b. It undertakes any occasional but relevant business transaction for any customer who has not otherwise established relations with the Bank;
 - c. There is a suspicion of money laundering or terrorist financing;
 - d. There is a doubt about the veracity or adequacy of previously obtained customer identification data.
3. “Business relations” means the opening or maintenance of an account or the provision of financial advice by the Bank to a customer.
4. “Relevant business transaction” shall refer to:
 - a. A transaction with a value exceeding P100,000.00 except money changing or remittance transactions;
 - b. Two or more transactions believed to be linked and with an aggregate value exceeding P100,000.00;
5. For existing customers. Bank shall apply CDD requirements to existing customers on the basis of materiality and risk and conduct due diligence on existing relationships at appropriate times, taking into account CDD measures previously undertaken as well as the adequacy of information and documents obtained.

For this purpose, Bank should have appropriate system to identify and determine occasional customer or transaction.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STRUCTURE

HIYAS BANKING CORPORATION fully supports the *thrust of the Bangko Sentral ng Pilipinas to continuously implement reforms aimed at strengthening corporate governance cognizant that it is central in sustaining the resiliency and stability of the Bank and the financial system in general.*

It is in this light that the Bank aims to align its existing regulations with the requirements of the Bangko Sentral ng Pilipinas adopting where possible international best practices such as the “Corporate Governance Principles for Banks” issued by the Basel Committee on Banking Supervision in July 2015. As stated in its introduction, *“Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. Banks perform a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth. Banks’ safety and soundness are key to financial stability, and the manner in which they conduct their business, therefore, is central to economic health. Governance weaknesses at banks that play a significant role in the financial system can result in the transmission of problems across the banking sector and the economy as a whole.”*

The Bank’s corporate philosophy consists of its commitment to excellence and best practices towards achieving the promotion of corporate fairness, transparency and accountability.

The Board of Directors and management, employees and stockholders of the HIYAS BANKING CORPORATION (HBC), a Thrift Bank, believe that sound and effective corporate governance practices are essential to achieving and maintaining public trust and confidence, providing the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance as determined.

The Bank commits to a philosophy of adhering to honesty, integrity and professionalism in the conduct of its business, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, providing transparency on its basic management policies and practices, major business strategies and operating results.

We firmly believe that our strength and growth are built on a foundation of sound, responsible, and effective corporate governance. Our unwavering commitment to fully complying with applicable laws and regulations underscores our dedication to implementing best practices in risk management tailored to our Bank’s size and complexity. We consistently strive to review and update our policies and procedures in response to changes in the regulatory environment. To this end, we have instituted several reforms designed to ensure not only our compliance but also to uphold our integrity and accountability to our stakeholders. Our proactive approach reflects our continuous effort to align with the highest standards of governance and risk management.

THE BOARD OF DIRECTORS

The corporate powers of an institution shall be exercised, its business conducted and all its resources controlled through its Board of Directors. The powers of the Board of Directors as

conferred by law are original and cannot be revoked by the stockholders. The directors shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of the institution.

The Board of Directors, as the highest governance body of the Bank, is responsible for establishing a robust and effective governance system. This includes setting strategic business directions, appointing senior officers, approving major strategies and policies, monitoring business and management performance, and ensuring a reasonable return on investment for our shareholders. Through diligent oversight and strategic decision-making, the Board plays a critical role in guiding the Bank towards sustainable growth and long-term success.

SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

Pursuant to Sections 15 and 17 of R.A. 8791 and as provided in Section 1 of the Bank's Corporate By-Laws, the Board of Directors shall consist of nine (9) members, who shall be elected by the HBC stockholders entitled to vote at the Annual Meeting held on the first Sunday of May each year. Directors shall hold office for one (1) year and continue in their roles until their successors are elected and qualified in accordance with the Articles of Incorporation and By-Laws of the Corporation.

Additionally, members of the Board shall adhere to the fit and proper standards as provided in Section 16 of R.A. 8791. This adherence ensures the maintenance of effective governance and provides better protection for depositors and the public in general.

The senior management and officers are selected based on the following factors:

- Credentials and qualifications for the said position
- Training and acquired skills
- Sense of responsibility and work values
- Exposure/ working knowledge on the requirements of the position.
90% of all development occurs on the job, so the management espouses giving its people more responsibility in a particular area in their current role and then, with their respective superiors, coaching them through it. Not only is this more practical, but it also opens up effective communication lines.
- Length of service, loyalty and dedication to the Bank

Their appointment and election are subject to the approval of the Board of Directors. Moreover, senior management shall adhere to the fit and proper standards as provided in the Amended Manual of Human Resources Policies and Procedures to ensure the maintenance of high-quality management. Recognizing the importance of mutual trust and a close working relationship, senior

management members shall also uphold the institution's general operating philosophy, vision, and core values.

OVERALL RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of Directors is primarily responsible for defining the Bank's vision and mission. The Board of Directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives, the implementation of risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework, approve the selection of the CEO/President and key members of senior management and control functions and oversee their performance.

- a. The Board of Directors shall define the Bank's corporate culture and values.*

It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the Board of Directors shall:

1. Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that director, officers and all personnel are expected to conduct themselves ethically and perform their job with skill, due care and diligence in addition to complying with laws, regulations and company policies.
2. Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The Board of Directors shall establish, actively promote and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The Board of Directors shall ensure that the President and executive team champion the desired values and conduct and that they face material consequences if there are persistent or high-profile conduct and value breaches.
3. Oversee the integrity, independence, and effectiveness of Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the Board of Directors itself. It shall prevent the use of the facilities of the Bank in the

- furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
- b. *The Board of Directors shall be responsible for approving the Bank's objectives and strategies and in overseeing the management's implementation thereof.* In this regard, the Board of Directors shall:
1. Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
 2. Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance and ability to manage risks effectively. In this respect, the Board of Directors shall establish a system for measuring performance against plans.
 3. Actively engage in the affairs of the Bank and keep up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Bank.
 4. Approve and oversee the implementation of policies governing major areas of the Bank's operations. The Board of Directors shall regularly review these policies, as well as evaluate control functions (internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.
- c. *The Board of Directors shall be responsible for the appointment/ selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel.* In this regard, the Board of Directors shall:
1. Oversee the selection of the President and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of the senior management shall uphold the general operating philosophy, vision and core values of the Bank.
 2. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior and reinforce the Bank's operating and risk culture.
 3. Oversee the performance of senior management and heads of control functions:

- a. The Board of Directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - b. The Board of Directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the Board of Director's performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.
 - c. The Board of Directors shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter.
 - d. Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance and related party transactions committees, in the absence of the senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
4. Engage in succession planning for the President and other critical positions as appropriate. In this respect, the Board of Directors shall establish an effective succession planning program that includes a system for identifying and developing potential successors for the President and other critical positions.
 5. Ensure that personnel's expertise and knowledge remain relevant. The Board of Directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of development relevant to their areas of responsibility.
 6. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times and that all transactions involving the pension fund are conducted at arm's length terms.
- d. *The Board of Directors shall be responsible for approving and overseeing the implementation of the Bank's corporate governance framework.* In this regard, the Board of Directors shall:
1. Define appropriate governance structure and practices for its own work and ensure that such practices are followed and periodically reviewed.
 - a. The Board of Directors shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues and thorough review of matters. The Board of Directors shall meet regularly to properly discharge its functions and likewise have discussions on values, conduct and behaviors.
 - b. The Board of Directors shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the Bank and the Board of Directors,

the Bank's complexity of operations as well as the Board of Directors' long-term strategies and risk tolerance.

- c. The Board of Directors shall regularly review the structure, size and composition of the Board of Directors and board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the Board of Directors and board-level committees shall be adopted which shall include, but not limited to benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the Board of Directors.
 - d. The Board of Directors shall adopt policies aimed at ensuring that the members of the Board of Directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.
 - e. The Board of Directors shall ensure that its individual members and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition and risk exposures. All members of the Board of Directors shall have reasonable access to any information about the Bank at all times. The Board of Directors shall also ensure that adequate and appropriate information flows internally and to the public.
 - f. The Board of Directors shall assess at least annually its performance and effectiveness as a body, as well as its committees, the President, the individual directors and the Bank itself. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the board of directors and board-level committees.
 - g. The Board of Directors shall maintain appropriate records of its deliberations and decisions. The Board of Directors shall also ensure that independent views in meetings of the board shall be given full consideration and all such meetings shall be duly minuted.
2. Develop remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The Board of Directors shall ensure that policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking and is not in conflict with the director's fiduciary responsibilities.
 3. Adopt a policy on retirement for directors and officers as part of the succession plan to promote dynamism and avoid perpetuation in power.

4. Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.
5. Maintain and periodically update organizational rules, by-laws or other similar documents setting out its organization, rights, responsibilities and key activities. The Board of Directors shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
6. Oversee the development, approve and monitor implementation of corporate governance policies which should be followed and periodically reviewed for ongoing improvement.
7. Approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged. In this regard:
 - a. The Board of Directors shall approve all material RPTs, those that cross the materiality threshold and write-off material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board of Directors. All final decisions of the Board of Directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meeting and duly reflected in the minutes of board of directors and stockholders' meetings.
 - b. The Board of Directors shall establish an effective system to:
 - i. Determine, identify and monitor related parties and RPTs
 - ii. Continuously review and evaluate existing relationships between and among businesses and counterparties
 - iii. Identify measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom the Bank has entered into a transaction) subsequently becomes a related party and vice versa and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate

reports to the regulators/ supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the Bangko Sentral and audit functions for review. Any changes in the policies and procedures shall be approved by the Board of Directors.

- c. The Board of Directors shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Banks is well-insulated from any going concern issue of related parties.
- d. The Board of Directors shall oversee the integrity, independence and effectiveness of the policies and procedures for whistleblowing. The Board of Directors should ensure that senior management addresses legitimate issues on RPT that are raised. The Board of Directors should take responsibility for ensuring that anyone who raises concerns is protected from detrimental treatment or reprisals.
- e. *The Board of Directors shall be responsible for approving the Bank's risk governance framework and overseeing management's implementation thereof.* In this regard, the Board of Directors shall:
 - 1. Define the Bank's risk appetite. In setting the risk appetite, the Board of Directors shall take into account the business environment, regulatory landscape and the Bank's long-term interests and ability to manage risks.
 - 2. Approve and oversee adherence to the risk appetite statement (RAS), risk policy and risk limits.
 - 3. Oversee the development of, approve and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
 - 4. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense and the internal audit function for the third line of defense. In this regard:
 - a. The Board of Directors shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources and carry out their responsibilities independently, objectively and effectively.
 - b. The Board of Directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance

and risk management functions other than in meetings of the audit committee in the absence of senior management.

f. *In view of the Bank having been approved by the Bangko Sentral as a simple, non-complex Bank, the Board of Directors assume the duties of the **RELATED PARTY TRANSACTIONS COMMITTEE** as mandated by Section 133 of the MORB, to wit:*

1. Evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. Related parties, RPTs and changes in relationships are reflected in the relevant reports to the Board of Directors and regulators/ supervisors.
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Board of Directors will take into account, among others, the following:
 - a. The related party's relationship to the Bank and interest in the transaction.
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction.
 - c. The benefits to the Bank of the proposed RPT.
 - d. The availability of other sources of comparable products or services.
 - e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank has in place effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material are for prior approval of the Board of Directors.
3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflicts of interest or potential conflicts of interest. The disclosure includes information on the approach to managing material conflicts of interest that are inconsistent with such policies and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.
4. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
5. Ensure that transactions with related parties, including write-off of exposures are subject to periodic independent review or audit process.

6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.
- g. **RISK OVERSIGHT FUNCTIONS** (Sec. 133 of the MORB).* The Board of Directors likewise assume the functions of a Risk Oversight Committee on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statements and report on the state of the Bank's risk culture, viz.:

1. Oversee the risk management framework. The Board of Directors oversees the enterprise risk management framework and ensures that there is periodic review of the effectiveness of the risk management systems and recovery plans. It ensures that corrective actions are promptly implemented to address risk management concerns.
2. Oversee the adherence to risk appetite. The Board of Directors ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite assessing the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies and procedures relating to risk management and control and performance of management among others.
3. Oversee the risk management function. The Board of Directors is responsible for the appointment/selection, remuneration and dismissal of the Risk Management Officer. It also ensures that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Bank.

*h. **CORPORATE GOVERNANCE FUNCTIONS** (Sec. 133 of the MORB)*

The responsibilities of the Board of Directors in fulfilling its corporate governance, to wit:

1. Oversee the nomination process for members of the Board of Directors and for positions appointed by the Board of Directors. Review and evaluate the qualifications of all persons nominated to the Board of Directors as well as those nominated to other positions requiring appointment by the Board of Directors. Recommend the matters pertaining to the assignment as well as succession plan for the members of the Board of Directors and senior management.
2. Oversee the continuing education program for the Board of Directors. Ensure allocation of sufficient time, budget, and other resources for the continuing education of directors and draw on external expertise as needed. Establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors. The orientation program for first time directors shall be for at least eight (8) hours, while the annual continuing training for at least four (4) hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

3. Oversee the performance evaluation process. Oversee the periodic evaluation of contribution and performance (e.g., competence, candor, attendance, preparedness, and participation) of the Board of Directors, board-level committees and senior management. Internal guidelines be adopted that address the competing time commitments of directors serving on multiple boards.
4. Oversee the design and operation of the remuneration and other incentives policy. Ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of the Bank, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethics and comply with legal and regulatory requirements. Examine whether incentives provided by the remuneration system take into consideration risk, capital and the likelihood and timing of earnings. Moreover, it monitors and reviews the remuneration and other incentives policy including plans, processes, and outcomes to ensure that it operates and achieves the objectives as intended.

THE CHAIRPERSON OF THE BOARD

The Chairperson of the Board of Directors shall provide leadership in the Board ensuring its effective functioning and maintaining a relationship of trust with its members. She shall:

- Ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites and key governance concerns.
- Ensure a sound decision making process.
- Encourage and promote critical discussion.
- Ensure that dissenting views can be expressed and discussed within the decision-making process.
- Ensure that members of the Board of Directors receive accurate, timely and relevant information.
- Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors.
- Ensure conduct of performance evaluation of the Board of Directors at least once a year.

The Chairperson of the Board shall preside at all meetings of the Board of Directors. In her absence or inability to so preside, the meeting shall be presided over by any other member of the Board or officer so delegated for the purpose. The Chairperson of the Board shall have such powers as may be prescribed by the Board.

To promote checks and balances, the Chairperson of the Board of Directors shall be a non-executive director or an independent director. The positions of Chairperson and CEO shall not be

held by one (1) person. In exceptional cases where the position of Chairperson of the Board of Directors and CEO is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed.

The Chairperson must not have served as CEO of the Bank within the past three (3) years. In exceptional cases, former CEOs of the Bank may be allowed to immediately assume the position of chairperson of the board of directors, Provided, that:

- This is consistent with the provisions of its succession plan; and
- There are no major supervisory concerns in the quality of the Bank’s governance, risk management system, and internal controls and compliance system, and the Bank is not subject to escalated enforcement action.

COMPOSITION OF THE BOARD OF DIRECTORS

Pursuant to Sections 15 and 17 of R.A. 8791, the Board of Directors have nine (9) members who are elected by the HBC stockholders entitled to vote at the annual meeting and hold office for one (1) year and until their successors are elected and qualified in accordance with the Article of Incorporation and By-Laws of the corporation.

To the extent practicable, the members of the Board of Directors shall be selected from a broad pool of qualified candidates. Non-executive directors, who shall include independent directors, shall comprise at least majority of the Board of Directors to promote the independent oversight of management by the Board of Directors.

At least three (3) members of the Board of Directors shall be independent directors.

Non-Filipino citizens may become members of the Board of Directors of the Bank to the extent of the foreign participation in the equity of the Bank.

BOARD COMPOSITION

	Name of Director	Type of Directorship	Number of Years Served	Number of Shares	Percentage of Shares to Total Outstanding Shares
1	Angelica Halili Cruz	Executive	47 yrs. & 7 mos.	82,392	8.59
2	Patria H. Perez	Non-Executive	23 yrs. & 6 mos.	86,135	8.98
3	Maria Josefa A. Halili	Non-Executive	22 yrs. & 4 mos.	10,273	1.07
4	Juanita L. Cruz	Non-Executive	36 yrs. & 8 mos.	84,996	8.86
5	Azucena P. Mangubat	Non-Executive	43 yrs. & 7 mos.	61,036	6.36
6	Teresita B. Halili	Non-Executive	4 mos.	10	0.00
7	Loreto D.J. Guballa	Independent Director	2 yrs. & 8 mos.	3,817	0.40
8	Romel G. Fausto	Independent Director	4 yrs. & 8 mos.	10	0.00
9	Florentino P. Reyes	Independent Director	1 yr. & 8 mos.	55	0.01

POLICY ON MULTIPLE BOARD SEATS

The capacity of the directors to diligently and efficiently perform their duties and responsibilities as members of the Board should not be compromised. A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.

INTERLOCKING DIRECTORSHIP/OFFICERSHIP

The Bangko Sentral recognizes that effective sharing of managerial and technical expertise across institutions promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management. The Bank has an effective governance process in place to ensure that the benefits of having directors or officers with interlocking positions in other banks or entities are optimized, that the concerned directors or officer devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

BOARD QUALIFICATIONS

QUALIFICATIONS OF A DIRECTOR

- a. A director of the Bank shall have the following minimum qualifications:
 - Ownership of at least nine percent (9%) of the paid in capital stock of the HBC either on an individual or aggregate (family group) basis
 - At least twenty five (25) years of age at the time of his election or appointment.
 - A college degree or its equivalent or adequate experience and competence in managing a business to substitute for such formal education.
 - He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; sufficiency of time to fully carry out responsibilities; and presence of concurrent positions in the same bank and/or interlocking positions in other entities that may pose conflict of interest.
 - No disqualifications as provided for in the Corporation Code, BSP Manual of Regulations for Banks, Circulars and SEC rules and regulations.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Section 138 of the Manual of Regulations for Banks. A director shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 101 as guide within twenty (20) banking days from date of election. Non-submission of complete documentary requirements or their equivalent within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the Board of Directors.

The Bangko Sentral considers its own records in determining the qualifications of a director.

The members of the board of directors shall possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

- He must have attended a seminar on corporate governance for the board of directors. A director submits to the Bangko Sentral a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance. Provided, that the following persons are exempted from complying with the aforementioned requirement:
 - Filipino citizens with recognized stature, influence and reputation in the banking community, including director's publicly listed companies in the Philippines, and whose business practices stand as testimonies to good corporate governance. The Bangko Sentral consider results of supervisory assessments in evaluating the eligibility of candidate for the exemption;
 - Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies. Senior officials in the Bangko Sentral refer to those who assumed Managing Director position or higher; or
 - Former Chief Justices and Associate Justices of the Philippine Supreme Court;

Provided, that this exemption shall not apply to the annual training requirements for the members.

b. Independent and Non-Executive Directors

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

- A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.
- An independent director may only serve for a maximum cumulative term of nine (9) years. After which, the independent director is perpetually barred from serving as independent director in the same bank but may continue to serve as regular director. The maximum cumulative term for independent directors is reckoned from 2012.

c. Members of the Board of Directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

The Board of Directors consists of highly qualified members of the local business community with years of experience and expertise required in the governance of a financial institution. Track record of the members of the Board will show that they have been directors for a number of years having been re-elected during the annual stockholders' meeting.

BOARD QUALIFICATION

Name of Executive Officers		Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
		Educational Attainment	Training and Seminars			
1	Angelica Halili Cruz	B.S.C. - Accounting (CPA)	<ul style="list-style-type: none"> • Institute of Rural Banking • 8th Executive Development Program for Rural Bankers • Annual Planning and Management Reporting • 2nd BMAP National Convention • BSP Rules and Regulations: Updates and Rationale • DBAP Executive Forum • Current Accounts & 	87	Filipino	

Name of Executive Officers		Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
		Educational Attainment	Training and Seminars			
			<ul style="list-style-type: none"> Clearing Orientation • Strategic Industry Analysis and the Management of Credit Risk • Corporate Governance for Phil. Banks • AMLA In-House Training - 2014 • AMLA In-House Training Updates - 2015 • AMLA In-house Training - 2016 • AMLA In-house Training - 2017 • AMLA In-house Refresher Course Training - 2019 • AML and Terrorist Financing Prevention Training & Updates • AMLA Module II/Identity Theft • AMLA In-house Training - 2020 • Supervisory Assessment Framework • Internal Audit • Introduction to Environmental and Social Risk Management System • Building Better Bankers: Fostering a Stronger KYE Program • AMLA In-house Refresher Course – 2021 • General Membership Meeting: " A session with the Presidentiables • Thrift Banks 2022: Responding to the Call for Sustainable Development • Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals- 2023 • Targeted Financial 			

Name of Executive Officers		Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
		Educational Attainment	Training and Seminars			
			Sanctions (TFS)-2023 <ul style="list-style-type: none"> • AMLC Registration and Reporting Guidelines (ARRG)-2023 • Basic Course on Corporate Governance - 2023 			
2	Patria H. Perez	B.S. in Chemistry	<ul style="list-style-type: none"> • Corporate Governance for Phil. Banks • AMLA In- House Training – 2014 • AMLA In-House Updates – 2015 • AMLA In-house training – 2016 • AMLA In-house training - 2017 • BSP Cir. No. 706 as Amended by BSP Cir. No. 950, AMLA Law, and the AML Risk Rating System • Enhance Corporate Governance Guidelines • AMLA In-house Refresher Course Training - 2019 • AML and Terrorist Financing Prevention Training & Updates • AMLA Module II/Identity Theft • AMLA In-house Training - 2020 • Building Better Bankers: Fostering a Stronger KYE Program • AMLA In-house Refresher Course – 2021 • General Membership Meeting: " A session with the Presidentiables • Thrift Banks 2022: Responding to the Call for Sustainable Development • Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) 	79	Filipino	

Name of Executive Officers		Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
		Educational Attainment	Training and Seminars			
			<ul style="list-style-type: none"> Fundamentals – 2023 Basic Course on Corporate Governance - 2023 Targeted Financial Sanctions (TFS) – 2023 AMLC Registration and Reporting Guidelines (ARRG) – 2023 			
3	Maria Josefa A. Halili	BS in Medical Technology Bachelor of Arts	<ul style="list-style-type: none"> Corporate Governance for Phil. Banks AMLA In-House Training - 2014 AMLA In-House Training Updates- 2015 AMLA In-House Training - 2016 AMLA In-House Training - 2017 Enhanced Corporate Governance Guidelines BSP Cir. No. 706, as Amended by BSP Cir. No. 950, AMLA Law, and the AML risk Rating System AMLA In-house Refresher Course Training - 2019 AML and Terrorist Financing Prevention Training Updates AMLA Module II/Identity Theft AMLA In-house Training - 2020 Building Better Bankers: Fostering a Stronger KYE Program AMLA In-house Refresher Course – 2021 General Membership Meeting: " A session with the Presidentiables Thrift Banks 2022: Responding to the Call for Sustainable Development AMLC Registration and Reporting 	79	Filipino	<ul style="list-style-type: none"> HALREY Construction, Inc. H. & A. Ventures, Inc. HALREY Ice Plant & Cold Storage LEA Business Corporation Sta. Maria Rural Bank

Name of Executive Officers		Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
		Educational Attainment	Training and Seminars			
			<ul style="list-style-type: none"> Guidelines (ARRG) – 2023 • Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals – 2023 • Basic Course on Corporate Governance – 2023 • Targeted Financial Sanctions (TFS) - 2023 			
4	Juanita L. Cruz	B.S. - Commerce	<ul style="list-style-type: none"> • Corporate Governance for Philippine Banks • AMLA In-House Training - 2014 • AMLA In-House Training Updates - 2015 • AMLA In-House Training - 2016 • AMLA In-House Training – 2017 • Enhanced Corporate Governance Guidelines • BSP Cir. No. 706 as Amended by BSP Cir. No. 950, AMLA Law, and the AML Risk Rating System • AMLA In-house Refresher Course Training - 2019 • AML and Terrorist Financing Prevention Training & Updates • AMLA Module II/Identity Theft • AMLA In-house Training - 2020 • Building Better Bankers: Fostering a Stronger KYE Program • AMLA In-House Refresher Course – 2021 • General Membership Meeting: "A session with the Presidentiables • AML/CTF Fundamentals - 	85	Filipino	

Name of Executive Officers		Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
		Educational Attainment	Training and Seminars			
			2023 <ul style="list-style-type: none"> Targeted Financial Sanctions – 2023 AMLC Registration and Reporting Guidelines (ARRG) – 2023 Basic Course on Corporate Governance - 2023 			
5	Azucena P. Mangubat	B.S. in Pharmacy	<ul style="list-style-type: none"> Seminar on Duties and Responsibilities of Bank Directors Corporate Governance for Phil. Banks AMLA In-house Training - 2014 AMLA In-house Training Updates - 2015 AMLA In-house Training - 2016 AMLA In-house Training - 2017 Enhanced Corporate Governance Guidelines BSP Cir. No. 706 as Amended by BSP Cir. No. 950, AMLA Law, and the AML Risk Rating System AMLA In-house Refresher Course Training - 2019 AML and Terrorist Financing Prevention Training & Updates AMLA Module II/Identity Theft AMLA In-house Training - 2020 Building Better Bankers: Fostering a Stronger KYE Program AMLA In-house Refresher Course – 2021 General Membership Meeting: "A session with the Presidentiables Thrift Banks 2022: Responding to the Call for Sustainable Development AML/CTF 	81	Filipino	

Name of Executive Officers		Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
		Educational Attainment	Training and Seminars			
			<ul style="list-style-type: none"> Fundamentals – 2023 Basic Course on Corporate Governance – 2023 AMLC Registration and Reporting Guidelines (ARRG) – 2023 			
6	Teresita B. Halili	B.S Medical	<ul style="list-style-type: none"> Operational Risk Management Seminar Basic Course on Corporate Governance - 2023 	74	Filipino	
7	Florentino P. Reyes	BSBA- Accounting	<ul style="list-style-type: none"> Basic Corporate Governance for Bank Directors & Officers AMLC Registration and Reporting Guidelines (ARRG) – 2023 Basic Course on Corporate Governance – 2023 AML/CTF Fundamentals – 2023 Targeted Financial Sanctions - 2023 	66	Filipino	
8	Romel G. Fausto	BSC - Accounting	<ul style="list-style-type: none"> Basic Training Course in Thrift Banking AML In-house Refresher Course training – 2019 Business Communication Skills 101 How to detect employee fraud Basic and Good Practices of Audit/Preparation of Audit Report Advanced Corporate Governance Course AML and Terrorist Financing Prevention Training & Updates AML Module II/Identity Theft AML In-house training - 2020 Building Better Bankers: Fostering 	51	Filipino	

Name of Executive Officers		Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
		Educational Attainment	Training and Seminars			
			<ul style="list-style-type: none"> a Stronger KYE Program • AMLA In-house Refresher Course – 2021 • General Membership Meeting: "A session with the Presidentiables • AML/CTF Fundamentals – 2023 • AMLC Registration and Reporting Guidelines (ARRG) – 2023 • Basic Course on Corporate Governance – 2023 • Targeted Financial Sanctions - 2023 			
9	Loreto D.J Guballa	B.S.B.A. - Accounting	<ul style="list-style-type: none"> • Basic Training Course for Officers and Employees of SLA • BIR Taxation Rules & Regulations Affecting Stock SLAs • Tax Audit, Investigation and Assessment • Annual Planning & Management Reporting • Infobankers Standard Systems • Current Accounts & Clearing Orientation • Briefing on Compliance Officer • Loan Review and Classification • Centennial Taxpayer's Recognition Program & Other Updates • Functional Computer Literacy Seminar (40 hours) • Seminar on Philippine Financial Reporting Standards (PFRS) • GRT on Financial Intermediaries & Other Issuances 	66	Filipino	

Name of Executive Officers	Relevant Qualifications & Experiences		Age	Nationality	Current Directorship & Officership in other Companies
	Educational Attainment	Training and Seminars			
		<ul style="list-style-type: none"> • Philippine Financial Reporting Standard Seminar • Dialogue on Benchmarking and Other Latest Issuances • PhilPaSS Forum • AML Briefing to Board of Directors & Senior Management • AMLA In-House Training - 2014 • AMLA In-House Training Updates - 2015 • Corp. Governance & Risk Mgt, Ateneo-BAP Institute of Banking • AMLA In-house Training - 2016 • AMLA In-house Training - 2017 • Building Better Bankers: Fostering a Stronger KYE Program • AMLA In-house Refresher Course – 2021 • General Membership Meeting: " A session with the Presidentiables • AMLC Registration and Reporting Guidelines (ARRG) – 2023 • AML/CTF Fundamentals – 2023 • Targeted Financial Sanctions (TFS) – 2023 • Basic Course on Corporate Governance – 2023 			

BOARD LEVEL COMMITTEE

The Board of Directors delegates some of its functions, but not its responsibilities, to board-level committee. In this regard, the Board of Directors shall:

- a. Approve, review and update, at least annually or whenever there are significant changes therein, the respective charter of committee or other documents that set out its mandate,

scope and working procedures. Said charter articulate how the committee will report to the full board of directors what is expected of the committee members, and tenure limits for serving on the committee. The Board of Directors shall also consider occasional rotation of committee members and chair to avoid undue concentration of power and promote fresh perspective.

- b. Appoint members of the committee taking into account the optimal mix of skills and experience to allow the Board of Directors, through the Committee, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the Board of Directors appoints independent directors and non-executive members of the Board of Directors to the greatest extent possible.
- c. That the committee maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of deliberations and decisions. Such records document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.
- d. Constitute the Audit Committee in view of the Bank having been duly approved by the Bangko Sentral as a simple and non-complex Bank. As mandated, only the audit and compliance matters shall be discussed and taken up in the meetings of the Audit Committee with the views of the independent directors duly considered and minuted and subject to the confirmation of the Board.

AUDIT COMMITTEE:

The Audit Committee, chaired by an Independent Director, shall assist the Board of Directors in fulfilling its statutory and fiduciary responsibilities, enhancing shareholders' value and protecting their interest through effective oversight on establishing and maintaining an adequate, effective and efficient internal control framework; ensuring that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets and reviewing the effectiveness of compliance and internal/external audit functions. (Corporate By-Laws, Article VIII, Section 2)

The Audit Committee shall be composed of seven (7) members of the Board of Directors who shall all be non-executive directors, three of whom shall be independent directors, including the Chairperson.

The Audit Committee shall have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. It shall have access to independent experts to assist them in carrying out its responsibilities.

DUTIES AND RESPONSIBILITIES

The Audit Committee shall:

1. Oversee the financial reporting framework. The Committee shall oversee the financial reporting process, practices and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
2. Monitor and evaluate the adequacy and effectiveness of the internal control system. The Committee shall oversee the implementation of internal control policies and activities and ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.
3. Oversee the compliance function. The Committee shall review and approve the compliance testing scope and frequency and ensure that the scope covers the review of the effectiveness of the Bank's compliance system. The Committee shall functionally meet with the Bank's Chief Compliance Officer with such meetings duly minuted and adequately documented. In this regard, the Audit Committee shall review and approve the performance and compensation of the Chief Compliance Officer and budget of the compliance function.
4. Oversee the internal audit function. The Committee shall be responsible for the appointment/selection, remuneration and dismissal of internal auditor. It shall review and approve the audit scope and frequency and ensure that the scope covers the review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls and risk management system. The Committee shall functionally meet with the Bank's Internal Auditor with such meetings duly minuted and adequately documented. In this regard, the Audit Committee shall review and approve the performance and compensation of the Internal Auditor and budget of the internal audit function.
5. Oversee the external audit function. The Committee shall be responsible for the appointment, fees and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.
6. Oversee implementation of corrective actions. The Committee shall receive key audit and compliance reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors and other control functions.
7. Investigate significant issues/concerns raised. The Committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.

8. Establish whistleblowing mechanism. The Committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

COMPOSITION OF AUDIT COMMITTEE

Chairman: ROMEL G. FAUSTO
 Members: FLORENTINO P. REYES
 AZUCENA P. MANGUBAT
 PATRIA H. PEREZ
 MARIA JOSEFA A. HALILI
 JUANITA L. CRUZ
 TERESITA B. HALILI

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name of Directors		Board		Audit Committee	
		Number of Meetings		Number of Meetings	
		Attended	%	Attended	%
1	Patria H. Perez ⁴	24	100.00%	8	100.00%
2	Angelica Halili Cruz ¹	24	100.00%		
3	Maria Josefa A. Halili	24	100.00%	12	100.00%
4	Juanita L. Cruz	24	100.00%	12	100.00%
5	Azucena P. Mangubat	24	100.00%	12	100.00%
6	Maria Anna D. Bautista ¹	8	100.00%	4	100.00%
7	Loreto D.J. Guballa ³	24	100.00%	4	100.00%
8	Romel G. Fausto	24	100.00%	12	100.00%
9	Florentino P. Reyes ³	24	100.00%	12	100.00%
10	Teresita B. Halili ²	9	100.00%	5	100.00%
Total Number of Meetings Held During the Year		24		12	

Note: ²⁴ Regular Meetings were held by the Board of Directors for year 2023.

¹ Member of the Board and Audit Committee until April 2023.

² Member of the Board and Audit Committee commencing August 25, 2023.

³ Term as member of the Audit Committee is only up to April 2023.

⁴ Member of the Audit Committee commencing May 2023.

EXECUTIVE OFFICERS

THE OFFICERS

As per Sec. 134 of the MORB, officers include the Chief Executive Officer or President, executive vice president, senior vice president, vice president, general manager, treasurer, secretary, trust officer, chief security officer and others mentioned as officers of the Bank, or those whose duties as such are defined in the By-laws or are generally known to be officers of the Bank (or any of its

branches and offices other than the head office) either through announcement, representation, publication or any kind of communication made by the Bank: *PROVIDED*, that a person holding the position of Chairperson of the Board or another position in the Board of Directors shall not be considered as an officer unless the duties of his position in the board of directors include functions of management such as those ordinarily performed by regular officers: *PROVIDED, FURTHER*, that members of a group/sub-group or committee/sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.

Each officer shall contribute his share in the pursuit of good corporate governance. His service characterized by honesty and integrity, diligence and dedication, efficiency and effectiveness, loyalty and fidelity, adherence to sound banking practices and the rule of law, as well as fairness and equity to all depositors and clients constituting the banking public; his peers and colleagues in the Bank and the banking community, the Board and senior officers, and the public in general.

The Bank’s leadership team is composed of:

President	ANGELICA HALILI CRUZ
Vice-President/Chief Compliance Officer	ARNEL Y. GRAVADOR
Vice-President/General Manager	MARILYN R. CRUZ
Corporate Secretary	ELEANOR C. MENDOZA
Treasurer	GERARDO M. DE LEON
Chief Internal Auditor	JOANNE B. DE LEON
Risk Management Officer	JENELYN M. DE GUZMAN
Comptroller	PEACHY VELLE L. SANCHEZ
Chief Security Officer	RONALD S. FLORES

These officers had been chosen based on the following factors:

- Credentials and qualifications for the said position.
- Training and acquired skills.
- Sense of responsibility and work values.
- Exposure/ working knowledge on the requirements of the position.
 90% of all development occurs on the job, so the management espouses giving its people more responsibility in a particular area in their current role and then, with their respective superiors, coaching them through it. Not only is this more practical, but it also opens up effective communication lines.
- Length of service, loyalty and dedication to the Bank

LIST OF EXECUTIVE OFFICERS/SENIOR MANAGEMENT

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
1	Angelica Halili Cruz	President	B.S.C. - Accounting (CPA)	<ul style="list-style-type: none"> • Institute of Rural Banking • 8th Executive Development Program for Rural Bankers • Annual Planning and Management Reporting • 2nd BMAP National Convention • BSP Rules and Regulations: Updates and Rationale • DBAP Executive Forum • Current Accounts & Clearing Orientation • Strategic Industry Analysis and the Management of Credit Risk • Corporate Governance for Phil. Banks • AMLA In-House Training - 2014 • AMLA In-House Training Updates - 2015 • AMLA In-house Training - 2016 • AMLA In-house Training - 2017 • AMLA In-house Refresher Course Training - 2019 • AML and Terrorist Financing Prevention Training & Updates • AMLA Module II/Identity Theft • AMLA In-house Training - 2020 • Supervisory Assessment Framework • Internal Audit • Introduction to Environmental and Social Risk Management System • Building Better Bankers: Fostering a Stronger KYE Program • AMLA In-house Refresher Course – 2021 • Thrift Banks 2022: Responding to the Call for Sustainable Development • Anti-Money 	87	Filipino

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality	
		Educational Attainment	Training and Seminars			
2	Arnel Y. Gravador	VP/Chief Compliance Officer	B.S.C. – Financial Accounting	<ul style="list-style-type: none"> • Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals-2023 • Targeted Financial Sanctions (TFS)-2023 • AMLC Registration and Reporting Guidelines (ARRG)-2023 • Basic Course on Corporate Governance - 2023 	43	Filipino
				<ul style="list-style-type: none"> • Basic Thrift Banking Course • Risk Management and Audit • Updated Anti-Money Laundering, Understanding & Deterring Bank Fraud • Land Disposition & Titling/Implementation of the Residential Free Patent Act of 2010 • Updated Anti-Money Laundering Rules and Regulations • Training on Anti-Money Laundering Act • Basic Computer Training Seminar • Anti-Money Laundering • PhilPaSS Forum - 2012 • Compliance Function/Compliance Rating System, Risk Based Supervision and AML Rules and Regulations • Credit and Collection • 2012 Input-Output Survey of Philippine Business and Industry Stakeholders Forum • PhilPaSS Forum - 2013 • Corporate Governance and Risk Management • AMLA In-House Training - 2014 • Check Image Clearing System Briefing for Rural Banks • AMLA In-House Training Updates - 2015 • Standard First Aid & Cardiopulmonary Resuscitation • BSP Circular No. 706, AMLA Law, RA 10365 & the AML Risk Rating System 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • BSP Supervisory Expectations • Updated Guidelines on Sound Credit Risk Management • Compliance with Operational Risk Management Guidelines • BSP Cir. No. 706, AMLA Law, RA 10365 and the AML Risk Rating System • AMLC Reporting Procedure (Lecture) • Briefing on the New WEACCESS EC-Now for Rural Banks to Comply with the Check Truncation System • PhilPaSS Remit Meeting • Cyber Security Summit 2017 • AMLA In-house Training - 2017 • Compliance with Operational Risk Management Guidelines • Fraud Risk Management • BSP Supervisory Process and CAMELS Rating System • BSP Circular Nos. 941 (Amendments to Past Due and Non-Performing Loans) and 855 (Sound Credit Risk Management Practices). • Enhanced Corporate Governance Guidelines (BSP Cir. Nos. 969, 970, 974 & 972) • AMLA In-House Training Updates – 2018 • Beyond Compliance: Managing Technology and Cyber Security Risk • Legal Liabilities and Proceedings Affecting Banks and their Directors and Officers (From A Regulator's Perspective) • BSP Cir. No. 706 as Amended by BSP Cir. No. 950, (AMLA and the AML Risk Rating System); BSP Cir. No. 900 (Operational Risk Management); BSP Cir. No. 981 (Liquidity Risk Management); BSP Cir. 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> No.996 (Amendments to LCR Framework & Minimum Prudential Liquidity Requirements for Stand-Alone TB's); BSP Cir. No. 1007 (Net Stable Funding Ratio) • AMLA In-house Refresher Course Training - 2019 • Amended AMLA Law and the AML Risk Rating System (BSP Cir. No. 950) • Corporate Governance and HR Policies and Procedures; Whistleblowing Policies • Accounting Procedures and Related Party Transaction • AML and Terrorist Financing Prevention Training & Updates • AMLA Module II/Identity Theft • Compliance & Financial Consumer Protection; Risk Management • Cash Operations/ Telling • Audit & BSP Risk Based Supervision; Legal Liabilities & Risk Management • Occupational Safety & Health Standards • How to Deal with Irate Clients • Fraud Risk Management; Managerial Skills and Strategy Development • Credit Risk Management; Financial Analysis; Bank Protection • AMLA In-house training - 2020 • Labor Updates • Supervisory Assessment Framework • Information Campaign on the Generation of the Commercial Property Index (CPPI) in the Philippines • Internal Audit • Introduction to Environmental and Social Risk Management System • Anti-Money Laundering 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> and Countering the Financing of Terrorism • Briefing on Risk Assessment Report of Cash, Cross-Border and Cross-Sector Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions • HBC Webinar on Environmental and Social Risk Management System • Online Briefing on the Money Laundering / Terrorist Financing (ML/TF) Risk, Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • HBC Webinar on First Aid Training • Greening the Banks Virtual Workshop Series Green Banking: Physical Risk Assessment for Rural and Community Banks • HBC Webinar on Policies and Guidelines on Mental Health • HBC Webinar on Fire Safety Orientation • HBC Webinar on Credit Risk Management (BSP Circular 855 & 941) • HBC Webinar on Supervisory Assessment Framework (SAFr) • AML/CFT/CPF Laws, Rules and Regulations • Mandatory 8-hour Safety and Health seminar for workers • AMLA In-house Refresher Course - 2021 • HBC Webinar on Risk Assessment Report of Cash, Cross-Border and Cross-Sector Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions; • HBC Webinar on Money Laundering / Terrorist Financing (ML/TF) Risk 		

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • Building Better Bankers: Fostering a Stronger KYE Program • PhilID: Authentic vs. Fake – Webinar • Responsible Borrowing and Combating Abusive Lending in the Time of COVID-19 • Credit Information Corporation (CIC) Online Technical Compliance Workshop • BSP Webinar on Targeted Financial Sanctions (TFS) Implementation • Reforms and Policies for a Strengthened Credit Registry • Fightbudol Movement: Fighting Credit Card Fraud and Building Good Credit History Through CIC Credit Report • 4th Webinar series: The CIC Credit Report & The Basics of Business Loan • Briefing on BSP's Relief Measures on the Regulatory Treatment of Restructured Loans and Capital Treatment of Provisioning Requirements • 1st Webinar Series: Credit Report and Credit Score: Assessing Creditworthiness Amid A Pandemic • Cybersecurity in the Philippines: Global Context and Local Challenges • General Membership Meeting: " A session with the Presidentiables • Invitation to the Greening the Banks Virtual Dialogue Series Session 2 • AMLC Registration and Reporting Guidelines • AML/CTF Fundamentals • #USAPANGPrivaDo: Credit Registry and Your 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • Data Privacy • BSP Briefing for Thrift Banks on BSP Circular Nos. 1085 (SUSTAINABLE FINANCE FRAMEWORK) AND 1128 (ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT FRAMEWORK) • Financial Stability Coordination Council (FSCC's) Release of the Systemic Risk Crisis Management Framework • 2022 BSP Webinar Series "Addressing Money Laundering and Tax Crimes in the Post Pandemic" • BSP-CTB Training Program on Supervisory Assessment Framework (SAFr) • #ADVANCEMAGISIP: The CIC Credit Report and Basics of Savings and Building your wealth • Business Continuity & Resiliency Planning: Driving Productivity in the Better Normal • BSP-CTB Training Program on Anti-Money Laundering (AML)/Combating the Terrorist and Proliferation Financing (CTPF) • Targeted Financial Sanctions (TFS) • Briefing on BSP Circular No. 1159 on the Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act No. 11901 • Sanctions Screening Obligations and Best Practices – 2023 • AMLC Registration and Reporting Guidelines (ARRG) – 2023 • Credit Report 101: Unlocking the Value of your Credit History • Anti-Money Laundering/Counter- 		

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> Terrorism Financing (AML/CTF) Fundamentals – 2023 Targeted Financial Sanctions (TFS) – 2023 2023 ABCOMP Briefing on BSP Circular No. 1160 Regulations on Financial Consumer Protection to Implement Republic Act No. 11765. Launching of the 2021 Countryside Bank Survey: A Baseline Report Virtual briefing on the Financial Consumer Protection Act of 2022 and its Implementing Rules and Regulations; Sustainable Finance: The Journey so Far and The Path Ahead BSP-CTB Training Program on BSP Initiatives on Banks' Digital Transformation/Cybersecurity Online Technical Compliance Workshop - Training for Submitting Entities of CIC AML In-house Refresher Course – 2023 CTB 4th F2F General Membership Meeting 		
3	Eleanor C. Mendoza	Corporate Secretary	B.S. Business Administration	<ul style="list-style-type: none"> Corporate Governance for Philippine Banks AML In-House Training - 2014 AML In-House Training Updates - 2015 AML In-house Training - 2016 AML In-house Training - 2017 Enhanced Corporate Governance Guidelines BSP Cir. No. 706 as Amended by BSP Cir. No. 950, AML Law, and the AML Risk Rating System Anti-Money Laundering and Countering the Financing of Terrorism Briefing on Risk Assessment Report of Cash, Cross-Border and Cross-Sector 	60	Filipino

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions • Online Briefing on the Money Laundering / Terrorist Financing (ML/TF) Risk • Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • Greening the Banks Virtual Workshop Series Green Banking: Physical Risk Assessment for Rural and Community Banks • Financial Analysis and Credit • Briefing on BSP's Relief Measures on the Regulatory Treatment of Restructured Loans and Capital Treatment of Provisioning Requirements • General Membership Meeting: " A session with the Presidentiables • Thrift Banks 2022: Responding to the Call for Sustainable Development • AMLC Registration and Reporting Guidelines (ARRG) – 2023 • Basic Course on Corporate Governance – 2023 • Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals – 2023 • Targeted Financial Sanctions (TFS) – 2023 • Chamber of Thrift Banks 2023 Convention • CTB 4th F2F General Membership Meeting 		
4	Gerardo M. De Leon	Treasurer	BS Industrial Engineering	<ul style="list-style-type: none"> • Corporate Governance and Risk Management • AMLA In-House Training - 2014 • AMLA In-House Training Updates - 2015 • AMLA In-house Training - 2016 • AMLA In-house Training - 	65	Filipino

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality	
		Educational Attainment	Training and Seminars			
5	Joanne B. De Leon	Chief Internal Auditor	Bachelor of Science in Accountancy (CPA)	<ul style="list-style-type: none"> • 2017 Enhanced Corporate Governance Guidelines • BSP Cir. No. 706 as Amended by BSP Cir. No. 950, AMLA Law, and the AML Risk Rating System • General Membership Meeting: " A session with the Presidentiables • Thrift Banks 2022: Responding to the Call for Sustainable Development • Targeted Financial Sanctions – 2023 • AML/CTF Fundamentals – 2023 • AMLC Registration and Reporting Guidelines (ARRG) – 2023 • Basic Course on Corporate Governance - 2023 	40	Filipino
				<ul style="list-style-type: none"> • Tax Update Seminar on Tax Implication of New Accounting Standards • Dialogue on Benchmarking and other Related Issues • Briefing/Walkthrough on EFPS • Basic Thrift Banking Course • Best Practices in Audit • Tax Update Seminar • Updated Anti-Money Laundering Rules & Regulations/Understanding & Deterring Bank Fraud • Briefing on VAT updates and on VAT Audit Program • Withholding Tax Policies for Private Withholding Agents • Risk Based Audit Methodology: A Practical Approach • AMLA In-House Training Updates - 2015 • BSP Circular Nos. 855 (Sound Credit Risk Management Practices) and 857 (Financial Consumer Protection), Financial Inclusion & Updated AML Regulations • AMLA In-House Training 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • Updates - 2016 • Establishing Internal Controls for Banks - Seminar One • AMLA In-House Training Updates - 2017 • Establishing Internal Controls as per BSP Cir. No. 871- Seminar Two • AMLA In-House Training Updates - 2018 • AMLA In-house Refresher Course Training - 2019 • Corporate Governance and HR Policies and Procedures; • Whistleblowing Policies • Accounting Procedures and Related Party Transaction • AML and Terrorist Financing Prevention Training & Updates • AMLA Module II/ Identity Theft • Compliance & Financial Consumer Protection; Risk Management • Cash Operations/Tellering • Cash Flow & Budget Preparation • Audit & BSP Risk Based Supervision; Legal Liabilities & Risk Management • Occupational Safety & Health Standards • How to Deal with Irate Clients • Fraud Risk Management; • Managerial Skills and Strategy Development • Credit Risk Management; Financial Analysis; Bank Protection • Branch Banking Audits (BBA): How to Audit the Branch Banking Sales & Service Operations and their AML Components • AMLA In-house Training - 2020 • Supervisory Assessment Framework • Information Campaign on the Generation of the Commercial Property Index (CPPI) in the Philippines - 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • Internal Audit • Introduction to Environmental and Social Risk Management System • Anti-Money Laundering and Countering the Financing of Terrorism • Briefing on Risk Assessment Report of Cash, Cross-Border and Cross-Sector Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions • HBC webinar on Environmental and Social Risk Management System • Online Briefing on the Money Laundering / Terrorist Financing (ML/TF) Risk • Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • HBC Webinar on First Aid Training • Greening the Banks Virtual Workshop Series Green Banking: Physical Risk Assessment for Rural and Community Banks • HBC Webinar on Policies and Guidelines on Mental Health • HBC Webinar on Fire Safety Orientation • HBC Webinar on Credit Risk Management (BSP Circular 855 & 941) • HBC Webinar on Supervisory Assessment Framework (SAFr) • Mandatory 8-hour Safety and Health seminar for workers • AMLA In-house Refresher Course - 2021 • HBC Webinar on Risk Assessment Report of Cash, Cross-Border and Cross-Sector Transactions and Thematic Review on Terrorist Financing and Implementation of 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> Targeted Financial Sanctions • HBC Webinar on Money Laundering / Terrorist Financing (ML/TF) Risk • Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • Building Better Bankers: Fostering a Stronger KYE Program • BSP Webinar on Targeted Financial Sanctions (TFS) Implementation • Briefing on BSP's Relief Measures on the Regulatory Treatment of Restructured Loans and Capital Treatment of Provisioning Requirements • Cybersecurity in the Philippines: Global Context and Local Challenges • Invitation to the Greening the Banks Virtual Dialogue Series Session 2 • AMLC Registration and Reporting Guidelines • AML/CTF Fundamentals • BSP Briefing for Thrift Banks on BSP Circular Nos. 1085 (SUSTAINABLE FINANCE FRAMEWORK) AND 1128 (ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT FRAMEWORK) • Financial Stability Coordination Council (FSCC's) Release of the Systemic Risk Crisis Management Framework • 2022 BSP Webinar Series "Addressing Money Laundering and Tax Crimes in the Post Pandemic" • BSP-CTB Training Program on Supervisory Assessment Framework (SAFr) • Business Continuity & Resiliency Planning: Driving Productivity in 		

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> the Better Normal BSP-CTB Training Program on Anti-Money Laundering (AML)/Combating the Terrorist and Proliferation Targeted Financial Sanctions (TFS) Thrift Banks 2022: Responding to the Call for Sustainable Development Briefing on BSP Circular No. 1159 on the Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act No. 11901 Credit Report 101: Unlocking the Value of your Credit History Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals – 2023 Sanctions Screening Obligations and Best Practices – 2023 AMLC Registration and Reporting Guidelines (ARRG) – 2023 Targeted Financial Sanctions (TFS) – 2023 Virtual briefing on the Financial Consumer Protection Act of 2022 and its Implementing Rules and Regulations 2023 PESO Real Time Gross Settlement (RTGS) Forum Sustainable Finance: The Journey so Far and The Path Ahead BSP-CTB Training Program on BSP Initiatives on Banks' Digital Transformation/ Cybersecurity AMLA In-house Refresher Course - 2023 		
6	Jenelyn M. De Guzman	Risk Management Officer	Bachelor of Science in Accountancy	<ul style="list-style-type: none"> Risk Management and Audit Training on Anti-Money Laundering Act (AMLA) Basic Computer Training Seminar PhilPaSS Forum - 2012 	39	Filipino

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • Withholding Tax Policies for Private Withholding Agents • Update Seminar on DOLE, PhilHealth & Pag-IBIG • 2012 Input-Output Survey of Philippine Business & Industry Stakeholders Forum • PhilPaSS Forum - 2013 • AMLA In-house Training Updates - 2014 • AMLA In-house Training Updates - 2015 • BSP CIR. No. 706, AMLA Law, RA 10365 & the AML Risk Rating System • 2016 Tax Campaign Kick-Off Program • AMLA In-house Training Updates - 2016 • Compliance with Operation Risk Management Guidelines • Corporate Governance & Risk Management for Banks & Quasi-Banks • PhilHealth Employers Forum • Seminar/Dialogue on New Issuance and Programs of our District • BSP Supervisory Process and CAMELS Rating System • AMLA In-house Training - 2017 • Related Party Transactions • Medium Taxpayers' Segmentation Forum • Seminar/dialogue – update on new issuances, the program of our district and expanding the coverage of taxpayers required to file returns and pay the taxes through the Electronic Filing and Payment system (eFPS) • Compliance with Financial Consumer Protection Framework • AMLA In-House Training Updates - 2018 • Compliance with Operational Risk Management 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> Guidelines • BSP Cir. No. 706 as Amended by BSP Cir. No. 950, (AML and the AML Risk Rating System); BSP Cir. No. 900 (Operational Risk Management); BSP Cir. No. 981 (Liquidity Risk Management); BSP Cir. No.996 (Amendments to LCR Framework & Minimum Prudential Liquidity Requirements for Stand-Alone TB's); BSP Cir. No. 1007 (Net Stable Funding Ratio) • AML In-house Refresher Course Training - 2019 • Identity theft: How to Effectively Combat It • Financial Analysis and Credit • Corporate Governance and HR Policies and Procedures; Whistleblowing Policies • Accounting Procedures and Related Party Transaction • AML and Terrorist Financing Prevention Training & Updates • AMLA Module II / Identity Theft • Compliance & Financial Consumer Protection; Risk Management • Cash Operations/Tellering • Cash Flow & Budget Preparation • Audit & BSP Risk Based Supervision; Legal Liabilities & Risk Management • Occupational Safety & Health Standards • How to Deal with Irate Clients • Fraud Risk Management; Managerial Skills and Strategy Development • Credit Risk Management; Financial Analysis; Bank Protection • AMLA In-house Training - 2020 • Supervisory Assessment Framework 		

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> • Information Campaign on the Generation of the Commercial Property Index (CPPI) in the Philippines • Internal Audit • Introduction to Environmental and Social Risk Management System • Anti-Money Laundering and Countering the Financing of Terrorism • Briefing on Risk Assessment Report of Cash, Cross-Border and Cross-Sector • Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions • HBC Webinar on Environmental and Social Risk Management System • Online Briefing on the Money Laundering / Terrorist Financing (ML/TF) Risk • Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • HBC Webinar on First Aid Training • Greening the Banks Virtual Workshop Series Green Banking: Physical Risk Assessment for Rural and Community Banks • HBC Webinar on Policies and Guidelines on Mental Health • HBC Webinar on Fire Safety Orientation • HBC Webinar on Credit Risk Management (BSP Circular 855 & 941) • HBC Webinar on Supervisory Assessment Framework (SAFr) • Mandatory 8-hour Safety and Health seminar for workers • AMLA In-house Refresher Course - 2021 • HBC Webinar on Risk Assessment Report of Cash, Cross-Border and 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • Cross-Sector Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions • HBC Webinar on Money Laundering / Terrorist Financing (ML/TF) Risk Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • Building Better Bankers: Fostering a Stronger KYE Program • Tutorial for Accomplishing the Quarterly Survey of Philippine Business and Industry (QSPBI) • Briefing on BSP's Relief Measures on the Regulatory Treatment of Restructured Loans and Capital Treatment of Provisioning Requirements • Cybersecurity in the Philippines: Global Context and Local Challenges • General Membership Meeting: " A session with the Presidentiables • Invitation to the Greening the Banks Virtual Dialogue Series Session 2 • BSP Briefing for Thrift Banks on BSP Circular Nos. 1085 (SUSTAINABLE FINANCE FRAMEWORK) AND 1128 (ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT FRAMEWORK) • Financial Stability Coordination Council (FSCC's) Release of the Systemic Risk Crisis Management Framework • 2022 BSP Webinar Series "Addressing Money Laundering and Tax Crimes in the Post Pandemic • AMLC Registration and 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		

- Reporting Guidelines
- BSP-CTB Training Program on Supervisory Assessment Framework (SAFr)
- #ADVANCEMAGISIP: The CIC Credit Report and Basics of Savings and Building your wealth
- Invitation to the Philippine Identification System (PhilSys) Information and Education Campaign
- Business Continuity & Resiliency Planning: Driving Productivity in the Better Normal
- Sustainable Finance: "Introducing a Sustainable Finance Skills Framework for Banks
- Targeted Financial Sanctions (TFS)
- AML/CTF Fundamentals
- Thrift Banks 2022: Responding to the Call for Sustainable Development
- Briefing on BSP Circular No. 1159 on the Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act No. 11901
- Credit Report 101: Unlocking the Value of your Credit History
- Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals – 2023
- Sanctions Screening Obligations and Best Practices – 2023
- AMLC Registration and Reporting Guidelines (ARRG) – 2023
- Targeted Financial Sanctions (TFS) – 2023
- Virtual briefing on the Financial Consumer Protection Act of 2022 and its Implementing Rules and Regulations
- Sustainable Finance: The

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> Journey so Far and The Path Ahead BSP-CTB Training Program on BSP Initiatives on Banks' Digital Transformation/Cybersecurity Tax Updates with Taxpayers under the Taxpayer's Account Management Program (TAMP) AMLA In-house Refresher Course – 2023 Tax Updates with Taxpayers under the Taxpayer's Account Management Program (TAMP) 		
7	Peachy Velle L. Sanchez	Comptroller	BS Business Administration - Marketing	<ul style="list-style-type: none"> AMLA In-house Refresher Course Training- 2019 Financial Analysis and Credit Corporate Governance and HR Policies and Procedures; Whistleblowing Policies Accounting Procedures and Related Party Transaction AML and Terrorist Financing Prevention Training & Updates Identity Theft Cash Operations/Teller Audit & BSP Risk Based Supervision; Legal Liabilities & Risk Management/Occupational Safety&Health Standards/How to Deal with Irate Clients Fraud Risk Management/Managerial Skills and Strategy Development Credit Risk Management/LMS/Financial Analysis/Bank Protection AMLA In-house Training - 2020 Information Campaign on the Generation of the Commercial Property Index (CPPI) in the Philippines Briefing on Risk Assessment Report of 	30	Filipino

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> Cash, Cross-Border and Cross-Sector Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions • HBC Webinar on Environmental and Social Risk Management System • Online Briefing on the Money Laundering / Terrorist Financing (ML/TF) Risk • Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • HBC Webinar on First Aid Training • Greening the Banks Virtual Workshop Series Green Banking: Physical Risk Assessment for Rural and Community Banks • HBC Webinar on Policies and Guidelines on Mental Health • HBC Webinar on Fire Safety Orientation • HBC Webinar on Credit Risk Management (BSP Circular 855 & 941) • HBC Webinar on Supervisory Assessment Framework (SAFr) • Mandatory 8-hour Safety and Health seminar for workers • AMLA In-house Refresher Course - 2021 • HBC Webinar on Risk Assessment Report of Cash, Cross-Border and Cross-Sector Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions; • HBC Webinar on Money Laundering / Terrorist Financing (ML/TF) Risk • Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) 		

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> Financial Analysis and Credit Briefing on BSP's Relief Measures on the Regulatory Treatment of Restructured Loans and Capital Treatment of Provisioning Requirements BSP Briefing for Thrift Banks on BSP Circular Nos. 1085 (SUSTAINABLE FINANCE FRAMEWORK) AND 1128 (ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT FRAMEWORK) #ADVANCEMAGISIP: The CIC Credit Report and Basics of Savings and Building your wealth Business Continuity & Resiliency Planning: Driving Productivity in the Better Normal Targeted Financial Sanctions (TFS) AML/CTF Fundamentals AMLC Registration and Reporting Guidelines Briefing on BSP Circular No. 1159 on the Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act No. 11901 Sanctions Screening Obligations and Best Practices - 2023 AMLC Registration and Reporting Guidelines (ARRG) - 2023 Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals - 2023 Targeted Financial Sanctions (TFS) - 2023 		
8	Marilyn R. Cruz	General Manager	B.S.C. - Accounting	<ul style="list-style-type: none"> Current Accounts & Clearing Orientation Tax Updates Voluntary Assessment and Abatement Program Functional Computer Literacy Seminar 	53	Filipino

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> • Seminar on Centennial Taxpayer's Recognition Program and Other Tax Updates • Seminar on Electronic Filing and Payment System • Implication of New International (IAS) Rules on TBs • Basic Course on Thrift Banking Operation • Modern Budgeting System • Tax Updates • Taxes Applied to Thrift Bank and Implication of New International Accounting Standards (IAS) Rules • Basic Course on Thrift Banking Operations • Modern Budgeting • Compliance Management Techniques & Anti-Money Laundering • Data Management and Consolidation Component FTRF ver. 1.5 • Financial Reporting Package • Corporate Governance • Compliance Management Techniques and Anti-Money Laundering • Risk-Based Approach to Bank Supervision and Examination • Briefing / Walkthrough on eFPS • Compliance Function • Financial Risk Management • PhilpaSS Forum 2010 • BSP Circular 706 • Basic Computer Training Seminar • Anti-Money Laundering • Building Compliance System • Compliance Function/Compliance Rating System/ Risk Based Supervision and AML Rules and Regulations • Certificate Course in Strategic Compliance for the Banking Industry 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • AMLA In-House Training - 2014 • AML Risk Rating System and Amendments to BSP Cir. 706 and AMLA Law, R.A. 10365 • Check Image Clearing System Briefing for Rural Banks • Updated Guidelines on Sound Credit Risk Management • Comprehensive Consumer Protection Framework • IT Risk Management Framework & IT Risk Rating System • AMLA In-House Training Updates - 2015 • Standard First Aid & Cardiopulmonary Resuscitation • Related Party Transactions • 2016 Campaign Kick-off Program • Compliance with Operational Risk Management Guidelines • BSP Supervisory Expectations • AMLA In-house Training - 2016 • Updated Guidelines on Sound Credit Risk Management • PhilpaSS Remit Meeting • AMLA In-House Training Updates - 2017 • AMLA In-house Training - 2018 • AMLA In-house Refresher Course Training - 2019 • Financial Analysis and Credit • Corporate Governance and HR Policies and Procedures; Whistleblowing Policies • Accounting Procedures and Related Party Transaction • AML and Terrorist Financing Prevention Training & Updates • Identity Theft • Compliance & Financial Consumer Protection; Risk Management 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • Cash Operations/Telling • Cash Flow & Budget Preparation • Audit & BSP Risk Based Supervision; Legal Liabilities & Risk Management • Occupational Safety & Health Standards • How to Deal with Irate Clients • Fraud Risk Management; Managerial Skills and Strategy Development • Credit Risk Management; Financial Analysis; Bank Protection • AMLA In-house Training - 2020 • Supervisory Assessment Framework • Information Campaign on the Generation of the Commercial Property Index (CPPI) in the Philippines • Internal Audit • Introduction to Environmental and Social Risk Management System • Anti-Money Laundering and Countering the Financing of Terrorism • Briefing on Risk Assessment Report of Cash, Cross-Border and Cross-Sector • Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions • HBC Webinar on Environmental and Social Risk Management System • Online Briefing on the Money Laundering / Terrorist Financing (ML/TF) Risk • Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • HBC Webinar on First Aid Training 		

Name of Executive Officers	Position	Relevant Qualifications/ Experiences		Age	Nationality
		Educational Attainment	Training and Seminars		
			<ul style="list-style-type: none"> • Greening the Banks Virtual Workshop Series • Green Banking: Physical Risk Assessment for Rural and Community Banks • HBC Webinar on Policies and Guidelines on Mental Health • HBC webinar on Fire Safety Orientation • HBC Webinar on Credit Risk Management (BSP Circular 855 & 941) • HBC Webinar on Supervisory Assessment Framework (SAFr) • Mandatory 8-hour Safety and Health seminar for workers • AMLA In-house Refresher Course - 2021 • HBC Webinar on Risk Assessment Report of Cash, Cross-Border and Cross-Sector Transactions and Thematic Review on Terrorist Financing and Implementation of Targeted Financial Sanctions; • HBC Webinar on Money Laundering / Terrorist Financing (ML/TF) Risk Assessment System (MRAS) and Overview of the Results of the 3rd Sectoral Risk Assessment (SRA) • Building Better Bankers: Fostering a Stronger KYE Program • PhilID: Authentic vs. Fake • Responsible Borrowing and Combating Abusive Lending in the Time of COVID-19 • 4th Webinar series: The CIC Credit Report & The Basics of Business Loan Submitting Entities in Production (SEP) Year-End Forum • Briefing on BSP's Relief Measures on the Regulatory Treatment of Restructured Loans and Capital Treatment of Provisioning Requirements • Cybersecurity in the 		

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> Philippines: Global Context and Local Challenges • Invitation to the Greening the Banks Virtual Dialogue Series Session 2 • #USAPANGPrivaDo: Credit Registry and Your Data Privacy • AMLC Registration and Reporting Guidelines • BSP Briefing for Thrift Banks on BSP Circular Nos. 1085 (SUSTAINABLE FINANCE FRAMEWORK) AND 1128 (ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT FRAMEWORK) • Financial Stability Coordination Council (FSCC's) Release of the Systemic Risk Crisis Management Framework • 2022 BSP Webinar Series "Addressing Money Laundering and Tax Crimes in the Post Pandemic • BSP-CTB Training Program on Supervisory Assessment Framework (SAFr) • #ADVANCEMAGISIP: The CIC Credit Report and Basics of Savings and Building your wealth • Business Continuity & Resiliency Planning: Driving Productivity in the Better Normal • BSP-CTB Training Program on Anti-Money Laundering (AML)/Combating the Terrorist and Proliferation • The CIC Credit Report and The Potential for MSME Growth • Targeted Financial Sanctions (TFS) • AML/CTF Fundamentals • Regional Joint-Anti-Bank Robbery and Cybercrime Coordinating Council (JABRACCC) • Thrift Banks 2022: 		

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> Responding to the Call for Sustainable Development Briefing on BSP Circular No. 1159 on the Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act No. 11901 Credit Report 101: Unlocking the Value of your Credit History Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals – 2023 Targeted Financial Sanctions (TFS) – 2023 Launching of the 2021 Countryside Bank Survey: A Baseline Report With Banking Institutions and Industry Associations Virtual briefing on the Financial Consumer Protection Act of 2022 and its Implementing Rules and Regulations Sustainable Finance: The Journey so Far and The Path Ahead BSP-CTB Training Program on BSP Initiatives on Banks' Digital Transformation/Cybersecurity AML In-house Refresher Course – 2023 CTB 4th F2F General Membership Meeting 		
9.	Ronald S. Flores	Chief Security Officer/Chief Accountant		<ul style="list-style-type: none"> AMLC Registration and Reporting Guidelines (ARRG) – 2023 Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals – 2023 Targeted Financial Sanctions (TFS) – 2023 2023 PESO Real Time Gross Settlement (RTGS) Forum 	46	Filipino

Name of Executive Officers		Position	Relevant Qualifications/ Experiences		Age	Nationality
			Educational Attainment	Training and Seminars		
				<ul style="list-style-type: none"> Tax Updates with Taxpayers under the Taxpayer's Account Management Program (TAMP) AMLA In-house Refresher Course - 2023 		

PERFORMANCE ASSESSMENT PROGRAM

Performance reviews provide an opportunity to have dialogues with employees that managers may not have the time to do so. A well-written performance review that is discussed with the employee serves many purposes and can help turn a mediocre employee into a valued contributor. It can also help managers to discover the cause of a particular employee's performance challenges. Some performance problems are rooted in personal troubles unrelated to work or can be caused by ineffective direction, coworker issues, or other manageable problems. In those cases, taking the time to deliver a well thought out review and talk with the employee about performance can have broad positive effects.

On the other hand, where performance issues are ongoing, written performance reviews that are discussed with an underperforming employee can serve as documentation that performance concerns were clarified before the management took some adverse employment action. If an employee were to file a legal claim against the Bank, the documentation in a professionally written and delivered review is helpful to defend against liability. Regardless of the underlying reason for doing a timely review, dedicating the attention and energy to following the performance review process is time well spent. By communicating in this way, the Bank can help a poorly performing employee turn the performance issues around and become a vital contributing member of the workforce. Or, if poor performance continues, a timely and accurate review helps provide a basis for taking adverse action.

Performance appraisals and regularly scheduled reviews are perfect times to emphasize and encourage development, set goals, and discuss expectations with the Bank's Human Resource Office asking the employees what they have learned, what new responsibilities they have taken on and which opportunities they are interested in for the future.

The specific objectives of the performance review shall be:

1. To assess actual performance and accomplishments against the duties, responsibilities, and standards of the employee's position, including achievement of affirmative action goals, as appropriate, and meeting supervisory responsibilities, if any;
2. To recognize the employee's special talents, capabilities, and achievements;

3. To promote the effectiveness of the employees through articulation of the types of contributions they can give to the Bank that will lead to greater professional growth, recognition, and rewards;
4. To encourage communication between the employee and his supervisor, identify employee potential and interests, and assist employees in professional growth; and
5. To provide a written record of employee performance to support future personnel decisions (e.g., promotion, salary increase, reassignment, transfer, reemployment, or disciplinary action).

In compliance with the requirement of regulatory authorities and as a matter of good corporate governance practice, the Board of Directors shall likewise conduct on an annual basis, a review of its performance against established criteria, for purposes of assessing its effectiveness both as a body and in their individual capacities, and as a tool in its efforts to improve its structure, composition, practices, and procedures.

The Audit Committee, on the other hand, shall evaluate, on an annual basis, the performance of the control functions, namely: Chief Internal Auditor and Chief Compliance Officer.

POLICY:

The Board of Directors shall conduct an annual evaluation assessing its effectiveness both individually and as a Body during the first quarter of the year to ensure the results of such evaluation are confirmed by the Board of Directors in its regular meeting for the month of April prior to the Annual Stockholder's Meeting held every first Sunday of May of each year. Using the Bank Form (Rating Sheet) prepared for the purpose, the Board-Level Committee, i.e., the Audit Committee, and the President, are likewise evaluated, and the result of the exercise is presented and deliberated on during the regular board meeting immediately following the evaluation but not to exceed beyond the month of April of each year.

The Risk Management Officer shall be assessed by the members of the Board of Directors on an annual basis using a designated Bank Form, Performance Evaluation Form, specifically developed for her position.

The independent positions or control functions, i.e., Chief Internal Auditor and Chief Compliance Officer shall be assessed by the members of the Audit Committee on an annual basis using a designated Bank Form, Performance Evaluation Form, specifically developed for their positions. It is the Bank's practice for the employee's immediate supervisor to conduct the rating inasmuch as he is the one who assigns the work to the employee and who gives the instructions on how it should be done. The immediate supervisor either on a regularly scheduled basis, upon instruction by the

management, or whenever an employee's positive or negative performance warrants formal documentation, must:

1. Prepare a formal, written assessment of the performance, including, if appropriate, achievement of affirmative action goals; meeting supervisory responsibilities; professional growth and future potential
2. Determine an overall performance evaluation rating
3. Submit a copy to Human Resource Office
4. The HR Officer shall discuss the evaluation(s) with the employee and where necessary provide him or her and the evaluating supervisor a forum to discuss such concerns, with the HR Officer acting as mediation officer, to ensure such exchange of views remain positive and constructive.

The immediate supervisor should plan for a performance evaluation by communicating at the beginning of the performance cycle specific duties and responsibilities and related specific standards. Standards should include affirmative action goals and supervisory responsibilities, as appropriate. The supervisor may involve the employee when developing standards. It is recommended that documentation on performance evaluations be based on measurable and observable work behaviors.

Probationary employees shall be appraised twice, about midway through the probationary period and again, just before the end before he is confirmed for a regular and permanent status as an employee of the Bank.

Contractual employees are evaluated once a year using scorecards prior to the renewal of their respective contracts of service.

STANDARDS OF EVALUATION

- ✚ Performance appraisal should be a growth experience for the employee and his supervisor.
- ✚ Performance appraisal will be used to evaluate the entire period of employment since the employee's last review.
- ✚ Performance appraisals will be based strictly upon job performance utilizing the employee's job description as the basis for the appraisal. All employees will be given an opportunity to discuss their job descriptions to ensure that they understand their tasks and responsibilities. The periodic review shall also assess, among others, the employee's job knowledge, adaptability, dependability, leadership, initiative, cooperation, and relations with others. The report will also strive to project his potentials within the organization.
- ✚ Performance appraisals will be used as foundation for goal setting. Both the supervisor and the employee will be encouraged to develop short-term and long-term goals among

themselves towards the attainment of the Bank's vision. The primary purpose of this exercise is after all as a feedback mechanism as to how well an employee does his job and to allow him and his supervisor to work out action plans for improving his efficiency and effectiveness on the job.

- ✚ Supervisors shall also solicit input from other employees who work closely with the employee being appraised.
- ✚ Performance appraisal shall be conducted for Probationary Employees twice—about midway through probationary period and again, just before the end.
- ✚ Before the performance appraisal is presented to the employee concerned, it will be reviewed and approved by the Bank's Human Resource Officer.
- ✚ The results of the performance evaluation are strictly confidential and shall be discussed by the supervisor with the employee so that the latter will know his strengths on the job, as well as the areas where improvements could best be worked out. The report will form part of his personal records and serve as a guide in pinpointing his specific training requirement for career development.

The performance of an employee based on his job description is judged in terms of the following factors:

1. The dimension of the job which includes the requirements, duties and responsibilities and their standards of satisfactory performance. This answers the questions, *“What must be done?” “How should the job be done?” and “How well should it be accomplished?”*
2. The dimension of the man and his performance. *“What has he accomplished?” “What has he contributed to the achievement of the objectives of his department and the Bank as a whole?”* This aspect centers on the overall quality of performance.

On the other hand, the Board performs three major roles, namely:

- it provides vision and strategic direction for the company
- it controls and monitors management
- it provides support and advice

Board evaluation typically examines these roles of the Board and the entailing responsibilities and assesses how effectively these are fulfilled by the Board as a Body, the Board-level Committee, i.e., the Audit Committee, the Directors in their individual capacities, the President, and the Risk Management Officer.

The effectiveness of the Board depends on a variety of factors, some of which are Board structure, dynamics and functioning of the Board, business strategy governance, financial reporting process, internal audit and controls, monitoring, support and advisory role and the Chairperson's role. The evaluation of the performance of the Board is essentially an assessment of how the Board as a

Body, the Audit Committee, the Directors in their individual capacities and the President has performed on these parameters.

The evaluation process involves identification of areas for evaluation; formulating a questionnaire on the areas for evaluation; obtaining responses of individual directors to the questionnaire on a rating scale and reporting the result of the evaluation to the Board of Directors who shall deliberate thereon and where applicable, develop an action plan to address an issue or concern and periodically review its implementation as warranted.

Conversely, the Audit Committee oversees the control as well as risk oversight functions and as such is responsible for evaluating the performance of the independent positions, i.e., Chief Internal Auditor and Chief Compliance Officer.

The evaluation process includes the assessment, among others, of the control functions' performance on: (i) communication and interaction with the Audit Committee; (ii) independence, objectivity, and integrity in the conduct of work; (iii) quality of work; (iv) work attitude; (v) documentation; and (vi) relationship with other employees. The purpose of this performance appraisal is to gauge how well the control functions does their job and to allow the Audit Committee and the management to work out plans for improving efficiency and effectiveness on the job.

EVALUATION PROCESS

The annual performance evaluation is conducted during the first quarter of every year using the Bank Forms for Rating Sheet and/or Performance Evaluation developed for the purpose.

BOARD OF DIRECTORS

Rating Sheets had been specifically developed for the performance evaluation of the:

1. Board of directors, as a Body
2. Audit Committee
3. President
4. Individual Directors

The Board of Directors shall evaluate and assess the performance of the Risk Management Officer using the Bank Form for Performance Evaluation specifically developed for her position.

The results of this exercise are collated, and summarized in a template and eventually presented to the Board of Directors by the HR Office for further deliberation and/or confirmation.

CONTROL FUNCTIONS (CHIEF COMPLIANCE OFFICER AND CHIEF INTERNAL AUDITOR)

The Audit Committee shall evaluate and assess the performance of the control functions using the Bank Form for Performance Evaluation specifically developed for the Chief Compliance Officer and Chief Internal Auditor. The result of such evaluation, particularly where there are concerns, shall be discussed with the concerned officer to afford them the chance to explain and to arrive at concrete plans of action on how to improve their performances. The result of the evaluation shall then be presented to the Board of Directors for further deliberation and/or confirmation.

DEPARTMENT HEADS, RANK AND FILE EMPLOYEES

A Bank Form for Employee Performance Evaluation, i.e., for frontline staff, back-office, and unit head and officer, has been developed and shall be used by the immediate supervisors in assessing the performance of their subordinates. The Bank's Human Resource Specialist shall provide the Bank Officers and Department Heads such Bank Form and identify the employees they will evaluate. Upon submission of the accomplished form, the HR Specialist shall review the evaluation and, where there are concerns, discuss the result thereof to the concerned employee/s to afford him/her due process and arrive at a consensus on how to address such concerns and work towards improving his performance in the future. Such consensus shall be properly documented and will serve as an additional benchmark in assessing and determining the employee's compliance and performance the following year.

PROVIDED, THAT, where an employee has been promoted or transferred to a new position or branch of appointment within the one (1) year evaluation period, that employee shall be evaluated BOTH by the former supervisor in his/her former position and his/her incumbent supervisor in his/her present position.

CONTRACTUAL EMPLOYEES

Contractual employees, i.e., service contractual and professional service contractual, shall be assessed by the Bank Officer who is in the position to observe their personal performance the whole year using the Bank Form, i.e., Scorecard. E.g., security guards shall be evaluated by the Chief Security Officer for the Head Office and the Branch Managers of their branch of appointment. The Corporate Secretary shall be evaluated by the President, the Legal Counsel, the Occupational Safety and Health Officer/Training Officer, and the IT Technical Support shall be evaluated by the General Manager, and the Building Caretaker for Malolos building shall be evaluated by the Branch Manager of Malolos. Such annual evaluation should be conducted before the renewal of their

respective Contracts of Service/ Professional Service Contract and considered a factor in the renewal, re-negotiation or termination thereof.

PROBATIONARY EMPLOYEES

Probationary employees are evaluated by their immediate supervisor and/or training officer, twice, i.e., around the third month and in the end of their six-month probationary period. The first evaluation shall give them the chance to improve their performance whereas the second evaluation shall determine their competency and/or ineptness and assist the HR Specialist in making a hiring decision. In cases, where a probationary employee appeals for a longer period of probation, such request and accommodation should be properly documented and approved by the Board of Directors. All the results of performance evaluation from the Board down to probationary employees are collated and summarized in a template prepared for the purpose and along with the evaluation documents submitted to the Board of Directors for confirmation. The Human Resource Specialist is responsible for the safekeeping of all documents pertinent to performance evaluation which forms part of each director's and employee's personal files.

COMPLIANCE WITH THE SUSTAINABLE FINANCE STRATEGIES

Relative to the Bank's compliance with Sustainable Finance Framework under BSP Circular 1085 issued 20 April 2020, various sustainable finance strategies have been adopted to systematically address environmental and social risk in its daily operation, such as but not limited to the following:

1. paperless office (e.g., regularization of Manuals and other documents via email)
2. power and water conservation
3. recycling program
4. greenhouse gas emission reduction, i.e., carpooling or the scheduling of CI and Appraiser's fieldwork to reduce the use of company vehicle
5. providing safety environment and social projects, (e.g., tree-planting activity)

The senior management sees to it that all Bank employees apply these practices in their respective job assignment. Monitoring of compliance with the herewith sustainability practices is being prepared on a monthly basis by the Comptroller for the Head Office and Branch Manager for the branches. The copy of monitoring reports is submitted to the Risk Management Officer for evaluation.

In line with this, the regular performance evaluation of the Human Resource Specialist on the individual employee's compliance with the Bank's sustainable finance strategies is included among

the performance indicators in the Employee Performance Evaluation Form used for the annual performance evaluation.

The monitoring report prepared by the Comptroller and Branch Managers shall be used as a basis for the employee's compliance with the sustainable finance strategies, i.e., the monitoring for the office supplies, electricity and water consumption. To assess the compliance, total consumption for latest performance period should be lower than the previous performance period. For this one, evaluation should be done on a per unit or branch basis, i.e., if the branch has noted compliance all members of such branch will be given an additional 1 point in their Employee Performance Evaluation Form.

STANDARDS OF RATING

The following performance rating shall be used for performance evaluation, to wit:

FOR OFFICERS AND EMPLOYEES, RISK MANAGEMENT OFFICER, AND CONTROL FUNCTIONS

- **Exceeds Expectations** – Exceptional performance and/or consistently exceeds established standards in most areas of responsibility. All requirements were met, and objectives were achieved above the established standards and unexpected areas.
- **Meets Expectations** – All job requirements were met, and planned objectives were accomplished within established standards. There were no critical areas where accomplishments were less than planned.
- **Needs Improvement** – Performance in one or more critical areas does not meet expectations. Not all planned objectives were accomplished within the established standards and some responsibilities were not completely met.
- **Unsatisfactory** – Does not meet minimum job requirement. Performance is unacceptable. Responsibilities are not being met and important objectives have not been accomplished. Needs immediate improvement.

FOR THE BOARD OF DIRECTORS/ BOARD COMMITTEE/DIRECTOR/PRESIDENT

- **Excellent** – Full compliance has been made or a definite “YES”.
- **Good** – Compliance has been made/being observed most of the time.
- **Fair** – Compliance has been made/being observed some of the time.
- **Needs Improvement** – Compliance has not been made/not being observed or simply a “NO”.

Scores rated for all types of evaluation are added and averaged to arrive at the over-all score and its equivalent performance rating and forms part of each director's and employee's personal files, whereas those of the Board and the Board-level committee are properly filed and maintained for easy reference.

CONFIDENTIALITY OF RATING

Ratings are confidential and shall not be shown to or discussed with employees other than the one concerned and the employee's immediate supervisor or responsible management officials.

REVIEW, EVALUATION AND CONFIRMATION OF THE RATING

Results of such performance evaluation for Bank officers and employees, control functions as well as members of the Board of Directors are properly documented and filed for the easy reference of all information users and its incorporation in decision making process. A database of the evaluation scores shall be tabulated and maintained and submitted to the Board of Directors for review, evaluation, reporting and deliberation purposes. The annual performance evaluation may be conducted at any time during the first quarter of the year, the results of which shall be confirmed by the Board of Directors in its regular meeting for the month of April before the Annual Stockholder's Meeting held every 1st Sunday of May of each year.

FREQUENCY OF APPRAISAL

The Bank's annual performance evaluation for its Board of Directors, Board-level committee, control functions, officers and employees are conducted during the first quarter of the year, and its results approved and confirmed by the Board of Directors, prior to the Bank's Annual Stockholder's Meeting.

A more frequent performance evaluation is made for probationary employees, i.e., at the middle and before the end of his probationary training period prior to regularization, where applicable.

A performance evaluation may be conducted upon request prior to any promotion/demotion, transfer or disciplinary sanctions, as applicable.

Scorecards for contractual employees are conducted annually or prior to the renewal of their Contracts of Service/Professional Service Contract with the Bank.

BANK FORMS

The Bank has developed Bank forms for the purpose, namely:

1. RATING SHEET for the
 - a. Board of Directors, as a Body
 - b. Directors, in their individual capacity
 - c. Audit Committee
 - d. President
2. PERFORMANCE EVALUATION FORM for Risk Management Officer

3. PERFORMANCE EVALUATION FORM for Control Functions, namely the Chief Compliance Officer and Chief Internal Auditor
4. PERFORMANCE EVALUATION FORM for Bank officers, department heads and rank and file employees
5. PERFORMANCE EVALUATION FORM for Probationary Employees
6. SCORECARDS for contractual employees

RETENTION OF PERFORMANCE EVALUATION DOCUMENTS

The results of the performance evaluation for directors, officers (including control functions) and employees, both regular and contractual, forms part of their individual personal files whereas the rating sheet for the Board of Directors and Board-Level Committee are all safely kept in the HR Office for a period of ten (10) years from the date of separation or for as long as they are a member of the Bank's Board of Directors.

PERFORMANCE INCENTIVE AND REMUNERATION

The Bank, just like any other organization, has goals which success depends on the focus and dedication of its officers and employees to fulfill and achieve those goals. The Bank believes in improving results through employee recognition, based on the simple premise that teams cannot achieve their goals without the active participation of all players on the team. Professionally designed incentive and recognition programs is a tool to align employee behaviors and shape results to meet the Bank's goals, whether they are increased income, improved quality and skills, reduced absenteeism, or better customer service.

These performance incentives may take the form of:

- **Potential and Promotions** – Leadership potentials for supervisory positions and hidden talents and potential abilities are uncovered by a properly developed and administered rating program. Management identifies and selects employees for immediate or future promotion. Caution should however be exercised in differentiating between the performance of the individual on his present job and his potentials for a higher job level. For an employee's ability to perform effectively on one job is not always an assurance of his ability to handle greater responsibilities.
- **Salary Increases, Bonuses or Allowances** – Excellent ratings furnish a good basis for granting salary increases, bonuses or increase in allowances, within the limits of salary range, as a reward for very satisfactory or exceptional performance.
- **Positive Feedback and Commendation** – We can never underestimate the power of positive feedback and praising someone for a job well done. Giving positive feedback can be a powerful tool for employee motivation that will make him more productive and

enthusiastic than ever. Enthusiastic employees outperform employees who are not motivated to perform. They rise to challenges and rally each other in tough times.

- **Re-election or re-appointment** for another term for the directors.
- **Renewal of contract** for contractual employees or professional service contracts.

➤ **Branch of the Year Incentive Program**

The management upholds the ideals of the Performance Incentive Program launched in 1998, wherein one of the Bank's five (5) banking units is chosen and considered outstanding; not only in terms of income, deposit, and loan portfolio, ROPA disposal and past due and non-performing ratios among others, but of the quality of their performance, unity and teamwork as well as the goodwill they have successfully created with their respective clientele.

Objectives

The objectives of recognizing and rewarding the Bank's Branch of the Year are as follows:

- ✚ To recognize and promote positive behaviors that support organizational mission and business goals and objectives.
- ✚ To create "role model" for other HBC units or branches for them to outdo and surpass.
- ✚ To set standards of high performance and to encourage a team-oriented work culture.
- ✚ To provide recognition to HBC unit or branch that performed best as a team and contributed most to the Bank's profitability.

Criteria and Standards

Each HBC unit will be scored from 1 to 5, 1 being the highest and 5 being the lowest score or rank, except when the item/factor being considered is not applicable.

The weight allotted to each factor is set based on its significance to the current year's branch performance.

Qualitative criteria are allotted with ten percent (10%) weight because compliance, efficiency and teamwork are only efforts by itself until translated to measurable results.

Quantitative criteria are allotted with ninety percent (90%) weight, i.e., seventy percent (70%) for contribution to current year's financial results of operation and twenty percent (20%) for percentage of growth from previous year's financial results. This is because performance of each unit is best measured by the resulting Financial Statement figures of the unit's concerted effort and teamwork.

Quantitative Criteria

The following are the quantitative factors to be considered in scoring or rating each HBC unit, to wit:

Contribution to current year's financial results of operation

The following items will be used in gauging each HBC unit's contribution with the current year's financial figures:

- Deposit Liabilities Portfolio
- Deposit Quota
- Loan Portfolio
- Loan Quota
- Non-Performing Loan Ratio
- Past Due Loan Ratio
- Sales Contract Receivable (SCR) Portfolio
- Non-Performing SCR Ratio
- Real and Other Properties Acquired (ROPA) Disposal Quota
- Net Income

The score given to each item will be added and will be averaged by dividing the sum with the total number of items applicable to the rated HBC unit. The average score will then be weighted by multiplying the same to its score weight, i.e., seventy percent (70%).

Percentage of growth compared to previous year's financial results

The current and previous year's balances of the following Balance Sheet and Income Statement items will be used in assessing each HBC unit's percentage of growth:

- Deposit Liabilities Portfolio
- Loan Portfolio
- Non-Performing Loan Portfolio
- Past Due Loan Portfolio
- Sales Contract Receivable (SCR) Portfolio
- Non-Performing SCR Portfolio
- Net Income

The score given to each item will be added and will be averaged by dividing the sum with the total number of items applicable to the rated HBC unit. The average score will then be weighted by multiplying the same to its score weight, i.e., twenty percent (20%).

Qualitative Criteria

The following are the qualitative factors to be considered in scoring or rating each HBC unit, to wit:

Compliance and Efficiency

- This pertains to the promptness and accuracy of the reports submitted to Head Office and to regulatory agencies.
- This also takes into consideration the BSP, PDIC, SEC and other regulatory exceptions cited against the branch and their prompt compliance in rectifying/addressing the same.

Teamwork

- This pertains to the branch's unity, solidarity and team effort that helps them comply with and attain their required quotas for the year.

The score given to each factor will be added and will be averaged by dividing the sum with the total number of items applicable to the rated HBC unit. The average score will then be weighted by multiplying the same to its score weight, i.e., ten percent (10%).

Weighted average for both quantitative and qualitative factors will then be added and the HBC unit or branch with the lowest total weighted average will be awarded and recognized as the BRANCH OF THE YEAR.

Reward and Recognition

The mechanics of the incentive program provides the recognition of that branch whose team efforts and dedication yielded outstanding and excellent results noteworthy of being recognized as the BRANCH OF THE YEAR and as such shall receive:

- across the board salary increase of P1,000.00 for each and every member
- a lump sum of a minimum of P 10,000.00 to as much as P 25,000.00 to the particular branch chosen as Branch of the Year to be divided among its members

The subject amount of incentive in lump sum may be increased or changed at the option of the management depending on factors such as the profitability of the Bank's operations and the manpower of the branch/unit chosen as outstanding for the year, among others.

Evaluation Team

The evaluation of quantitative factors shall be prepared and checked by the Risk Management Officer and Chief Internal Auditor, respectively. Whereas qualitative factors

shall be evaluated by the Bank's designated core group, i.e., Comptroller, Chief Compliance Officer, and Chief Internal Auditor. The tabulation/evaluation report noted by the Bank's General Manager and President shall be subject to the confirmation of the Audit Committee.

These mechanics developed for the purpose maybe reviewed/changed from time to time subject to the confirmation of the Board of Directors through the Audit Committee. Any deviation therefrom shall likewise be covered by a Board approval.

➤ **Salary Adjustment and Compensation**

The new Bank Form for Employee Performance Evaluation incorporates additional criteria that gives credit to individual skill, performance, and contribution to the Bank's operation worthy of salary increases or adjustment. The additional performance criteria are the factors that would make employees' individual performance distinguished from the others.

An average rating scale along with its equivalent performance rating are provided in the Bank Form for Employee Performance Evaluation. Employees who will get average rating scale of 11-15 or Exceeds Expectation performance rating shall become a candidate for salary increase or adjustment.

Nonetheless, in view of the Bank's strategic objective of boosting operating income by cutting costs, the implementation of the Branch of the Year Incentive Program, that includes the reward and recognition discussed earlier, shall be temporarily suspended to allow resources to be allocated towards the achievement of increasing the Bank's operating income to build capital.

RETIREMENT AND SUCCESSION POLICY

RETIREMENT

The management has always upheld its position of giving its directors and employees not just fair and equitable but competitive compensation commensurate to their dedicated efforts and loyalty as members of the HBC family. Aware of the inevitability of old age, the management espouses its moral responsibility to help its directors and employees who have devoted the best years of their lives in productive work lead a useful and enjoyable retirement life.

The HBC PENSION FUND: POLICIES AND GUIDELINES aim to document and provide an easy point of reference for all members of the HBC family on all matters pertinent to the retirement benefit

generously crafted not just for the employees but likewise for the members of the Board of Directors.

RETIREMENT BENEFITS

An employee or director will receive upon retirement an amount equal to the following percentage, to wit:

No. of Years of Continued Service	Percentage
10 to 20 years	125% of Final Monthly Salary x Years of Service
More than 20 years	150% of Final Monthly Salary x Years of Service

Note: For directors, the percentage is based on their final monthly per diem multiplied by the years of service.

INVOLUNTARY SEPARATION BENEFIT

If an employee is terminated involuntarily for reasons such as company policy or reduction of force, separation in cases of merger, acquisition, ill health, or for any other reasons beyond his control other than those mentioned, he shall be entitled to receive his accrued retirement benefits in the amount equal to the following percentage, to wit:

No. of Years of Continued Service	Percentage
5 to 10 years	110% of Final Monthly Salary x Years of Service
Over 10 years to 20 years	125% of Final Monthly Salary x Years of Service
More than 20 years	150% of Final Monthly Salary x Years of Service

CONDITIONS:

RETIREMENT AGE:

- **Normal Retirement** – the normal compulsory retirement age shall be sixty (60) years old.
- **Early Retirement** – an employee may have the option to retire on the first day of any month following his 50th birthday, provided he has then rendered at least ten (10) years of continuous active service to the Bank.
- **Extension of Service Beyond Normal Retirement Age** – Upon reaching the normal retirement age, the management may exercise the prerogative of extending an employee's service upon mutual agreement subject to the approval of the Board of Directors. Such offer of extending employment beyond the normal retirement age of 60 is hinged on either of the following reasons, namely:
 - The employee has a wealth of experience that is valuable to the Bank.
 - The employee has the capability and physical fitness to continue his/her service to the benefit of the Bank.

- The employee is willing to extend his /her employment and continue performing his/her duties and responsibilities.
- Higher-level positions tend to be more difficult to fill. Retention of most skilled and experienced employees may help to pass on skills and knowledge and mentor other staff.

An employee on service extension shall be entitled to salaries, allowances, and other remuneration that he/she already enjoys, if not more.

The employee whose employment has been extended beyond retirement age may have the option of requesting for the partial release of his/her retirement benefits. The Bank shall continue to provide a reserve for his/her retirement on a continuous basis up to the actual date of separation due to retirement with the retirement benefits partially released being deducted therefrom.

For directors, the retirement age is not strictly observed nor applicable, for they can remain to be in office and serve as directors for as long as they are fit and able to perform their duties and responsibilities as such directors. Independent Directors may only serve as such for a cumulative term of nine (9) years. After which, the independent directors shall be perpetually barred from serving as independent director in the same BSFI, though they may continue to serve as regular director. The nine-year maximum cumulative term for independent directors shall be reckoned from 2012. (Circular 969, Series of 2017). Thus, when a director decides to resign from being a director, such separation shall be considered in lieu of retirement for which retirement benefits shall be accordingly applied depending on the number of years he/she has served as a member of the Board.

OTHER BENEFITS UPON RETIREMENT/SEPARATION:

The retirement benefits under R.A. 7641 (Art. 286) are exclusive of those granted by the Social Security System.

Upon resignation, optional or compulsory retirement, the employee is likewise entitled, under the law, to the proportionate 13th Month Pay (P.D. 851) for the calendar year and to the cash equivalent of accrued leave benefits. Directors on the other hand shall be entitled to 13th Month Pay but without incentive leave benefits.

SUCCESSION PLANNING

The management has always been conservative, judicious, and prudent in managing the business affairs of the Bank, always taking into big consideration the pros and cons of each decision, the risk

of each investment and the consequences of each choice. It is the policy of the Bank to always render continuous and uninterrupted quality service to its clientele. Therefore, a Business Continuity Plan primarily focused on the identification of potential risk exposure and corresponding plan of actions to mitigate such risks towards restoration and continuation of business functions of the Bank has been conceived and adopted in line with the Bank’s main objective of ensuring that there will be minimal disruption of bank operations, minimized financial losses through lost business opportunities or asset deterioration and a timely resumption of normal operations.

Where human resources are concerned, there are equally adequate contingency measures in place to ensure business continuity and succession in leadership.

STRATEGIES:

- ❖ In the senior management level, leadership and management of the Bank is gradually being turned over to the younger generation for continuity and succession.
- ❖ In the middle management level, an assistant and/or understudy for key officer positions who do not merely assists but who are trained to take the place of the officer concerned in cases of unforeseen pressing situations are provided and in place.
- ❖ Continuous education of both Bank officers and personnel to equip them with the skills to cope and manage the emerging trends and growing demands of banking.
- ❖ Instilling the value of responsibility and encouraging coordination among the Bank’s officers and personnel to ensure that taking their respective leaves of absence would not affect or hinder the Bank’s daily operations.

IDENTIFIED KEY MANAGEMENT POSITIONS:

SENIOR MANAGEMENT:

KEY POSITIONS IDENTIFIED AS CRITICAL	INCUMBENT OFFICER	CAPABLE OFFICER or UNDERSTUDY
Chairperson of the Board	Loreto D.J. Guballa	Patria H. Perez
President	Angelica Halili Cruz	Eleanor C. Mendoza
V.P./Chief Compliance Officer	Arnel Y. Gravador	Jenelyn M. de Guzman
V.P./General Manager	Marilyn R. Cruz	Arnel Y. Gravador
Treasurer	Gerardo M. de Leon	Nora V. Contreras
Corporate Secretary	Eleanor C. Mendoza	Josefina B. Fuentes
Chief Internal Auditor	Joanne B. de Leon	Jaya M. Baccol
Risk Management Officer	Jenelyn M. de Guzman	Joanne B. de Leon
Comptroller	Peachy Velle L. Sanchez	Crisanto P. Policarpio, Jr.
Chief Security Officer	Ronald S. Flores	Dhan Paolo D.C. Martinez

Note: These identified key positions and their identified successors may be changed where availability of the identified successor is not feasible due to valid and justifiable reasons. The change in identified successor shall be subject to the deliberation and approval of the Board of Directors.

SPECIFIC QUALIFICATIONS OF THE IDENTIFIED SUCCESSORS:

These officers and employees have been chosen based on the following factors:

- Credentials and qualifications for the said position.
- Training and acquired skills.
- Sense of responsibility and work values.
- Exposure/ working knowledge on the requirements of the position.
90% of all development occurs on the job, so the management espouses giving its people more responsibility in a particular area in their current role and then, with their respective superiors, coaching them through it. Not only is this more practical, but it also opens effective communication lines.
- Length of service, loyalty, and dedication to the Bank.

Realizing the potential of individuals by grooming them for the future while, at the same time, getting the daily work done is indeed the biggest challenge facing the management of today.

Specific qualifications of the identified successors as presented as well as the justifications for their selection as such are highlighted in the SUCCESSION MATRIX separately prepared for the purpose.

ASSESSMENT ON THE READINESS OF THE IDENTIFIED SUCCESSORS:

When we identify successors, we will refer to “high, medium and low readiness” based on the assessment of their capabilities (skills, experience, potential), work ethics as well as availability. Such indicators are defined as follows:

- HIGH READINESS – where the assessed skills, experience and potential of the employee is ready for the position being considered in the now or whenever an urgency to take over becomes present. Only training for updates is required.
- MEDIUM READINESS – where the assessed skills, experience and potential of the employee is ready for the position being considered in the next one to two years and would need further training to prepare him for the position.
- LOW READINESS – where the assessed skills, experience and potential of the employee is ready for the position being considered in the next three to five years but whose intelligence, aptitude and work values shows a lot of potential. Needs considerable training and years of experience for the proposed position.

An assessment on the readiness of the identified successors is conducted by the HR Office following the hereunder procedures:

1. The HR Office shall conduct an annual review of the Bank's Succession Matrix and make the necessary changes thereto resulting from employee turn-over or changes/updates in the accompanying succession development plan. Should there be no change in the identified successor, Succession Matrix need not be updated.
 - a. The HR Office shall revisit the readiness of each identified successor depending on their performance evaluation for the past year.
 - b. The HR Office shall make the necessary recommendations for training of the identified successor which the Training Officer shall act upon either by providing in-house training modules or sending them to external trainings available for the year.
 - c. The review of the Succession Matrix shall likewise include the inclusion of new successors or deletion of existing successors based on justifications as applicable.
2. The updated Succession Matrix shall form part of the Succession Planning for the current year that will be prepared and presented to the Board of Directors through its Audit Committee for approval.

ASSESSMENT OF POSSIBLE GAPS IN THE QUALIFICATIONS OF THE IDENTIFIED SUCCESSORS:

Where possible gaps in the qualifications of the identified successor is present, the HR Officer in coordination with the Training Officer may submit their recommendations for the specific training necessary to ensure that such gap/s are addressed. Where such possible gap is proven to be inherent and cannot be changed or enhanced, such as but not limited to work attitude or limitations set by the employee himself, then such will be treated as a ground for disqualification as an identified successor and a search for a new successor shall ensue.

The HR Office will assess the presence of such possible gaps through the following procedures:

1. Conduct a personal interview with the identified successor and get his personal view on being such. His enthusiasm or reluctance, his willingness or hesitation, his personal plans and visions, his cooperation or lack of interest are all indicators of future success or problem in the proposed succession.
2. Assess if his readiness for the position is improving by engaging him on an intellectual discussion of matters pertinent to the higher position he is being considered for and gauge how he would handle the scenario. His response thereto would somehow reflect his readiness or lack thereof.
3. Review his personal file and assess if his training/s contribute to his actual performance and look for marked improvement, if not excellence. Lack of improvement will prove that the identified gap is not being addressed satisfactorily.

4. Where such possible gap may prove to be manageable, the HR Office and Training Officer shall make the necessary recommendations to the Board of Directors through the Audit Committee to provide the employee the training he needs.

ORIENTATION AND EDUCATION PROGRAM

The management believes that employee development is tantamount to the growth and success of a company. More knowledgeable, skilled, and capable employees directly affect the Bank's ability to satisfy customers, resolve problems and crises and adapt to changing market conditions. Paying for an employee's continuing professional education can help the Bank achieve full compliance with fiscal and industry regulations as well as gain expertise in new technologies and emerging market trends, which can save money in the long run. In addition, most employees find learning new skills and taking on new challenges extremely rewarding. Satisfied employees have a more positive attitude, work harder, and stay with a company longer than those who are not given opportunities to grow.

POLICY:

The Bank recognizes the importance and need for systematic and sustained training and development. Bank-wide training programs are regularly conducted to cultivate and hone employee capabilities. In this manner we intend to maintain and improve our present operational standards of excellence. The Human Resource Office continually assesses the requirements of all our personnel and seek to encourage their advancement through in-house or external training programs, workshops, and seminars.

The Bank's Human Resource Office endeavors to foster an atmosphere of growth by:

- Conducting on-the-job-training geared to help employees attain acceptable proficiency levels
- Instilling and promoting competency - defined as a set of Knowledge, Skills and Attitude (K,S,A) - needed to perform work activities within acceptable benchmarks
- Aiming for consistency and alignment between work performance and standards expected in the workplace
- Implementing a formal and competency-based Training and Human Resources Development Program, primarily consists of training and seminars, both in-house and industry-related seminars and workshops.

SEMINARS AND TRAININGS:

The management is committed towards providing continuous education and skills development for its officers and staff. On recommendation of either the Bank's HR Officer or his immediate supervisor, an officer or employee may take time off from regularly assigned duties to participate

in seminars and trainings which can particularly enhance his efficiency and job performance and/or prepare him for the position for which he has been eyed to succeed in the event of separation from employment. In this regard, the Training Officer keeps an eye on seminars and trainings being espoused and offered by any of the following:

- Chamber of Thrift Banks (CTB)
- Bankers Institute of the Philippines (BAIPHIL)
- Bankers Association of the Philippines (BAP)
- Ateneo Center for Continuing Education
- Ateneo-BAP Institute for Banking
- Anti-Money Laundering Council (AMLC)
- Credit Information Corporation (CIC)
- National Wages and Productivity Commission (NWPC)

The Bank also conducts annual refresher course and in-house training for its employees and issues policy and inter office memorandum which updates and educates them on emerging industry trends and new regulations that affect their respective jobs.

As part of the Bank’s continuing education, members of Board of Directors and Senior Management attended the following in-house and external training activities in year 2023:

Title	Date	Sponsor	Attendees
Briefing on BSP Circular No. 1159 on the Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing under Republic Act No. 11901	January 25, 2023	Chamber of Thrift Banks	Bank Officers Bank Employees
Sanctions Screening Obligations and Best Practices	March 10, 2023	Anti-Money Laundering Council – Learning Management System	Bank Officers Bank Employees
Credit Report 101: Unlocking the Value of your Credit History	March 17, 2023	Credit Information Corporation	Bank Officers Bank Employees
2023 ABCOMP Briefing on BSP Circular No. 1160 Regulations on Financial Consumer Protection to Implement Republic Act No. 11765.	March 31, 2023	Association of Bank Compliance Officer, Inc	V.P/Chief Compliance Officer
Launching of the 2021 Countryside Bank Survey: A Baseline Report	April 11, 2023	Bangko Sentral ng Pilipinas	V.P/Chief Compliance Officer V.P/General Manager
Virtual briefing on the Financial Consumer Protection Act of 2022 and its Implementing Rules and Regulations	May 5, 2023	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Bank Officers Bank Employee
Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals	April 11, 2023 April 12, 2023 April 13, 2023 March 7, 2023 March 21, 2023 May 23, 2023 June 14, 2023 June 27, 2023	Anti-Money Laundering Council – Learning Management System	BOD Members Bank Officers Bank Employees
Targeted Financial Sanctions (TFS)	April 12, 2023 April 13, 2023	Anti-Money Laundering Council – Learning	BOD Members Bank Officers

Title	Date	Sponsor	Attendees
	March 30, 2023 May 25, 2023 June 29, 2023	Management System	Bank Employees
AMLIC Registration and Reporting Guidelines (ARRG)	March 15, 2023 April 11, 2023 May 17, 2023 June 21, 2023 July 19, 2023	Anti-Money Laundering Council – Learning Management System	BOD Members Bank Officers Bank Employees
Basic Course on Corporate Governance	June 23, 2023	In-house training update – Hiyas Banking Corporation	BOD Members
2023 PESO Real Time Gross Settlement (RTGS) Forum	September 7, 2023	Bangko Sentral ng Pilipinas	Bank Officers Bank Employee
Sustainable Finance: The Journey so Far and The Path Ahead	October 4, 2023	Association of Bank Compliance Officer, Inc	Bank Officers
BSP-CTB Training Program on BSP Initiatives on Banks' Digital Transformation/Cybersecurity	October 9, 2023	Bangko Sentral ng Pilipinas – Chamber of Thrift Banks	Bank Officers Bank Employees
Tax Updates with Taxpayers under the Taxpayer's Account Management Program (TAMP)	October 10, 2023	Bureau of Internal Revenue	Risk Management Officer Chief Accountant Accounting Assistant
Online Technical Compliance Workshop - Training for Submitting Entities of CIC	October 20, 2023	Credit Information Corporation	V.P/Chief Compliance Officer Loan Processing Officer
AMLIC In-house Refresher Course	October 25, 2023	In-house training update – Hiyas Banking Corporation	Bank Officers Bank Employees

AFFILIATION AND MEMBERSHIP

The Bank officers and employees are encouraged to actively participate and become members particularly of industry related organizations such as, but not limited to:

- Chamber of Thrift Banks
- Malolos Bankers Association

TRAINING ALLOWANCE

The Bank shoulders the registration fee for seminars and training and provides a daily training allowance currently pegged at Five Hundred (P 500.00) Pesos to cover the transportation and other expenses that may be incurred by the participating employee relative thereto. The amount of travelling allowance may be changed/ increased/reduced at the option of the management when circumstances so warrant.

In cases where the training delegates secure the services of the Bank's transportation vehicles, the training allowance shall be deemed waived and the employee who acted as chauffeur instead receives the training allowance of Five Hundred (P 500.00) Pesos per day on top of gasoline, toll fees and parking fees incurred which are all subject to actual reimbursement.

REMUNERATION POLICY

COMPENSATION PHILOSOPHY:

The Bank seek to establish and maintain a system of compensation and benefits that, with reasonable availability of resources, is consistent with total compensation package in the thrift banking industry, particularly within the same category for similar responsibilities and services being performed.

A competitive pay policy articulates the Bank's strategy for competing within targeted labor markets to recruit the employees it needs to achieve business success. Such policy guides the management in making effective decisions regarding the Bank's investment in human capital assets.

Pay is a critical factor in the work lives of employees. Jobs are accepted or rejected based in part on starting salary and the opportunity for future increases in pay. Employees compare their pay to that of others in the same line of work. They constantly compare their pay level to their level of contribution, trying to determine whether the ratio of give and receive is a fair one. Higher pay encourages quality performance as well as fosters better work engagement. It can improve retention, employees' commitment and loyalty to the company and their willingness to refer friends and family to the Bank thereby soliciting more business and becoming real team players. While it may not be openly discussed, employees think about pay often. Since it is particularly important to employees, the issue of pay deserves to be clearly addressed.

KEY COMPENSATION COMPONENTS:

Compensation has become a far more complicated issue than just deciding how much to pay your employees. In addition to salary, employers must consider many other components — retirement plan, fringe benefit, bonuses, and vacation — that have become part of compensation packages today.

The Bank's compensation package consists of the following:

Salary and Allowances. The single largest component of a compensation package and, not surprisingly, the most common point of comparison used by employees and potential employees. Salary should be tied to a person's skills and experience. Subsequent increases need to be based on an employee's performance, value, and contribution to the Bank's achievement of its goals and vision.

The Human Resource Office attempt at checking salary surveys and want ads and scouting out competitors to see if they are underpaying or overpaying their staff. Paying too much is an unnecessary drain on the Bank's resources but paying too little will make it difficult to find and keep the best people.

Bonuses. Employee bonuses are one way of providing performance incentives and effectively rewarding and compensating employees for meeting their goals.

Retirement Plan. The HBC Pension Fund is fully funded and regularly monitored with its valuation updated annually.

Service Incentive Leave. This includes holidays, vacations, sick/emergency, and birthday leaves, among others. Each employee has a 30 days' service incentive leave which may be used for vacation, sickness, and emergency leaves, which unused portion is converted to cash at the end of the covering calendar year.

Fringe Benefit Program. The Bank has designed this program to extend assistance to its employees in meeting their financial needs.

REVIEW OF COMPENSATION PACKAGE

OBJECTIVE:

To maintain competitiveness, the Bank through the Human Resource Office review employees' pay and performance annually to calibrate company pay practices with competitive pay levels.

Market pay levels typically increases over time because competing employers deliver salary raises to reward the performance of employees and to maintain the competitiveness of their pay levels.

PAY FACTORS USED FOR PAY DETERMINATION PURPOSES

Most companies have a pay policy that starts all new employees at the minimum of the pay range. While this may be appropriate for inexperienced candidates, the minimum is generally below market value for experienced people. Thus, it has been the Bank's policy to establish pay practices that reflect employee's capabilities. The employee's skills and competencies are evaluated through the interview for new employees or through the annual performance evaluation process for current employees.

These fourteen factors are considered by managers for determining and justifying pay actions:

- **BUSINESS NEED** – The Bank’s need for the employee’s services when evaluated may range from optional to critical and plays an important factor in determining his salary.
- **BUDGET IMPLICATIONS** – Budget Implications consider the short and long-term financial consequences of pay decisions.
- **COMPETITIVE SALARY OFFER** – This allows the management to counter a higher salary offered by another firm or company to an employee deemed critical to the Bank.
- **CURRENT SALARY** – Current Salary is the candidate or incumbent's present base pay compensation, which does not include shift differentials, temporary pay, benefits, overtime, incentive premiums, bonuses, commissions, or other similar non-base pay compensation.
- **DUTIES AND RESPONSIBILITIES** – Duties and Responsibilities describe the primary and essential work functions performed by an employee or group of employees. Variation in duties and responsibilities helps distinguish one employee from another for comparison purposes.
- **INTERNAL SALARY ALIGNMENT** – Internal Salary Alignment is a fairness criterion that takes into consideration the proximity of one employee’s salary to the salaries of others who have comparable levels of training and experience; duties and responsibilities; performance; and knowledge, skills, abilities, and competencies.
- **KNOWLEDGE, SKILLS, ABILITIES & COMPETENCIES** – Knowledge refers to acquired principles and practices related to a particular job; Skills refer to acquired psychomotor behaviors; and Abilities are the talents, observable behaviors or acquired dexterity. Competencies are behaviors, knowledge and skills that directly and positively impact the success of the employee. Together KSA’s are the elements listed for job requirements, hiring qualifications or employee credentials. Additionally, KSA’s are a job evaluation consideration for the Compensable Factor, Complexity of Work, and the application of acquired KSA’s are essential to the In-Band Adjustment (Professional and Skill Development) pay practice.
- **TRAINING, CERTIFICATION AND LICENSURE** – An employee who had undergone further training, been certified, and passed licensure examinations has more KSA’s to offer to the great advantage of the Bank.
- **LONG TERM IMPACT** – Long Term Impact considers the strategic and financial effect of anticipated future salary costs, staffing changes, salary alignment among employees, career growth and salary reference data changes.
- **MARKET AVAILABILITY** – Market Availability is the relative availability of suitable, qualified candidates in the general labor market that is subject to the changes in supply and demand.
- **SALARY REFERENCE DATA** – Salary surveys and advertisements and prevailing compensation trends in the industry greatly affects, if not dictates, the employee’s market value.
- **TOTAL COMPENSATION** – The total compensation package balances the market range of pay with the annual incentives and non-financial rewards of being an employee of the Bank.

- **WORK EXPERIENCE AND EDUCATION** – Work Experience and Education is the relevant employment history and academic qualifications of the employee or applicant.
- **PERFORMANCE** – Performance considers previous and/or current work accomplishments or outcomes and behavioral inter-actions that are assessed as part of the Performance Management Program. All management-initiated salary increases are normally given to employees performing satisfactory or more than satisfactorily.

CONSIDERATIONS FOR PERFORMANCE MANAGEMENT AND IN DEVELOPING A VARIABLE PAY PROGRAM

Employee capability is not the same thing as performance. Someone who is not yet successful in fulfilling his job may still be learning some of the basic skills, especially after a promotion. Yet, the employee's performance may exceed the manager's expectations. As employees become successful in fulfilling their job, the management believes their efforts should be compensated. Otherwise, their pay will stagnate, and they may become unmotivated or seek employment from competitors for recognition and rewards.

Variable pay refers to the compensation that is received by employees of the Bank in addition to the base pay. Its calculation is based on the criterion that employees who perform better should receive more compensation. Variable pay compensation aligns pay with strategic results in the organization. It is, thus, a result-oriented compensation system and, therefore, facilitates in enhancing organizational productivity.

SENIOR EXECUTIVE COMPENSATION

Finding senior executives capable of motivating people, communicating a vision, and leading a company to the top can be challenging. And with concerned investors and stakeholders closely monitoring company performance, businesses are under enormous pressure to retain qualified executives once they hire them. To keep the momentum going, it is crucial to secure top talent at the executive level. This means the need for flexibility in considering the compensation packages the competitors offer. Since candidates know they can command a high salary, extra incentives can make the difference in an executive's decision to join or stay in a company.

Thus, the Bank upholds its long-standing history of linking senior executive compensation with long-term business objectives in its goal of attracting, retaining, and motivating those executives who can advance the Bank's strategies and drive it into marketplace success and industry leadership.

OVERSIGHT FUNCTION OF THE BOARD OF DIRECTORS

To promote the maintenance of competitive salary levels and avoid lopsidedness, an annual review of the salary structure hand in hand with performance evaluation is conducted by the Bank's Human Resource Office. All recommendations for whatever changes or adjustments in the structure, as appropriate, shall be submitted for final review and approval of the Board of Directors for confirmation.

The Board of Directors in determining and setting the Bank's compensation structure adheres to the limitations set forth by Section 135 of the Manual of Regulations for Banks, Compensation and Other Benefits of Directors and Officers.

REMUNERATION STRUCTURE

NAME	2023			
	POSITION	SALARY	BONUSES	FEES & OTHER COMPENSATION
Angelica Halili Cruz	President			
Arnel Y. Gravador	VP/Chief Compliance Officer			
Marilyn R. Cruz	VP/General Manager			
Eleanor C. Mendoza	Corporate Secretary			
Gerardo M. De Leon	Treasurer			
All Above Named Officers as a Group		7,209,256.31	2,308,052.25	0.00
All Other Unnamed Officers as a Group		3,154,697.89	1,110,061.16	0.00
All Directors				85,000.00

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

The Bank adheres to the policy of Sec. 136 of the Manual of Regulations for Banks (MORB) which *recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, related party transactions are generally allowed provided that these are done on an arm's length basis.* It is the Bank's commitment to exercise appropriate oversight and implement effective control systems to ensure that such exposures are properly managed, monitored and controlled so as not to lead to abuses that are prejudicial and detrimental to the Bank and all its stakeholders.

HBC POLICIES ON RELATED PARTY TRANSACTIONS

a. DEFINITION OF RELATED PARTIES

These guidelines clearly define “related parties” and shall require the establishment of a database that will identify persons and companies that are considered the Bank’s related parties over whom the Bank exerts direct/ indirect control or vice-versa along with the close family members of the Bank’s DOSRI within the second degree of consanguinity or affinity, legitimate or common-law. The said inventory shall be established on a per branch basis with a consolidated database at the Head Office periodically reviewed and updated by the General/ Branch Manager on a monthly basis to capture organizational and structural changes in the Bank and its related parties. It should be noted that unrelated parties may subsequently become a related party.

The subject consolidated database shall be regularized on a semi-annual basis or more frequently whenever changes or updates have been captured to ensure that all HBC units have an updated copy thereof for their easy and accurate reference.

b. COVERAGE OF RELATED PARTY TRANSACTION POLICY

The coverage of the RPT policy shall capture a broader spectrum of transactions, covering not only those that give rise to credit and/or counterparty risks but also those that could pose material/special risk or potential abuse to the Bank and its stakeholders.

These RPT includes, but are not limited to the following:

- All kinds of regular loan transactions to related parties
- All kinds of contracts and service agreements entered into by the Bank with related parties
- Lease or sale of Bank’s ROPA to related parties
- Fees and commissions paid to related parties
- Depository banks whose DOSRI is a related party
- Interlocking director relationship of the Board of Directors
- All other kinds of transactions deemed to be covered by the definition related party transactions entered into by the Bank with a party who falls under the definition of being a related party

Transactions that were entered into with an unrelated party who subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the policy. The prospective treatment should, however, be without

prejudice to supervisory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

c. GUIDELINES IN ENSURING ARM'S LENGTH TERMS

RPTs shall be conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor and collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. To serve as guidance for an effective price discovery mechanism that will ensure that transactions are engaged into at terms that promote the best interest of the Bank and stakeholders, the Bank shall avail of such mechanism that includes, but not limited to, acquiring the services of an external expert (e.g., independent appraiser), opening the transaction to a bidding process (purchase contracts and services) and publication of available property for sale (for ROPA).

The Loan Processing Officer and New Accounts Clerk for the Head Office and the Branch Managers for their respective units shall be required to review their respective transactions with related parties, ensuring that the terms and conditions of every transaction is conducted in an arm's length basis and that any special rates and terms given to related parties have prior approval of the Board of Directors.

d. CONFLICT OF INTEREST

The Bank does not tolerate those who place their interest above that of the institution, its clients and business partners. Policies that prohibit directors, officers and employees from using their position of authority or rank to directly or indirectly derive personal gain or advantage are in place. Employees are enjoined to exercise utmost discretion, prudence and mature judgment in the discharge of their duties to avoid perceived or factual conflict of interest situations. The Bank's **Code of Conduct** provides policies on conflict-of-interest situations such as, but not limited to:

- Receiving gifts from third parties.
- Confidentiality and use of non-public information.
- Use of company funds, assets and information.

In order to provide for the identification and prevention or management of potential or actual conflicts of interest which may arise, the members of the Board, stockholders and management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank.

e. MATERIALITY THRESHOLDS AND EXCLUDED TRANSACTIONS

Materiality threshold for RPTs is set at a level where omission or misstatement of the transaction could pose significant risk to the Bank and could influence the economic decisions of its Board of Directors. Materiality threshold may be set for each type of transaction and for each related party group, depending on the nature of the transaction and risks involved. The materiality threshold is set as follows:

- LOAN TRANSACTIONS 1 M
- LEASE OR SALE OF ROPA 1 M
- CONTRACTS & SERVICE AGREEMENTS 1 M
- FEES AND COMMISSIONS 1 M
- DEPOSITORY BANKS REGARDLESS OF AMOUNT

Materiality threshold has been set based on the percentage of related party transaction that comprises the average transaction with transaction amount of P 1 million and above as of June 30, 2021, i.e., 92.11% of the total average transaction for the period. Considering the 92.11% percentage of related party with transaction amount of P 1 million and above, the Board of Directors has reached the consensus of setting the materiality threshold for transaction with related party to P 1 million and may be appropriately changed, upon thorough review and due approval of the Board of Directors. The reporting of related party transaction shall be based on a single transaction basis and transaction involving loans, lease or sale of ROPA, contracts and service agreements, fees and commissions and depository banks shall be subject to prior approval of the Board of Directors. Whereas transaction concerning deposit operations shall only require Board confirmation, provided the same are transacted in arm's length terms. Otherwise, special terms, if any, shall likewise be subject to prior approval of the Board of Directors.

Moreover, when the outstanding balance of the previously reported single transaction already falls below the materiality threshold the same shall no longer be included in the Report on Material Related Party Transaction submitted to BSP on a quarterly basis.

TRANSACTIONS EXCLUDED FROM MATERIALITY THRESHOLD:

- TRANSACTIONS CONCERNING DEPOSIT OPERATIONS
- LOANS UNDER BSP-APPROVED FRINGE BENEFIT PROGRAM

JUSTIFICATION:

These transactions are excluded from materiality threshold in view of the fact that:

- Transactions concerning deposit operations are excluded from the reportorial requirement of BSP.
- The interest rate, terms and conditions of the Fringe Benefit Program is uniform, consistent and not subject to special rates; notwithstanding the fact that it has been duly approved by the Bangko Sentral ng Pilipinas.

Both of these materiality thresholds and excluded transactions may be reduced, increased or amended if the Bangko Sentral ng Pilipinas deems that the threshold or exclusion is inappropriate considering the Bank's size, risk profile and risk management system.

f. INTERNAL LIMITS FOR INDIVIDUAL AND AGGREGATE EXPOSURES

To ensure that RPTs are within prudent levels, in addition to existing prudential limits which shall be complied at all times, internal limits or sub-limits for individual and aggregate exposures to a related party and for aggregate exposures to all related parties consistent with the Bank's risk appetite, risk profile and capital strength are set as follows:

INTERNAL LIMITS:

- INDIVIDUAL EXPOSURE TO A RELATED PARTY = 5% OF TOTAL CAPITAL
- AGGREGATE EXPOSURE TO A RELATED PARTY = 10% OF TOTAL CAPITAL
- AGGREGATE EXPOSURES TO ALL RELATED PARTIES = 20% OF TOTAL CAPITAL

COVERAGE:

- LOAN TRANSACTIONS
- LEASE OR SALE OF ROPA
- CONTRACTS & SERVICE AGREEMENTS
- FEES AND COMMISSIONS
- DEPOSITORY BANKS

These internal set limits shall be tied in with the Bank's internal definition of capital. Breaches in limits shall be reported to the Board of Directors with the decision of the Board to accept the exposure or to take steps to address the breaches, as may be necessary, duly documented in the minutes of the meetings.

g. POLICY ON THE AGGREGATION OF THE TOTAL AMOUNT OF TRANSACTIONS

Aggregation of amount of transaction is the process of collectively assessing and combining the loan, SCR, and other included/covered transactions of a single related party. For monitoring purposes, report on aggregation of amount is included in the monthly Inventory of Related Party Transactions.

The following procedures apply to aggregation of total amount of transactions of a single related party, to wit:

- The General/Branch Managers shall prepare the report of Inventory of Related Party Transactions and submit the same to the Bank's Comptroller on a monthly basis.
- The Comptroller shall then consolidate all the submitted reports of Inventory of Related Party Transactions, aggregating therein the amount of transactions to a single person. The aggregated amount of exposure to a related party is maintained for monitoring purposes only. Therefore, even if the aggregate amount of transactions of a related party falls within or exceeds the materiality threshold of 1 Million, the same will not be included in the Report of Material Related Party Transaction submitted to BSP on a quarterly basis, inasmuch as only single transactions amounting to 1 Million and above are considered reportable.
- The Consolidated Inventory of Related Party Transactions shall be submitted to the Board of Directors on a quarterly basis to apprise the Board of the Bank's total related party exposure and compliance with the internal limits.

h. WHISTLE BLOWING MECHANISM

It is the Bank's policy to ensure that effective whistleblowing mechanism consistent with the corporate values and codes of conduct set by the Board of Directors are in place. The employees are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs. The Bank's Amended Policies and Procedures on Whistle Blowing provides the guidance on how and to whom legitimate material concerns should be reported, investigated and addressed by an objective independent internal or external body, senior management and/or the Board itself.

i. RESTITUTION OF LOSSES AND OTHER REMEDIES FOR ABUSIVE RPTs

Measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Bank arising from RPTs that are not engaged on arm's length terms as well as the manner of handling personnel, officers or directors, who have been remiss in their duties in handling RPTs are likewise provided in the Bank's Amended Policies and Procedures on Whistleblowing.

VETTING PROCEDURES

Where contracts or service agreements, purchases and acquisitions and ROPA disposal transactions with related parties are concerned, the Bank should ensure that the terms and conditions thereof are without prejudice to the Bank's best interests and conducted at arm's length by:

1. Conducting required review procedures by the Comptroller
 - a. Requiring a bid or quotation from another service provider or supplier who is not defined as related party
 - b. Requiring the same terms of ROPA disposal from a related party with that of a non-related party to ensure the same is not less favorable to the Bank
 - c. Conducting due diligence on the terms and conditions being offered by the related party to ensure that it is at par with that being offered by a non-related party
2. Elevating the subject RPT and result of preliminary review and supporting documents to the Board of Directors for their assessment and final approval prior to the consummation of the transaction.
3. Reporting the transaction to the stockholders in the Annual Stockholders Meeting for their confirmation.

DISCLOSURE AND REGULATORY REPORTING

Banks shall adequately disclose in their Annual Report, if applicable, the overarching policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflicts of interest; responsibility of Board of Directors in performing the responsibilities for RPT; nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, or material RPTs.

Lease Contracts and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transactions by the Board of Directors. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of a lease contract, or the party engaging/requesting for the services of the other bank, in case of other contracts, shall submit the report.

- **MONITORING AND CONTROL**

The General/Branch Managers shall be required to monitor their respective transactions with related parties and report updates and changes thereto to the Head Office on a monthly basis. It should be noted that unrelated parties may subsequently become a related party and vice versa.

- **REPORTING**

The General/ Branch Managers shall be required to report their respective inventory of related parties as well as related party transactions to the Head Office through the Comptroller on a monthly basis to capture changes and updates as applicable using Bank Forms designed for the purpose.

BANK FORM:

- Inventory of Related Party Transactions-Monthly
- Report on Related Party Transactions-Monthly

The Bank shall report to the Bangko Sentral ng Pilipinas its quarterly Report on Material Related Party Transactions (Annex B of Circular 895), a Category A-1 report 20 calendar days after the reference quarter.

BOARD OF DIRECTORS ACTS ON THE BANK'S RELATED PARTY TRANSACTIONS

The Board of Directors is tasked to perform the duties and functions in lieu of an RPT Committee. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.

DUTIES

- Evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. Related parties, RPTs and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors.
- Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Board of Directors shall take into account, among others, the following:
 - The related party's relationship to the Bank and interest in the transaction;
 - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - The benefits to the Bank of the proposed RPT
 - The availability of other sources of comparable products or services; and
 - An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material based on the Bank's internal policies shall be endorsed to the Board of Directors for approval.

- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank’s RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank’s affiliation or transactions with other related parties.
- Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.

MATERIAL RPTs for 2023 as defined under Sec. 135 of the MORB

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Outstanding Amount of Loans and SCR	Terms	Original Amount of Loans and SCR	Terms and Conditions E.g., Regular/Special
A. Bank/QB								
a. Subsidiaries and Affiliates								
b. DOSRI								
Cruz, Marilyn Resurreccion	N/A	General Manager	13-Dec-23	Loans for Housing Purposes	825,271.69	1800 days	Loan	Regular
Cruz, Marilyn Resurreccion	N/A	General Manager	11-Dec-23	Loans for Consumption	2,635,863.05	3600 days	Loan	Regular – Fringe Benefit
Reyes, Florentino Perez	N/A	Director	19-Dec-23	Loans for Other Purposes	66,260.38	1080 days	Loan	Regular
Reyes, Florentino Perez	N/A	Director	12-Dec-23	Loans for Housing Purposes	104,070.08	1080 days	Loan	Regular
De Leon, Joanne Bacalan	N/A	Chief Internal Auditor	11-Dec-23	Loans for Consumption	1,442,704.29	1800 days	Loan	Regular – Fringe Benefit

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Outstanding Amount of Loans and SCR	Terms	Original Amount of Loans and SCR	Terms and Conditions E.g., Regular/Special
Gravador, Arnel Yutuc	N/A	Chief Compliance Officer	1-Dec-23	Loans for Consumption	1,421,946.54	3600 days	Loan	Regular – Fringe Benefit
Guballa, Loreto De Jesus	Guballa, Alex Dela Cruz	Brother-In-Law of Stockholder	3-Aug-10	Sales Contract Receivable	1,045,435.56	3600 days	Loan	Regular
	Guimban, Romana Guballa	Sister-In-Law of Stockholder	5-Jun-09	Sales Contract Receivable	1,342,003.33	3600 days	Loan	Regular
C. Others								
Barles, Marinel Mangubat	RLANDSTAR Development Corp by: Rommel Legaspi	Brother-In-Law of Stockholder	28-Dec-23	Sales Contract Receivable	5,606,666.67	1800 days	Loan	Regular
Evangelista, Rodolfo Dela Cruz	Evangelista, Jaime Dela Cruz	Brother of Employee	21-Dec-23	Sales Contract Receivable	3,584,350.46	3600 days	Loan	Regular
Flores, Ronald S.	Flores, Ruel S.	Brother of Employee	14-Dec-23	Loans for Other Purposes	1,145,928.09	3600 days	Loan	Regular
Manuel, Michelle Ignacio	N/A	Stockholder	21-Dec-23	Small Scale Enterprises	1,286,438.65	1080 days	Loan	Regular
	N/A	Stockholder	21-Dec-23	Small Scale Enterprises	2,378,524.15	1080 days	Loan	Regular
Mendoza, Allan Joseph Fuentes	Mendoza, Juanita Fuentes	Mother of Employee	11-Dec-23	Loans for Housing Purposes	1,843,673.71	1800 days	Loan	Regular
Policarpio, Crisanto Jr. P.	N/A	Loan Officer	18-Dec-23	Loans for Consumption	1,084,675.26	3600 days	Loan	Regular – Fringe Benefit
B. Subsidiary 1								
c. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								
C. Subsidiary 2								
c. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Outstanding Amount of Loans and SCR	Terms	Original Amount of Loans and SCR	Terms and Conditions E.g., Regular/Special
D. Affiliate 1								
c. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								
E. Affiliate 2								
c. Subsidiaries and Affiliates								
b. DOSRI								
c. Others								
TOTAL					25,813,811.91			

SELF-ASSESSMENT FUNCTION INTERNAL AUDIT AND COMPLIANCE STRUCTURE

The internal audit and compliance functions represent important control components of the Bank's organizational structure. Both functions are stand-alone and independent of the operations.

INTERNAL AUDIT FUNCTION

Based on the By-Laws, the Chief Internal Auditor shall be the chief auditing officer of the Corporation directly responsible to the Board of Directors through its Audit Committee. It is his responsibility to strengthen internal audit functions and see to it that adequate corporate audit is regularly made at unannounced intervals. He is in charge of reviewing and appraising the corporate records and accounting procedures and their compliance with the generally accepted internal control standards and requirement of the Bangko Sentral ng Pilipinas and other regulatory agencies. His independent appraisal of the corporate systems and procedures measures and evaluate the effectiveness of other controls providing effective management tool for decision and policy making and should always be guided by integrity and credibility.

The internal audit charter establishes the internal audit function's position within the organization, including the nature of the head of the internal audit function's functional reporting relationship with the Audit Committee and Board of Directors. This charter also recognizes the authority of the internal audit function, to initiate direct communication with any Bank personnel; to examine any activity or entity; to access any records, files, data, and physical properties of the Bank relevant to the performance of engagements; to delegate duties, allocate resources, select subjects, determine scope of works, and select required techniques to accomplish objectives; and to obtain necessary assistance of personnel in audited units within the organization.

The internal audit function, in the discharge of its duties, has the responsibility to:

- Identify and assess potential risks to the Bank's operations;
- Review the adequacy of controls established to ensure compliance with policies and procedures;
- Assess the reliability and integrity of financial and operational information;
- Assess the means of safeguarding assets;
- Appraise the effectiveness and efficiency of operations;
- Follow up recommendations to make sure that effective remedial action is taken;
- Carry out ad hoc appraisals, investigations or reviews requested by Management or the Audit Committee; and
- Coordinate with external audit and other control functions at the Bank to ensure proper coverage and avoid duplication of effort.

COMPLIANCE FUNCTION

To ensure adherence to corporate principles and best practices, the Bank appointed a full-time Chief Compliance Officer to manage the Compliance Program. Given the importance of the compliance function, the Chief Compliance Officer is a senior officer with a rank of at least Vice-President functionally reporting to the Board through its Audit Committee. Such appointment/designation shall require prior approval of the Monetary Board.

The Chief Compliance Officer is the lead senior officer tasked to administer the Compliance Program and interact with the regulatory agencies on all compliance-related issues. The principal function of the Chief Compliance Officer is to oversee the design of an appropriate compliance system, promote its effective implementation and address breaches that may arise. He/she shall be responsible for ensuring the integrity and accuracy of all documentary submission to the BSP.

In relation to Corporate Governance, the Chief Compliance Officer shall have the following duties and responsibilities:

- Monitor compliance by the Bank with the Corporate Governance Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.
- Report to the President and the Board through the Audit Committee, significant compliance issues, the general status of the Bank's level of compliance and also relevant regulations, updates and other compliance matters.
- Exercise specific statutory responsibility, i.e., as Anti-Money Laundering Compliance Officer.

REPORTING PROCESS

The Chief Internal Auditor and Chief Compliance Officer shall report to the Board of Directors through the Audit Committee on a monthly basis the results of audit and compliance testing they have conducted as well as other audit and compliance related issues and concerns.

REVIEW PROCESS

The Board of Directors designated the Audit Committee to assist the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholders' value and protecting their interest through effective oversight on establishing and maintaining an adequate, effective and efficient internal control framework; ensuring that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets and reviewing the effectiveness of compliance and internal/external audit functions.

The Board of Directors, through its Audit Committee monitors and evaluates the adequacy and effectiveness of the internal control system. The Audit Committee reviews and approves the audit scope and frequency and ensure that the scope covers the review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls and risk management system. The Committee also reviews and approves the Internal Control Matrix and Checklist being used by the Bank's Auditors in their regular audit. Such Internal Control Matrix and Checklist encapsulates the internal control policies and procedures employed in all areas of the Bank's operation, likewise embedded in their respective manuals or guidelines as applicable.

The Audit Committee oversees the implementation of such internal control policies through the reports submitted and reported by the Bank's Auditors during the regular monthly meeting held every 4th Friday of the month, such as but not limited to the following:

1. Exception Tracking Monitor and Accomplishment Report on a quarterly basis.
2. Preliminary Audit Report, Final Audit Report and reply to Final Audit Report upon completion of such scheduled audit.

The internal audit function performs the review of the Bank's internal control system to validate its effectiveness and adequacy, and weaknesses identified, if any are promptly reported to the Audit Committee for proper resolution. The enhancement or changes such assessment requires are then incorporated in the Audit Manual or Audit Plan as applicable through an immediate amendment thereof subject to the review/approval of the Audit Committee and confirmation of the Board. Thereafter, the amended manuals, plans and/or policies are regularized and implemented throughout the Bank.

Moreover, the Board of Directors, through its Audit Committee reviews and approves the compliance testing scope and frequency and ensure that the scope covers the review of the effectiveness of the Bank's compliance system. The Audit Committee oversees the implementation of Compliance Testing Work Plan through the reports submitted and reported by the Bank's Chief Compliance Officer during the regular monthly meeting held every 4th Friday of the month, such as but not limited to the following:

1. ROE Tracking Monitor, Compliance Exceptions Tracking Report, and Accomplishment Report on a quarterly basis.
2. Monthly Compliance Report.
3. Compliance testing results upon completion of such scheduled testing.

DIVIDEND POLICY

As provided in Article XI of the Bank's Amended By-Laws, dividends may be declared annually or more often as the Board of Directors may determine. The Board may declare dividends only from the surplus profits of the Corporation, after making proper provisions for the necessary reserves in accordance with law and the regulations of the Bangko Sentral ng Pilipinas and the deductions provided in Article IX and X thereof. With the approval of the stockholders representing two-thirds (2/3) of the stock then outstanding and entitled to vote, given at a general meeting or at a special meeting duly called for the purpose, the Board may declare that dividends be paid in stock. For the year no dividend declaration has been made in as much as the Bank has not yet been fully complied with the P 300 million capitalization requirement for thrift bank.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Bank's Corporate Social Responsibility (CSR) initiatives for 2023 have focused on making significant contributions to the communities such as those for street children and the marginalized members of the society where the Bank operates. The Bank has demonstrated a strong commitment to social responsibility by providing donations to churches, schools,

foundations, and various charitable projects. In 2023, the Bank has dedicated a total of P 109,800.00 to these initiatives, highlighting its commitment to making a positive impact in the lives of those in need. The Bank's CSR activities reflect its commitment to being a responsible corporate citizen, fostering a culture of care and support within the communities it serves.

FINANCIAL CONSUMER PROTECTION PRACTICES

CONSUMER PROTECTION OVERSIGHT FUNCTION

The Board of Directors and the members of Senior Management provide the means by which they shall identify, measure, monitor, and mitigate Financial Consumer Protection (FCP) risks inherent in operations, in accordance with the standards and all other applicable laws, rules and regulations.

ROLE AND RESPONSIBILITY OF THE BOARD AND SENIOR MANAGEMENT

1. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board is primarily responsible for approving and overseeing the implementation of the Bank's Consumer Protection Risk Management System. The Board's responsibilities include the following:

- a. Approve the CPRMS and FCPAM that takes into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to risks to financial consumers;
- b. Promote a culture of ethical behavior and adherence to the standards and all relevant laws and regulations;
- c. Provide adequate resources and adopt policies to effectively implement training and competency requirements for officers and personnel, authorized representatives or any other party acting on behalf of the Bank;
- d. Approve a policy on remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest; and performance review which includes provisions for incentives on positive reviews/assessment that could also serve as basis for renewal of contract of third-party service providers;
- e. Approve product oversight and governance mechanisms designed to ensure that financial products or services meet the needs of financial consumers in target markets or market segments, as well as universal products which are simple to access so as not to exclude vulnerable groups;

- f. Adopt a policy on the imposition of any fees and/or charges of the Bank's financial product or service which include among others, the basis and quantitative support for the setting of the fees/charges and rationalization of the fee structure or amount;
- g. Approve and periodically review the Code of Conduct of Bank's Directors, officers and staff and third-party agents. The Board defines the Bank's corporate culture and values. It establishes standards of conduct and ethics and institutionalize a system that will allow reporting of concerns or violations to an appropriate body; and
- h. Review periodically the implementation and effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms are in place to enable adequate oversight; and put in place a regular mechanism to review the relevance of the CPRMS in case of changes in the Bank's business model and/or operating environment.

2. RESPONSIBILITIES OF THE SENIOR MANAGEMENT

The Senior Management are responsible for ensuring that the practices of the Bank and the third-party agents/representatives are aligned with the Bank's approved FCP policies and risk management system and consistently displayed throughout the Bank's place of business particularly across all business units that deal directly with financial consumers. The Senior Management shall:

- a. Ensure that approved CPRMS and FCPAM policies and procedures are clearly documented and appropriately implemented across all levels and business units. It includes the responsibility of identifying the officer which will head the internal complaints handling unit or handle the implementation and regular reporting of consumer-related issues to the Board;
- b. Establish an effective monitoring and management information system to promptly identify, regularly measure, aggregate and analyze FCP-related issues to determine the level of financial consumer risks. An appropriate and clear reporting and escalation mechanism should also be integrated in the risk governance framework from any area of the Bank to Senior Management and/or from Senior Management to the Board. The management information system should be able to:
 - i. Provide adequate information on the performance and quality of the Bank's FCPAM and other internal process that can provide relevant information that allows for identification of emerging financial consumer issues and root cause analysis;
 - ii. Determine the level of FCP risk exposure through assessment of its implementation of the Standards;
 - iii. Identify and monitor, in a timely manner, risks that may result in financial loss of financial consumers or results to consumer detriment. Financial consumer

complaints, data from consumer redress mechanisms and reports of fraud are key indicators to monitor such risks; and

- iv. Identify and assess emerging or increasing FCP-related risks that affect the Bank financial consumers such as social engineering schemes, social media monitoring and market monitoring.
- c. Ascertain that weaknesses in the FCP practices or emerging risks are addressed and corrective actions are taken in a timely manner;
- d. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit; and
- e. Ensure that adequate information and actions taken are reported to the Board on a regular basis in terms of the measurement of FCP-related risks, reports from FCPAM, compliance with the standards and requirements as well as other material FCP-related developments that will impact the Bank's financial consumers. It includes the responsibility to put in place an effective system where reporting lines are established to promptly detect, analyze, and respond to financial consumer concerns and serious infractions.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

The Bank has a CPRMS that is integrated into the Bank's enterprise-wide risk management processes and risk governance framework. The CPRMS includes the governance structure, policies, processes, measurement and control procedures to ensure that financial consumer protection-related risks are identified, measured, monitored and mitigated. A carefully devised, implemented, and monitored CPRMS provides the foundation for ensuring the Bank's adherence to consumer protection standards of conduct and compliance with the FCPA relevant laws, rules and regulations, thereby, ensuring that identified risks to the Bank and associated risk of financial harm or loss to financial consumers are properly managed. The CPRMS and Financial Consumer Protection Assistance Mechanism (FCPAM) ensure systematic application of policies and procedures, including the standards.

➤ **BOARD AND SENIOR MANAGEMENT OVERSIGHT**

The Board of Directors and the members of Senior Management provide the means by which they shall identify, measure, monitor, and mitigate Financial Consumer Protection (FCP) risks inherent in operations, in accordance with the standards and all other applicable laws, rules and regulations.

➤ **CONSUMER PROTECTION STANDARDS OF CONDUCT**

The standards are the core principles which the Bank must adhere to at all times in dealing with financial consumers, which are embedded in the Bank's conduct and culture. These are

specific parameters used to gauge the efficiency of the Bank's CPRMS and FCPAM, modeled after international best practices. The standards are:

- i. Disclosure and transparency;
- ii. Protection of client information;
- iii. Fair treatment;
- iv. Effective recourse; and
- v. Protection of consumer assets against frauds and misuse

A. Disclosure and Transparency

The Bank ensures that financial customers have a reasonable comprehensive understanding of the financial products and services which they may be acquiring or availing. In this context, full disclosure and utmost transparency, to the extent allowed under applicable laws and regulations, are the critical elements that empower the financial consumer to make comparisons and informed financial decisions. This is made possible by providing the financial consumer, through its verified communication channels in traditional and digital platforms, information that accurately represents the nature and structure of the product or service, its terms and conditions, as well as its fundamental benefits and risks.

The standards for disclosure and transparency are applicable even to financial products and services offered electronically, as well as to financial products catering to different market segments with particular consideration for segments that may have limited financial literacy.

The Bank demonstrates adherence to appropriate and adequate disclosure and transparency when:

- a. The manner of disclosure, whether in advertising materials, terms and conditions and other forms of communication are clear, concise, accurate, understandable and not misleading.
- b. Information is disclosed before, during and after a sale of a financial product or service and during key stages of the relationship with the consumer; especially if there are any changes in the terms and conditions. Sufficient product disclosure must be provided before the contracting of the financial product or service to give the client enough basis and time for review. At the pre-contractual stage, information on the type and amount of fees, charges and interests, as well as the standard terms and conditions, must be made available to the client through various kinds of communication channels, including all digital channels. Disclosure of information on financial products or services should be available to the public through printed

materials, mass media, websites or digital platforms. For digital financial products and services, the manner of disclosure should be easily accessible, especially where the terms and conditions tend to be deeply embedded and hard to access without scrolling or clicking through multiple screens.

Information should be disclosed and properly documented before and during a sale of a financial product or service and during key stages of the relationship with the financial consumer. Banks must provide the most up-to-date information at the stages that information will be most useful for the client. This requirement includes information provided in advertisements during the pre-contractual stage, at the point of entering a contract and during the term of the contract. The terms and conditions must clearly state whether interest, fees, charges, and penalties can change over time. Clients should also be effectively notified of any changes or amendments to the terms and conditions at least sixty (60) days prior to such amendments by public notice, unless the amendments are directed by the Bangko Sentral to take effect immediately or unless otherwise provided in existing laws, rules and regulations.

Complementary individual notices to a client are also sent within the same period if the amendments pertain to or will result to fees to be paid or charged on the account of the client. The method for computing said interest, fees, charges, and penalties are disclosed consistent with existing laws, rules regulations. Clients may be allowed to pre-terminate the contract on the financial products or services availed if they do not agree with the significant amendments to the terms and conditions as initiated by the Bank, or if they fail to receive any proper notice on the changes in terms and conditions.

- c. Terms and conditions contain all significant provisions of the financial product or service giving prominence to key features/facts. The terms and conditions contain the following details and possess these characteristics:
 - i. Information on risks, return, caveat about the financial product or service, any waiver of rights and limitations of liabilities except the rights mentioned under Section 12 of the FCPA, after-sales service, financial consumer's rights and responsibilities, consequences of failure to meet obligations, rights and responsibilities of the Bank, involvement of authorized agents, any conflict of interest by Bank staff, cancellation and product portability, among others;
 - ii. The above minimum required disclosures are always being in writing or available by electronic means. It follows the standard format and written in plain language to provide the financial consumers key information and disclosures

that will facilitate better understanding and comparison among the products offered by different banks.

The Bank requires its client to sign the written or electronic disclosure statement as affirmation of the client's receipt and understanding of the disclosure statement. The Bank may use any methodology or procedure that allows the client to indicate the intention of authenticating, approving, or accepting an electronic document, consistent with R.A. No. 8792 or the Electronic Commerce Act of 2000, and other relevant laws, rules, and issuances of the Bangko Sentral. The Bank opts to draft an individual or separate disclosure statement for its client or incorporate the same in the main transaction agreement/contract.

- iii. For more complex products, the key features as well as costs and risks highlighted in a key facts statement or Product Highlight Sheet (PHS). The PHS enables comparison with other financial products and provided at no additional cost. Before the signing of any contract, the Bank ensures that the financial consumer has freely signed a statement to the effect that said financial consumer has duly received, read, and understood the PHS.
- d. Advertising materials are not false, misleading, or contain deceptive statements or omit key information that may materially and/or adversely affect the decision of the financial consumer to avail or acquire a financial product or service. The Bank is legally responsible for all the statements made in the marketing and sales materials that the Bank produces relative to the financial products and services.
- e. In advertising materials, the Bank shall disclose the contact information of the FCPAM or appropriate internal consumer assistance unit handling financial consumer concerns or complaints and that it is regulated by the Bangko Sentral ng Pilipinas.

The terms and conditions, public notices and other communications to clients must contain the following:

- i. Contact information of the Bank's FCPAM or appropriate internal consumer assistance unit handling financial consumer complaints or concerns; and
 - ii. Statement that the Bank is a regulated entity by the Bangko Sentral and Bangko Sentral's contact information.
- f. Communication of the Bank officers, staff, authorized agents or any other party acting on the Bank's behalf is conducted in such a manner that clients can understand the terms of the contract and their rights and obligations. Client segments that may have financial literacy limitations or subject to certain disabilities or infirmities preventing them from reading or understanding a proposed written contract should

be given a clear verbal explanation of the terms and conditions, as well as its features, risks and costs, in a language they can understand.

- g. Adequate time is given to financial consumers to review, ask questions and receive information to fully understand the terms and conditions prior to signing the contract or agreement or executing the transaction. The Bank ensures that documents signed by the financial consumer are completely- filled out and have no blank terms provided, that the financial consumer is not precluded from readily availing of the Bank's financial product or service and accepting the Bank's terms and conditions, signing the contract or agreement, or executing the transaction upon his/her sole discretion. The financial consumer must be given a copy of each of the documents they signed including, but not limited to the contract, with all terms and conditions and/or proof of transaction, whether printed or in electronic copy, all the option of the financial consumer, or in the manner or channel through which the product or service was accessed, immediately after the contract or agreement was executed or transaction was completed.
- h. Statements of Account or Billing Statements are provided regularly in a convenient manner to the financial consumer, or through the channel through which the product was sold, commensurate to the type of product and terms. The statement must bear an official seal and/or include the letterhead of the Bank. In general, statements for transaction accounts, including loan accounts, with regard to the period covered, and depending on the type of product, should include the following information:
 - 1. the opening and closing balances;
 - 2. any transactions made during the period, such as but not limited to deposit, withdrawal, fund transfer, investment, remittance and/or payment;
 - 3. the merchant or counterpart of each transaction, if any;
 - 4. details of the interest rate applied to the account, if any;
 - 5. details of the fees, exchange rate and other charges incurred by the customer in each transaction, if any; and
 - 6. any changes applied to the interest rates, charges or fees, if any.

The frequency with which statements are provided shall commensurate with the type of service and its term, to allow clients to become aware of any unauthorized transactions.

Upon culmination or termination of the contract or agreement, the Bank shall immediately provide the financial consumer with a written or electronic notice, certification or other closing statement, without need of written or verbal demand.

B. Protection of Client Information

Financial consumers have the right to expect implementation of the most appropriate safeguards ensuring the confidentiality, integrity and availability of financial transactions, as well as expect that all relevant personal information lawfully disclosed in the course of a transaction, are kept confidential and are secured.

The Bank shall demonstrate the ability to protect financial consumers' information when, among other things, by ensuring the following:

a. Privacy Policies to Safeguard Consumer's Personal Information.

We are committed to protect client's privacy in accordance with Republic Act 10173 otherwise known as Data Privacy Act of 2012, its implementing rules and regulations, and other applicable laws of the Republic of the Philippines. We assure that any information communicated to us is protected. The Bank employs a combination of organizational, physical, procedural and technical security measures to secure the clients' personal data.

i. What we may collect from the Clients

When clients apply for or avail of any product or service that the Bank's offers or when clients interact with our employees and authorized representatives or visit our premises, the Bank may collect personal information such as but not limited to as follows:

- name and personal particulars such as birth date, age, place of birth, address, mailing instruction, gender, civil status, dependents, name of spouse, parents name, mother's maiden name, contact details, email address;*
- specimen signatures;*
- government ID details;*
- financial information (such as income, expenses, tax, insurance, financial and transaction history, etc.);*
- employment details and/or business information;*
- profession (such as Attorney, Doctor, CPA, Engineer, RN, etc.)*
- images via CCTV and other similar recording devices and processes which may be observed when visiting our offices;*
- other personal information authorized and mandated by law to be collected such as but not limited to Anti-Money Laundering Act of 2001 (AMLA), Bangko Sentral ng Pilipinas Circulars, etc.*

We may, as and when necessary, seek to verify or augment this information with third-party entities including government regulators, judicial, supervisory bodies, tax authorities or courts of competent jurisdiction and, in the process, gain additional information.

In the course of availing our products and services, we also collect information about client's transactions and dealings which include account activities, movements and interactions with third parties such as merchants and utility companies.

We may also collect, use and keep client's personal opinions or comments made known to us via feedback or responses to surveys or any other interaction that clients had with our employees and authorized representatives.

ii. How we use Client's Information

We use the information collected to deliver and provide the products and services that clients have availed to:

- Approve, facilitate, administer and process applications and transactions;*
- Respond to queries, requests and complaints and improve how we interact with the clients;*
- Sending statements, billings, notices and other such documents necessary for continued use of our products and services;*
- Conduct studies and researches for the purpose of reviewing, developing and improving our products and services;*
- Perform profile analysis, behavioral modeling and analytics to understand needs, preferences and market trends to be able to improve and recommend suitable products and services;*
- Reach out to the clients regarding products and services information, including offers, promotions and for personalizing your experience with our various touch points such as branches, email, messaging and other channels;*
- Determine the effectiveness of our marketing efforts and initiatives;*
- Perform certain protective safeguards against improper use or abuse of our products and services including fraud prevention;*
- Comply with our operational, audit, administrative, credit and risk management processes, policies and procedures, the terms and conditions governing our products, services, facilities and channels, the*

Bangko Sentral ng Pilipinas rules and regulations, legal and regulatory requirements of government regulators, judicial, supervisory bodies, tax authorities or courts of competent jurisdiction, as the same may be amended or supplemented from time to time;

- *Comply with applicable laws of the Philippines and those of other jurisdictions including the laws on the prevention of money laundering including the provisions of Republic Act No. 9160 (Anti-Money Laundering Act of 2001, as amended) (AMLA) and the implementation of know your customer policy;*
- *Comply with legal and regulatory requirements such as submission of data to credit bureaus, credit information companies, the Credit Information Corporation (CIC) (pursuant to RA No. 9510 and its implementing rules and regulations) responding to court orders and other instructions and requests from any local governmental, tax and law enforcement authorities or other similar authorities;*
- *Perform such other activities permitted by law and with client's due.*

iii. How we may share Client's Information

The Bank ensures that only authorized personnel within the various units of the Bank has access to the client's personal information. Nevertheless, the Bank may share personal information with relevant Government agencies such as Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Credit Information Corporation (CIC), Philippine Deposit Insurance Corporation (PDIC) as mandated by pertinent laws and regulations. In addition, with client's consent, the Bank may share your information with any of its branches to effectively deliver the Bank services and products require. Such data sharing activities shall be done in a manner that is compliant with the Data Privacy Act of 2012 and under an obligation of confidentiality.

iv. How we protect Client's Information

We fully recognize the value of client's personal information particularly as it may include sensitive personal information such as gender, government-issued IDs, etc. Appropriately, we strive to maintain the confidentiality, integrity and availability of client's personal information by employing physical and procedural safeguards. We train our employees to properly handle the client's information.

v. *How long do we keep Client's Information*

Client's personal information shall be retained for as long as the purpose for which it was collected, and such other purposes that you may have consented to from time to time, remains in effect and until such time as it is no longer required nor necessary to keep your information for any other legal, regulatory or business purposes.

vi. *How we dispose the Client Information*

With respect to closed accounts, the records on customer identification, account files and business correspondences, shall be preserved and safely stored for at least five (5) years from the date of closure of account or termination of the business relationship, unless required by law or other regulations, or as directed by Bangko Sentral to be retained for a longer period. However, records which are subject of, or are pertinent to, an issue that has been raised during a Bangko Sentral examination shall be preserved until such time that the issue has been fully resolved with finality by the Bangko Sentral.

Procedural requirements on disposal of client Information and other documents:

- 1. Banks dispose its client information and other documents with prior approval of the Board;*
- 2. All client information and other documents that for disposal must be burned or shredded in the presence of the Bank representative.*

vii. *Permissible access of the Bank employees to client information*

- *Loans Department:*
 - *General Manager, Risk Management Officer, Loan Officer, Documentation Specialist, Credit Analyst, CI/Appraiser and Loan Processing Officer for Head office and the Branch Manager and Branch Loan Processing Clerk for branches, Paralegal;*
- *Cash Department:*
 - *General Manager, Risk Management Officer and New Accounts Officer for Head Office and Branch Manager and Branch New Accounts Clerk for branches.*
- *Chief Compliance Officer and Chief Internal Auditor for Audit and Sampling purposes.*

In terms of client information on the Bank's Loans Management System (LMS) and Megateller it is secured by username and password, the following Bank

employees who can access the client information are the General Manager, Loan Processing Clerk and New Accounts Clerk for Head Office and Branch Managers, Loan Processing and New Accounts Clerk for branches.

viii. *Client's Rights*

In respecting client's rights to privacy, clients may opt to tell us:

- 1. Not to send marketing materials via email or SMS;*
- 2. Not to share information with other companies that we have business with provided that such information is not critical nor required by applicable laws and regulations in maintaining the services that you have availed with us;*
- 3. To provide clients with information that we currently have about subject to restrictions applied to us as a bank and a company operating in the Philippines by certain laws and regulations;*
- 4. About other concerns relating to how we collect, use, share, protect or dispose your information.*

ix. *Changes to Our Privacy Statement*

We may modify or amend this Privacy Statement from time to time to keep up with any changes in relevant laws and regulations applicable to us on how we collect, use, protect, store, share or dispose of your personal information.

x. *Sanctions and Violations*

Appropriate penalties may be imposed on erring employees for exposing or revealing client data to third parties without prior written consent from client.

Any violation of the provisions of the Financial Consumer Protection Program shall subject the erring employee to the disciplinary actions provided in the Bank's Code of Conduct.

xi. *The Bank shall ensure the accessibility of the external privacy notice on the website and other official communication channels and digital platforms.*

- b. The Bank ensures that privacy policies are regularly observed, periodically reviewed and updated, and communicated throughout the organization. Privacy policies are subjected to regular review to ensure that they are attuned to the current processing

activities, taking into account the use of new technologies and changes in the pertinent standards and/or legal requirements, where applicable.

- c. The Bank has appropriate systems or risk mitigation measures in place to protect the confidentiality and security of the personal data of its financial consumers against any threat or hazard to the security or integrity of the information, and against unauthorized access. It includes a detailed written security plan, based on the results of the Privacy Impact Assessment (PIA) conducted to identify risks in the processing of personal data. It includes a system for responding to possible security vulnerabilities and/or breaches. It is proportionate to the asset size, structure, nature of products and services, complexity of operations and sensitivity of financial consumer information. These security measures shall be regularly evaluated, monitored, and updated by the Bank to ensure effectiveness.
- d. Implement information security standards and privacy by design principles to ensure the safety and protection of the privacy, confidentiality, integrity, availability, authenticity and non-repudiation of clients' information and financial transactions. End-to-end security protocols, such as but not limited to encryptions and/or security-by-default, between clients and the internal systems of the Bank. The Bangko Sentral may prescribe additional minimum information security standards for compliance by banks. This may include network and software design, as well as information processing, database storage, transmission, retrieval, and disposal. Security must be maintained throughout the life-cycle of financial consumers' information, from data acquisition to disposal. Bank has clear policies and procedures on data breaches including mechanisms to address external threats and internal threats, including those coming from Bank personnel or agents that unlawfully access client data.

Information Security Plan to Protect Client Personal Information

The Bank's Non-Disclosure Agreement (NDA) signed by all employees and its Anti-Money Laundering policies include policies and provisions that safeguard its customer's personal information and any violation thereof is strictly sanctioned. The Bank employees are likewise regularly reminded of this responsibility to observe strict confidentiality and compliance with the Republic Act No. 1405 (An Act Prohibiting Disclosure of or inquiry Into Deposits with Any Banking Institution) through issued memorandums, manuals, employee training sessions and posters in the premises of all Bank units. The Bank has a written Information Security Plan that includes safeguards on protecting customer personal information against threats or hazards to the security or integrity of the information and against unauthorized access.

The Bank aims to have a strong IT system in place that protects the confidentiality, security, accuracy and integrity of customer's personal

information. Maintaining security throughout the life-cycle of customer information, from data entry to disposal are in place.

The Bank has appropriate policies and practices for employee management and training to assess and address the risks to customer information that includes:

- Screening of new applicants for employment against the Bangko Sentral Records (BSP Circular 1112).
 - Checking references and doing background checks before hiring employees who will have access to customer information.
 - Asking new employees to sign the Bank's Non-Disclosure Agreement (NDA) that reiterates confidentiality and security standards for handling customer information among others.
 - Limiting access to customer information to employees who have a business reason to see it.
 - Controlling access to sensitive information by requiring employees to use "strong" passwords that must be changed on a regular basis.
 - Using automatic time-out or log-off controls to lock employee computers after a period of inactivity.
 - Training employees to take basic steps to maintain the security, confidentiality and integrity of customer information. These include locking rooms and file cabinets where records are kept; ensuring the confidentiality of employee passwords; referring calls or other requests for customer information to designated officers who have been trained on how to safeguard personal data and reporting suspicious attempts to obtain customer information to the General/Branch Managers. All employees are likewise regularly reminded of the Bank's policy to keep customer information secure and confidential and strong disciplinary measures are imposed on security policy violations. Terminated employees are prevented from accessing customer information by immediately deactivating their passwords and user names among other measures.
- e. Subject to the provisions of existing laws, rules and regulations on data privacy, the Bank shall communicate to its financial consumers the extent of personal information to be used and purpose for which they are to be processed, the recipients to whom they are or may be disclosed, and the period for which they will be stored. Financial consumers are given an opportunity to retract or cancel their consent, for purposes other than those that are governed by existing laws, rules and regulations.
- f. Give financial consumers opportunity to exercise all their rights as data subjects by implementing mechanisms which enable the free exercise of the same through procedures which are clear, simple, straightforward, and convenient. Data subjects' rights include the right to be informed, right to access their information, right to object, right to rectification or to challenge the inaccuracy and completeness of the information, and right to have their information amended or corrected as appropriate, right to request for deletion or blocking, right to file a complaint, and

right to data portability. Clients have the right to review their own data to ensure that inaccuracies or deficiencies are corrected or amended, refuse the sharing of their information to a third party, and request the removal of their data from the Bank's system if they wish to be excluded from receiving advertisements and other notifications, or they no longer wish to use the Bank's services, subject to certain limitations. This is without prejudice to compliance with existing laws, rules and regulations on data retention. Banks provide financial consumers with information on how they may request to be deleted from the Bank's database, or to be excluded from receiving advertisements and other notifications.

- g. Notify financial consumers, as soon as practicable, when privacy breaches occur, that may leave their data vulnerable; and provide means for financial consumers to prevent and respond to privacy breaches. Banks must ensure that when data is shared across authorized parties, the data is transferred securely and used in a manner consistent with privacy policy and relevant rules and regulations. The Bank provides clear policies and procedures on addressing data breaches, from discovery of breaches or detection of security incidents, its evaluation and investigation, documentation, notification to affected financial consumers, compensation to financial consumers, and compliance with the reportorial requirements of regulatory bodies, including the National Privacy Commission.

Responsible Pricing

The Bank establish and follow internal policies and procedures for setting prices for its products and services, based on, among others, the principle of responsible pricing. Pricing procedures and documentation should provide the rationale for why and how prices have been set.

Pricing procedures must consider publicly available information on competitive pricing, except in special instances of tailor-fit and/or pioneering products and/or services, the cost to provide the financial product or service and affordability to the clients, and the reasons for setting the price of each financial product or service are duly documented.

The Bank's pricing mechanism or policy adheres to existing laws, rules and regulations of the Bangko Sentral. The Bank may also opt to have product governance mechanism assess whether algorithms that influence or determine pricing may be unfairly biased toward certain groups of people, especially vulnerable segments.

Privacy Protection of Client Data

The Bank adheres to the general data privacy principles of transparency, legitimate purpose and proportionality under R.A. No. 10173 or the Data Privacy Act of 2012 and its IRRs. The principles include having well-articulated privacy notices and policies, specifying and declaring the purpose/s for processing and criteria being relied on as the

lawful basis for processing client data, ensuring that the processing is necessary and not excessive in relation to the purpose, and implementing reasonable and appropriate information security measures and well-defined protocols for upholding data subject rights, among others.

Procedures in handling the personal information of the financial consumers are periodically evaluated. It is an end-to-end process that cover among others, the array of information that will be pre-identified and collected, the purpose and manner of gathering each information and the Information Technology (IT)-security infrastructure of the Bank. Protocols for processing and disclosure are strictly observed and implemented both within the Banks and to third parties in accordance with the Data Privacy Act, its IRR and other applicable rules and regulations on data privacy.

Provided, that, the criteria for lawful processing of information and protocol for storage, destruction, and disclosure, both within the Bank and to third parties, are in accordance with the Data Privacy Act and other applicable laws, rules and regulations.

C. Fair Treatment

The Bank has the right to select clients: *Provided*, that it will not discriminate against clients on the basis of race, age, financial capacity, ethnicity, origin, gender, disability, health condition, sexual orientation, religious affiliation and practice, or political affiliation: *Provided, further*, that the Bank shall provide distinction, as necessary, when making a risk assessment on a specific financial product or service.

Fair treatment ensures that financial consumers are treated fairly, honestly, and professionally at all stages of its relationship with the Bank. The Bank adopts mechanisms to safeguard the interest of its clients, which include rules regarding ethical staff behavior, acceptable selling practices, fair and equitable terms and conditions, provision of products and services appropriate to the capacity and risk appetite of financial consumers, among others; and incorporate the same in the policies and procedures, control functions and agreements with outsourced third parties.

The Bank demonstrates the standard of fair treatment towards financial consumers if its policies and practices observe the following:

- a. The terms and conditions of the Bank are not unfair when there is no significant imbalance in the parties' rights and obligations under the contract, to the detriment of the financial consumer.

Except where expressly permitted by law, in any agreement with a financial consumer, a term should be deemed as unfair if it exempts or absolves the Bank from acting with skill, care, diligence, or professionalism toward the financial consumer in connection with the provision of any product or service, and/or any liability for failing to do so. Ambiguities in contractual terms and conditions should be construed in favor of the financial consumer.

The term and/or condition are deemed unfair when it includes, but is not limited to, the following circumstances:

- it amends the terms of the contract without adequate notice and/or without specifying the circumstances in which this may occur and/or does not provide a right of termination when such amendment occurs;
 - it renews a fixed term contract without reasonable notice or conversely, terminates an open - ended contract without adequate notice to the financial consumer;
 - it permits the Banks to unilaterally determine whether the contract has been breached or imposes an unreasonable penalty for a breach of the contract;
 - it binds the financial consumers to other terms that the financial consumers cannot realistically familiarize themselves with before the contract is executed, or
 - it permits the Banks to assign the contract to the detriment of the financial consumers without their consent.
- b. The Bank is prohibited from employing abusive collection or debt recovery practices against financial consumers. The Bank or its collection agencies, counsels and other third-party agents may resort to all reasonable and legally permissible means to collect amounts due them. However, the Bank shall observe good faith and reasonable conduct and refrain from engaging in unscrupulous or untoward acts.

The Bank adheres to existing Bangko Sentral guidelines on outsourcing, as well as relevant laws, rules and regulations. The Bank ensures that all data being handled, processed, and/or stored through an outsourcing arrangement are included in its data inventory and data classification process. The Bank retains exclusive ownership of its client records and data already referred to its collection agencies, counsels and other authorized third-party agents. The Bank's external collection agencies, counsels or other authorized third-party agents are indispensable parties in complaints involving unfair collection practices.

- c. The Bank's staff and authorized third-party agents or representatives must treat financial consumers with professional competence and in a manner that is fair and reasonable.

The Bank shall ensure that:

- The Bank's Code of Conduct duly reviewed and approved by the Board of Directors spells out the organizational values and standards that uphold protection of consumers and embed the Consumer Protection Standards of Conduct with processes in place to detect, respond to and enforce sanctions on violations thereof. The Code of Conduct is acknowledged by the employees and violations thereof are appropriately sanctioned.
- The Bank aligns its recruitment and training policies around professional, fair and responsible treatment of clients.
 - ✚ The Bank employees receive adequate training suitable for the complexity of the financial products or services and are able to explain the key features, risks, terms and costs, relevant FCP standards and requirements, including statutory and regulatory requirements and related internal policies and procedures that might impact the financial consumers, including those pertaining to consumer risks arising from cyber security and/or digital financing products and services. Training also available to compliance and internal audit officers and staff.
 - ✚ The Bank staff, as well as authorized third-party agents or representatives contracted for sales and marketing purposes, do not use deceptive or high pressure/aggressive sales techniques and should not force clients to sign contracts or rush into a financial deal without the benefit of shopping around.
 - ✚ Bank staff, as well as authorized third-party agents or representatives, do not employ practices that discriminate or take advantage of difficulties faced by vulnerable groups.
 - ✚ Recruitment and training policies are aligned around fair and responsible treatment of clients and front-liners who interact directly with the clients receive adequate training on deposit/loan administration. The Bank strictly complies with the BSP's existing regulation on what constitutes unfair debt collection practices which are covered during the regular training of the Bank's collection staff (loan officer/ branch managers/ loan processing clerks) during trainings in acceptable debt collection practices and loan recovery procedures.
 - ✚ The Bank demonstrates this principle of fair treatment towards its clients by adopting policies that promotes affordability and suitability of product or service; prevent over-indebtedness; objectivity and a culture of fair and responsible treatment of clients. Bank employees are warned against engaging in abusive or deceptive acts or practices as well as using high pressure/ aggressive sales technique and forcing clients to sign contracts.
 - ✚ The consequences of signing a contract are explained lengthily and thoroughly to the clients particularly the possible foreclosure of collateral in case of default in payment of a loan/obligation. Work-out solutions are offered on exceptional basis for clients in default who have the

“willingness” but without the capacity to pay/repay their obligations, prior to seizing the assets.

- ✚ The Bank employee involved in collections, as well as agents contracted for the purpose, receives training in acceptable debt collection practices and loan recovery procedures consistent with existing relevant regulations.
- ✚ The Bank employee does not employ practices that discriminate or take advantage of difficulties faced by, vulnerable groups such as the low-income earners, and persons with disability.
- ✚ The Bank employees are trained to deal fairly, honestly and in good faith with the customers and to avoid making statements that are untrue or omitting information which is necessary to prevent the statement from being false or misleading.
- ✚ Customer Satisfaction Survey is in place to determine whether the principles of consumer protection are observed, the client’s concerns are appropriately addressed and problems are resolved in a timely manner.
- ✚ The Bank observes policies that guarantee that clients receive a fair price for any foreclosed assets and has procedures to ensure that such foreclosure of collateral is respectful of client’s rights.
- ✚ Bank managers and supervisors review ethical behavior, professional conduct and quality of interaction with clients as part of personnel performance evaluations. Customer mistreatment as well as serious infractions and violations of the Code of Conduct shall be sanctioned accordingly.
- ✚ Policies and procedures that aim to protect consumers' deposits and other assets against internal or external fraud or misuse are in place to manage and resolve actual conflicts of interest with respect to compensation policies that arise in the interaction between staff and agents and consumers and potential consumers.

Internal and external fraud is a significant problem faced by any bank of all types, sizes, locations, and industries. While we would like to believe our employees are loyal and working for the benefit of the Bank there are still many reasons why employees may commit fraud and several ways in which they might do it.

❖ Know the Employees

Fraud perpetrators often display behavioral traits that can indicate the intention to commit fraud. Observing and listening to employees can help to identify potential fraud risk. It is important for the management to be involved with the employees and take time to get to know them. Often, an attitude change can clue you into a risk. This

can also reveal internal issues that need to be addressed. Any change in attitude should be a cause to pay close attention. This will not only minimize loss from fraud but can make the Bank a better, efficient work place with more contented employees. It is very important to know the employees and engage them in conversation. The following policies are in place for the purpose, to wit:

- Screening of the new applicants against the Bangko Sentral Records (BSP Circular 1112).
- Checking references and doing background checks before hiring employees who will have access to customer information.
- Asking new employees to sign the Bank's Non-Disclosure Agreement (NDA) that reiterates confidentiality and security standards for handling customer information among others.
- Limiting access to customer information to employees who have a business reason to see it.
- Controlling access to sensitive information by requiring employees to use "strong" passwords that must be changed on a regular basis.
- Using automatic time-out or log-off controls to lock employee computers after a period of inactivity.
- Training employees to take basic steps to maintain the security, confidentiality and integrity of customer information. These includes locking rooms and file cabinets where records are kept; ensuring the confidentiality of employee passwords; referring calls or other requests for customer information to designated officers who have been trained on how to safeguard personal data and reporting suspicious attempts to obtain customer information to the General/Branch Managers. All employees are likewise regularly reminded of the Bank's policy to keep customer information secure and confidential and strong disciplinary measures are imposed for security policy violations. Terminated employees are prevented from accessing customer information by immediately deactivating their passwords and user names among other measures.

❖ **Creating employee awareness & Reporting System**

Awareness affects all employees. Everyone should be aware of the fraud risk policy including types of fraud and the consequences

associated. Those who are planning to commit fraud will know that management scrutiny is in place and will be deterred by this. Honest employees who are not tempted to commit fraud will also be made aware of possible signs of fraud or theft. These employees are assets in the fight against fraud. Since many employees are hesitant to report incidents to their employers, the Bank has installed the Policies and Procedures on Whistle Blowing. Employees can report fraudulent activity through its designated officers with their identity safe and confidential.

❖ **Implementing Internal Controls**

Internal controls are measures implemented to safeguard the Banks assets, ensure the integrity, accountability of records and deter and detect fraud and theft. Segregation of duties is an important component of internal control that can reduce the risk of fraud from occurring. Internal control measures can be monitored and revised on a regular basis to ensure their efficiency. The Bank has in place Guidelines on Employee Background and Lifestyle Check to detect possibility in fraud.

Fraud Detection

In addition to prevention strategies, Bank also has detection methods in place visible to all employees. It is important to continuously monitor and update the fraud detection strategies to ensure the efficiency and effectivity of the plan. Detection plans are embedded in the daily and regular business transactions. These internal plans installed by the Bank to detect the suspicious transactions and other fraudulent activities of all client's transactions are included in the Bank's Money Laundering and Terrorist Financing Prevention Program.

- The Bank includes ethical behavior, professional conduct, and quality of interaction with consumers as part of staff performance evaluations.
- The Bank ensures that the remuneration structure for the employee of the Bank and authorized agents encourages responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest.

- The Bank has in place mechanisms to manage and resolve actual conflicts of interest with respect to compensation or remuneration policies that arise in the interaction between the employee and agents and financial consumers and potential clients. This is demonstrated when the employee or its authorized agent:
 - Discloses to the financial consumer prior to the execution of the transaction that the Bank or its employee/agent has an interest in a direct/cross transaction with a financial consumer.
 - Discloses the limited availability of products to financial consumers when the Bank only recommends products which are issued by related companies, subsidiaries or affiliates, particularly when commissions or rebates are the primary basis for recommending the particular product to financial consumers.
 - Discloses the basis on which the Bank is remunerated at the pre-contractual stage.
 - The Bank ensures the adequate systems and controls are in place to promptly identify issues and matters that may be detrimental to a client's interest, for instance: cases in which advice may have been given merely to meet sales targets or may be driven by financial or other incentives.
- The Bank adopts a risk-focused screening process for its pre-employment or background screening based on factors like the position to be filled, responsibilities associated with such position, reputational and FCP risk implications. Such process may, among others, involve:
 - Inclusion of ethical behavior, professional conduct, and quality of interaction with financial consumers as part of staff performance evaluations.
 - The Bank conducts an appropriate due diligence before selecting the authorized agents/outsourced employees, taking into account their integrity, professionalism, financial soundness, operational capability, capacity and compatibility with the Bank's corporate culture, and implementing controls to

monitor their performance on a continuous basis. The criteria for selection of authorized agents/outsourced including the presence of established mechanism to address clients' complaints against an authorized agent/representative.

D. Effective Recourse

Financial consumers are provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving concerns, inquiries and requests about financial transactions. Banks have in place mechanisms for complaint handling and redress and employ various modalities or technological innovations for complaints handling.

E. Protection of Consumer Assets against Fraud and Misuse

To mitigate the risks of fraud and misuse faced by financial consumers, the Bank is allowed by existing laws, rules and regulations, to provide necessary assistance, including the provision of relevant information relating to fraudulent or unauthorized transactions. The Bank also provides clear information on the actions taken or to be taken on a complaint, inquiry or request from a financial consumer involving fraudulent or unauthorized transactions. The Bank adequately informs financial consumers of their responsibilities, as users of financial products and services, and provide timely transaction notifications which are essential in curtailing and detecting fraudulent or unauthorized transactions.

FINANCIAL CONSUMER PROTECTION ASSISTANCE MECHANISM (FCPAM)

The Bank has established its **Financial Consumer Protection Assistance Mechanism (FCPAM)** commensurate to the size, structure, nature of products and services, and complexity of its operations, to provide free assistance to financial consumers on their concerns about the Bank's financial products, services and/or transactions. It includes handling of complaints, inquires and requests.

The Bank's FCPAM is a first-level recourse mechanism for financial consumers who are dissatisfied with the financial product or service of the Bank or its third-party agent or representative. Financial consumers are first required to report their complaints, inquiries or request, through the FCPAM. The Bank adopts simplified requirements and procedures for the availment of the FCPAM by financial consumers. The complaints-handling process of the Bank, including the turn-around time (TAT) is proportionate to the asset size, structure, nature of products and services and complexity of its operations. The Bank provides financial consumer with information on the status and final resolution of the complaints, inquiries or request.

- The Bank's Branch Managers undertake an analysis of the patterns of the complaints from financial customers on a regular quarterly basis including investigating whether complaints indicate an isolated issue or a more widespread issue for financial consumers. This analysis and reports of financial consumer complaints is escalated to the Bank's compliance/risk management function and senior management. The complaints reports are submitted to Bangko Sentral in accordance with relevant regulations.

The Bank provides adequate resources to handle financial consumer complaints effectively and efficiently. The Bank's Chief Compliance Officer who has the appropriate experience, knowledge and expertise is appointed in charge of the complaint handling process.

- The Bank has available multiple channels of platform for lodging complaints, inquiries and requests; taking into consideration financial consumer needs to serve; and has in place dedicated helpdesk or hotline. The complaints handling service is free of charge to financial consumer and may be submitted via oral, written or digital formats.

How the Client may Contact Us

For any queries, clarifications or requests on any aspect of these policies, the exercise of the client's rights pertaining to the personal information or to provide any feedback that the clients may have about our processing of personal information, they can visit any of our branches or call us at telephone no. (044) 815-5426 or SMS at (0919) 365-2459 or follow us on www.facebook.com/hiyasbankingcorp. Client's may also email us at hiyasbankprivacy@yahoo.com, or write our Data Privacy Helpdesk at:

*DATA PRIVACY HELPDESK
Hiyas Banking Corporation
Gov. F. F. Halili Avenue, Bagbaguin,
Sta. Maria, Bulacan 3022*

- Obtain the financial consumers' consent to share personal information and details of their complaints, evidenced by written, electronic or recorded means, subject to the requirements under the FCP Framework, the Data Privacy Act and its IRR, and other relevant rules and regulations on data privacy, personal information processing, and rights of data subjects, among others.

FCPAM is designed to receive record, evaluate, resolve, monitor and report consumer complaints, concerns, inquiries or request to be implemented by designated officer, unit, group or department, ensuring that there is no conflict of interest.

An up-to-date logbook is maintained and records all complaints from customers subject to the complaint's procedure. This log contains the following:

- Date the complaint was received
- Details of each complaint
- Summary of the Bank's response
- Details of any other relevant correspondence or records
- Action taken to resolve the complaint
- Date the complaint was resolved

Information on how to make a complaint is clearly visible in the Bank's premises.

For financial consumers from vulnerable groups who might not be able to give informed consent, the Bank ensures reasonable accommodations for their easy access to the FCPAM.

Financial consumer who are dissatisfied with the Bank's handling of complaints, inquiries or requests, may escalate the concerns with the Bangko Sentral Consumer Assistance Mechanism (CAM). However, reporting the concern to the Bank's FCPAM is a condition precedent to initiating or filing of a complaint with the Bangko Sentral CAM.

SUSTAINABLE FINANCE FRAMEWORK

I. POLICY STATEMENT

The Bank is cognizant that climate change and other environmental and social risks could pose financial stability concerns considering their significant and protracted implications on the Bank's operations and financial interest. It is in this regard, that Sustainable Finance Framework has been developed as we seek to achieve strategic resilience by incorporating sustainability in the way we conduct business. We aim to embed sustainability principles including those covering environmental and social risk areas, in our corporate governance framework, risk management systems and strategic objectives that will guide us in making decisions and assessing relationships. The Bank is committed to sustainable development and guided by the United Nation's 17 Sustainable Development Goals shall uphold social and environmental responsibility in its business activities hoping that we, in our own little way, help spur economic growth, improve health and education, and reduce inequality while tackling climate change and the preservation of our oceans and forests.

Sustainable finance is a tool to foster environment and social-friendly businesses and communities towards a climate-resilient Philippine economy. It is an enabling regulation anchored on the BSP's risk-based approach to supervision that mainstreams sustainability

principles and includes environmental, social and governance considerations in the governance framework, risk management system, strategies and operations of banks that also follows the United Nations Environment Program's (UNEP) schematic diagram of sustainable development.

The Bank's Sustainable Finance Framework shall promote a culture that encourages environmentally and socially responsible business decisions and ensure that sustainability implications are considered in the decision-making process. The Bank aims to refocus its strategy towards sectors and activities that support sustainable recovery. We can no longer afford to ignore climate change or sustainability issues as a governance priority. By supporting and financing sustainable projects, we create more value for the company's stakeholders while preserving the environment.

Looking beyond the traditional sources of financial risks and that of risks of climate change, the health crisis brought by the COVID-19 pandemic has an enormous impact on the country's health, educational, food security and Micro, Small and Medium Enterprises (MSMEs) giving us the opportunity to put our sustainability principles into action. Channeling funds to support these sectors can contribute to accelerating economic recovery.

The HIYAS BANKING CORPORATION commits to responsible banking and incorporating Environment, Social and Governance (ESG) principles into how we conduct our business in such a manner that would promote financial inclusion, preservation of the environment and sustainability. This we aim to achieve by identifying and addressing the environmental and social impacts of our business activities and decisions that will foster business that enables sustainable growth. Guided by internationally recognized principles and standards, we aim to ensure sustainability strategy is firmly grounded in robust governance, policies, and processes as we encourage transparency and open dialogue with our stakeholders.

II. DEFINITION OF TERMS

For purposes of this framework, the following definitions shall apply:

- **SUSTAINABLE FINANCE.** This refers to any form of financial product or service which integrates environmental, social and governance criteria into business decisions that supports economic growth and provides lasting benefit for both clients and society while reducing pressures on the environment.

This also covers green finance which is designed to facilitate the flow of funds towards green economic activities and climate change mitigation and adaptation projects.

- **ENVIRONMENTAL & SOCIAL (E&S) RISK.** This refers to the potential financial, legal and/or reputational negative effect of environmental and social issues on the Bank. E&S issues include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety and security, and threats to community, biodiversity, and cultural heritage, among others.
- **PHYSICAL RISK.** This refers to the potential loss or damage to tangible assets arising from climate change and/or other weather-related conditions such as floods, typhoons, droughts, earthquakes, extreme weather variability and rising sea levels.
- **TRANSITION RISK.** This refers to the potential economic adjustment cost resulting from policy, legal, technology and market changes to meet climate change mitigation and adaptation requirements.
- **ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESRMS).** This refers to policies, procedures, and tools to identify, assess, monitor and mitigate exposures to E& S risks.
- **GREEN PROJECTS.** Projects with clear environmental benefits, such as but not limited to renewable energy, energy efficiency, sustainable water and wastewater management, pollution prevention and control, green buildings. Exclusion: Fossil Fuel
- **SOCIAL PROJECTS.** Projects which address or mitigate specific social issues and/or seek to achieve positive social outcomes such as MSME lending. Exclusion: Alcohol, gambling, tobacco, weaponry.

III. SUSTAINABLE DEVELOPMENT GOALS

The Bank supports the sustainable development goals of the 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015, that provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership.



IV. SUSTAINABLE FINANCE STRATEGY

- CORPORATE GOVERNANCE.** The Bank’s sustainability principles shall be incorporated in the corporate governance and risk management frameworks including the stress testing exercises to ensure the environmental issues and climate change risks are considered therein and its result fed in the capital and business continuity planning of the Bank.
- CAPACITY BUILDING & AWARENESS CAMPAIGN.**
 The Bank shall undertake a capacity building and awareness campaign among its employees and clients alike to ensure their understanding of the risks posed by environment degradation and climate change on the financial sector, enhance the capacity to manage these risks and increase awareness and support for green or sustainable projects. Such campaign includes not only active participation in seminars and forums on sustainability and capacity building initiatives of the Bangko Sentral among others but re-echoing the same to each and one employee of the Bank.

The Bank’s HR Officer is at the helm of such capacity building and awareness campaign on an ongoing basis whereas the control functions, namely, the Risk Management Officer, Chief Internal Auditor and Chief Compliance Officer are tasked to monitor strict implementation thereto as well as report to the Board of Directors on a regular basis, any concerns, or recommendations for its improvement.

- EMPOWERING THE COUNTRYSIDE BY PROVIDING THE ACCESSIBILITY, CONVENIENCE, AFFORDABILITY, RELIABILITY AND ALLOCATION OF FUND TO FINANCE GREEN OR SUSTAINABLE PROJECTS SUCH AS RENEWABLE ENERGY AND ENERGY EFFICIENCY PROJECTS, GREEN BUILDINGS AND OTHER GREEN ASSETS.**
- ENCOURAGING OUR CLIENTS TO BE MORE AWARE AND IMBIBE SUSTAINABILITY PRACTICES IN THEIR RESPECTIVE FIELDS.**

The Bank through a personal approach can achieve this on a case-to-case basis and extend help to clients whose projects can either have an impact on the environment or may be impacted by environmental or social risks, whichever the case may be.

- **CRAFTING LOAN AND OPERATIONAL POLICIES THAT WOULD INSTITUTIONALIZE OUR SUSTAINABILITY STRATEGIES.**

Credit policies on projects that by its nature directly or indirectly impacts on the environment shall be developed and installed consists of, but not limited to, additional environmental clearances required from the Department of Environment and Natural Resources (DENR) Sanitary Permits, Emission Test Clearance, and the likes.

- **GIVING DONATION TO GREEN AND SUSTAINABILITY PROJECTS AS PART OF OUR CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.**

- **INSTALLING OPERATIONAL STRATEGIES WITHIN THE BANK THAT WOULD ADDRESS ENVIRONMENTAL CONCERNS SUCH AS BUT NOT LIMITED TO A SHIFT FROM USING PAPER REPORTS TO DIGITAL PRESENTATIONS.**

Paper reports during Board and Committee Meetings had been replaced by email and digital presentations, while regularization of manuals is no longer made in hard copies, but employees are given soft copies resulting to a significant reduction of paper usage.

V. SUSTAINABLE FINANCE FRAMEWORK

The Bank's Sustainable Finance Framework outlines the methodology and procedures that will be applied to the Bank's financial products and services classified as sustainable finance. It aims to establish an easy, consistent, and comprehensive reference for the classification and reporting of sustainable financial products and services being offered by the Bank.

This Sustainable Finance Framework is dynamic in nature and will be regularly reviewed and expanded as required to amend or add additional qualifying activities and/or criteria and to comply with regulatory expectations.

- **CLASSIFICATION**

Sustainable finance is broadly defined as any form of financial product/service that promotes positive environmental and/or social (E&S) purposes while contributing to the achievement of the Paris Agreement and Sustainable Development Goals (SDG).

- **PRINCIPLES FOR ENVIRONMENTAL SUSTAINABILITY**

- Climate change mitigation and adaptation. Economic activities enabling, directly or indirectly, a substantial reduction of Greenhouse Gas (GHG) emissions and/or increase of energy efficiency. Measures adapting to acute and chronic physical risks caused or intensified by climate change.

- Protection, restoration and promotion of natural resources and health ecosystems. Protection of marine and terrestrial resources including water, critical and high carbon stock ecosystems, and other primary resources. Restoration of biodiversity and ecosystems. Pollution protection and control and general reduction of resource use.
- Transition to a circular economy. Prevention of waste and promotion of recycling and reuse of material.


➤ **PRINCIPLES FOR SOCIAL SUSTAINABILITY**










- Respect for human rights. Respect for, protection and enablement of basic human rights, e.g., food provision, labor protection.
- Enabling living conditions. Access to affordable housing and infrastructure for transportation, ICT, and energy provision.
- Access to essential services. Inclusive access to health, education, and financial services.





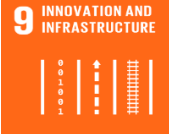




• **USE OF PROCEEDS**






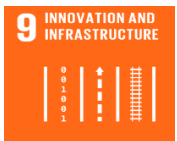



Where a dedicated use of proceeds can be determined, environmental and social criteria will be applied to classify whether the underlying economic activities are deemed sustainable.






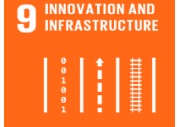

- **ENVIRONMENTAL USE OF PROCEEDS CATEGORY-** activities helping to sustain, improve or protect the environment.

Environmental Project Category	Eligibility Criteria	Alignment with SGD
Renewable Energy	<p>Research and development, acquisition, development, operation or maintenance of new and ongoing renewable energy generation or transmission projects.</p> <p>Renewable energy projects such as solar, wind, hydropower (capacity of 25MW and below), geothermal, biomass and bio-</p>	

Environmental Project Category	Eligibility Criteria	Alignment with SGD
	gas projects excluding those that compete with food production.	  
Green Buildings	Acquisition, construction, or renovation of residential or commercial buildings that meets recognized standards such as Philippines BERDE, LEED, BREEAM or IFC EDGE Qualification.	     
Clean Transportation	Financing procurement or development of	









Environmental Project Category	Eligibility Criteria	Alignment with SGD
	<p>transportation vehicles and manufacturing facilities such as electric powered trains; electric automobiles; non-motorized, multi-modal transport terminal; railways (passenger and freight rail infrastructure); electronic vehicle charging and battery charging stations.</p>	  
Energy Efficiency	<p>Development or production of products or technologies that reduce industrial energy consumption, such as improved chillers, transition to fibre networks, improved lighting technology and reduced power usage in manufacturing operations.</p>	     
Pollution Prevention and Control	<p>Reduction of air emissions, soil remediation, waste prevention, or waste</p>	









Environmental Project Category	Eligibility Criteria	Alignment with SGD
	<p>management which includes re-use and recycling projects. Development and production of environmentally sustainable products such as:</p> <ul style="list-style-type: none"> • Recycling of metals, paper & plastics • Recycling activities • Biodegradable packaging <p>Projects that support recycling of food and agricultural waste through composting, among others.</p>	   
Sustainable Water Management	<p>Sustainable infrastructure for:</p> <ul style="list-style-type: none"> • Wastewater treatment • Sustainable urban drainage systems • Irrigation facilities • Retrofit water supply projects. • Water recycling • Rainwater harvesting or other forms of flooding mitigation provided that adaptation and management response plans are in place. 	    





Environmental Project Category	Eligibility Criteria	Alignment with SGD
Environmentally Sustainable Management of Living Natural Resources and Land Use	Eligible projects include financing of: <ul style="list-style-type: none"> • Environmentally sustainable agriculture • Environmentally sustainable fishery and aquaculture • Environmentally sustainable forestry • Reforestation and preservation of natural landscapes 	    
Information and Communications Technology	<ul style="list-style-type: none"> • Data infrastructure • ICT for climate change 	 

- **SOCIAL USE OF PROCEEDS CATEGORY**-activities enabling social development especially in marginalized target groups.

Social Project Category	Eligibility Criteria	Alignment with SGD
Employment	Loans to micro, small and	

Social Project Category	Eligibility Criteria	Alignment with SGD
Generation	<p>medium enterprises and cooperatives engaged in production, retail, wholesale, and trading.</p> <p>Loans to MSME impacted by disasters, calamities, and pandemic to fast track their recovery.</p>	   
Food Security	<p>Loans to small scale farmers</p> <p>Financing of infrastructure, equipment, facilities, or technology aimed at reducing food loss and waste, improving productivity and access to markets of small-scale producers or farmers to food security.</p>	 
Access to essential services (health and education)	<p>Improve access to affordable healthcare.</p> <ul style="list-style-type: none"> • Clinics and hospitals • Elderly care • Pharmaceutical manufacturers, distributors, traders, drugstores <p>Enhance access to quality and affordable education.</p> <ul style="list-style-type: none"> • Schools, universities, day- 	 

Social Project Category	Eligibility Criteria	Alignment with SGD
	<p>cares, vocational training, and workshops</p> <p>Inclusive access without discrimination on the basis of gender, race, age, disability.</p>	  
Affordable Housing	Loans to development or purchase of socialized housing and economic housing as defined by the Housing and Land Use Regulatory Board (HLURB)	   
Affordable basic infrastructure	<p>Projects providing/expanding affordable access to clean energy, drinking water, sanitation, and transport.</p> <p>Development of</p>	

Social Project Category	Eligibility Criteria	Alignment with SGD
	telecommunication networks and related infrastructures.	   

○ **EXCLUSION LIST**

The following do not qualify under the Sustainable Finance Framework:

1. Production or trade in weapons and munition
2. Online gaming and equivalent enterprises
3. Illegal logging, illegal mining, illegal fishing
4. Forced labor and child labor
5. Production of tobacco products
6. Fossil-fuel power generation or transmission and activities dedicated to support expansion of fossil fuel-based technologies.

➤ **PROJECT EVALUATION AND SELECTION PROCESS**

The evaluation and selection process will focus on the risk assessment and management of environmental and social impact. To ensure that potential environmental risks can be mitigated, compliance with regulatory standards should be required. On the other hand, the focus of evaluation for the social project category lies on its impact on human rights, labor, health, safety, and community development.

Eligible sustainable finance activities as defined in this Framework will be reviewed and validated following a three-step verification process:

1. The Loan Officer (for the Head Office) and Branch Managers (for HBC branches) will identify sustainable transactions, products or companies and conduct preliminary E&S assessment using a Bank Form developed for the purpose.
2. The Risk Management Officer verifies the classified transactions and conducts a second validating E&S assessment.
3. When there are risk issues identified through the E&S assessment process, the E&S assessment form shall be referred by the Risk Management Officer to the Board of Directors for resolution and decision making. Otherwise, the Risk Management Officer shall elevate the same to the Board of Directors for approval.

➤ **REPORTING**

The Risk Management Officer shall report to the Board of Directors allocation and environmental and/or social impact report of the loans released under the Sustainable Finance Framework within the first year of release, and annually thereafter, until the loan is fully paid.

The Loan Officer, Appraiser, Credit Investigator and Credit Analyst shall incorporate in their respective reports the E&S risks of a certain project which may not be classified as a green project but has been identified with probability of such risks. This would ensure that such E&S risks have been considered by the Board of Directors in approving or rejecting such loan application.

VI. ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESRMS)

This Sustainable Finance Framework has been developed to articulate the Bank's ESRMS and the management of the E&S risks including but not limited to the Bank's credit risk management system.

• **LEVEL OF RISK APPETITE ON E&S RISK**

The Bank, being a simple and non-complex one, does not have the capacity to issue Green/Sustainability Bonds to finance or refinance eligible green and social projects. However, the Bank commits to supporting eligible green and social project applications it will receive up to the Bank's single borrower's limit. The result of the E&S assessment conducted at the onset of a loan shall be considered in the approval or non-approval thereof. For loan applications which nature are assessed to have social and environmental impacts, we shall ensure that their negative impact on the environment, if any, are mitigated by requiring enhanced documentation such as but not limited to requiring clearances from the DENR,

sanitary permit to operate and emission test clearances and the likes. On the other hand, loans that may not be classified as green project but which nature either of the project or the collateral being offered has probability of E&S risks shall likewise be highlighted in their respective reports to ensure such risks has been considered in the approval or non-approval by the Board of Directors.

- **GUIDELINES ON ASSESSING E&S RISKS IN THE BANK’S OPERATIONS, PRODUCTS AND SERVICES, TRANSACTIONS, ACTIVITIES AND OPERATING ENVIRONMENT**

The Bank’s Loan Officer (for the Head Office) and/or Branch Managers (for the HBC branches) will identify, qualify, evaluate, and recommend potential projects against environmental and/or social project category criteria. Once qualified, such will be added to the Bank’s Sustainable Finance Portfolio.

The evaluation and selection process starts from the collection of data and information which includes due diligence and risks identification. The potential project will be reviewed and evaluated by the Loan Officer and/or Branch Manager if acceptable and compliant with the relevant environmental and social regulations and standards. The Loan Officer and/or Branch Managers conducts thorough analysis of loan application, by considering the size and type of transaction, loan to value ratios, term of the loan, and the sector or industry in which the client operates when conducting environmental and social due diligence on a transaction. They also perform analysis using a range of tools such as site visit checklists, client questionnaires, and environmental assessments, the outcome of which will then be evaluated and incorporated into the Bank’s standard credit process.

The result of the assessment will be submitted to the Risk Management Officer for validation and where there are no further risk issues to the Board of Directors for approval. Where there are risk issues identified, the same shall be escalated by the Risk Management Officer to the Board of Directors for resolution.

- **SECTORS/ACTIVITIES WITH ELEVATED OR EMERGING E&S RISKS THAT COULD BE HARMFUL TO THE ENVIRONMENT**

1. Mining, logging, quarrying
2. Transportation and storage

- **MONITORING TOOLS FOR E&S RISKS AS WELL AS COMPLIANCE**

The Bank's Loan Officer for the Head Office and/or Branch Managers for HBC branches shall:

1. Submit to the Risk Management Officer the covering risk assessment and recommendation on the potential projects under the Sustainable Finance Framework.
2. Inform the Compliance Office of loans approved under the Sustainable Finance Framework.
3. Conduct semi-annual review and update of the loans released under the Sustainable Finance Framework and submit the results thereof to the Risk Management Officer and Chief Compliance Officer.
4. The Risk Management Officer shall consolidate the results of the review and assessment and submit the same to the Board of Directors.

- **GUIDELINES ON BREACHES IN LIMITS OR THRESHOLDS AND/OR NON-COMPLIANCE WITH SUSTAINABILITY-RELATED STANDARDS, LAWS AND REGULATIONS**

Breaches in limits or thresholds exceeding up to the Bank's single borrowers limit or non-compliance with sustainability-related standards, laws and regulations shall be monitored by the Loan Officer on a monthly basis and any noted breaches shall then be reported to the Bank's Risk Management Officer for reporting to the Board of Directors for resolution and proper measures and action to be undertaken.

Further, limits or threshold breaches or non-compliance with sustainability-related standards, laws and regulations are also monitored and addressed by the Chief Compliance Officer through his Compliance Testing, the results which along with his recommendations are reported to the Board of Directors through the Audit Committee.

Imposition of sanctions is within the jurisdiction of the Board of Directors. The following are the sanctions available in the event of breaches in limits or thresholds and/or non-compliance with sustainability-related standards, laws, and regulations, to wit:

- On the first (1st) offense, an oral reprimand shall be rendered to Bank officer/s noted to have breached the limits/thresholds and/or violated any of the sustainability related-standards, laws, and regulation.
- On the second (2nd) offense, a Personal Memorandum shall be issued to Bank officer/s noted to have repeatedly breached the limits/thresholds

and/or repeatedly violated any of the sustainability related-standards, laws, and regulation.

- On the third (3rd) offense, a disciplinary layoff or suspension from work without pay shall be rendered to Bank officer/s noted to have habitually breached the limits/thresholds and/or violated any of the sustainability related-standards, laws, and regulation.

- **ASSESSMENT TOOLS FOR IDENTIFIED E&S RISKS AND ITS IMPACT IN THE AGGREGATE RISK EXPOSURE OF THE BANK**

The Bank's Loan Officer (for the Head Office) and Branch Managers (for HBC branches) uses the Bank Form developed for the purpose of project evaluation and selection.

The Risk Management Officer validates the risk assessment conducted by the Loan Officer and/or Branch Managers. Based on the outcome of the validation, the Bank may require clients to manage or mitigate environmental and social issues before proceeding with the loan releasing. Loan applications/transactions flagged as having unclear or higher risk are elevated to the Board of Director for review, resolution, and proper action.

The assessment of identified E&S risks and its impact on the aggregate risk exposure of the Bank is further validated in the three-fold testing conducted by the Risk Management Officer, the Chief Compliance Officer and the Chief Internal Auditor.

- **STRESS TESTING**

E&S risks are integrated in the Bank's stress testing exercises covering both short-term and long-term horizons following the principles and requirements provided under Sec. 151 of the MORB. The results of the stress testing feed into the Bank's capital and liquidity planning and management exercises as well as in the business continuity and disaster recovery plans.

GUIDELINES ON STRESS TESTING EXERCISES

The Bank's Risk Management Officer is tasked to conduct the Stress Testing covering E&S risks and reporting of the results thereof to the Board of Directors on a semi-annual basis. These exercises are conducted to avoid underestimating potential E&S risks that could pose losses to the Bank. Thorough assessment of potential E&S risks for loans shall be conducted by the Loan Officer for the Head

Office and Branch Managers for the branches, results thereof shall be reported to the Risk Management Officer for proper monitoring and shall be considered in the Stress Testing Report.

The procedures on conducting Stress Testing are as follows:

- Stress Testing for E&S is prepared when there are loan accommodations approved by the Board of Directors for the purpose and when there are loan accounts reported to the Risk Management Officer that were assessed to have potential E&S risks.
- The Stress Testing Report for E&S shall include the following: (i) stress scenarios, such as additional 20% or 50% Allowance for Credit Losses to be booked in the event of failure to pay or lower collection on E&S Risk approved loan accommodations; (ii) results of the Stress Testing; and (iii) analysis of the Stress Testing results, i.e., its impact on the Bank's total capital position, Capital Adequacy Ratio (CAR), and Minimum Liquidity Ratio (MLR).
- The Stress Testing Report shall be reported to the Board of Directors on a semi-annual basis, i.e., January and July of each year, to apprise the Board of Directors on the impact of stressed E&S risks on the total capital, capital adequacy, and minimum liquidity position of the Bank.

The Bank's Loan Officer, General Manager, Branch Managers and Risk Management Officer are at the helm of periodic monitoring and assessing adherence to policies and procedures, ensuring that E&S risk arising from credit operations are effectively managed.

Further, adherence to policies and procedures to ensure effective management of E&S risks arising from credit operation are also monitored and assessed by the Chief Compliance Officer and Chief Internal Auditor through their Compliance Testing and Audit.

For the Bank's business continuity and disaster recovery plans, the Risk Management Officer shall maintain the following, to wit:

- Consolidated database of loans granted with Environmental and Social Risk prepared by the Bank's Loan Officer.
- Digitized copies of loan documents of accounts with E&S risks, i.e., Loan Application, Promissory Note, Real Estate Mortgage, Credit Investigation Report, Identification Cards, Disclosure Statement, and other documents,

such as clearances/permits from environmental and social related agencies.

- **RESPONSIBLE OFFICER.** The Bank's Risk Management Officer is responsible for overseeing the management of E&S risks.
- **OPERATIONAL RISK MANAGEMENT SYSTEM FOR E&S RISKS RELATED TO OPERATIONS**

The Bank manages the environmental and social risks with the same care and discipline as any other business risk and undertakes a strong review process to take the environmental and social impacts and practices of the borrowers and potential borrowers into consideration in the Bank's selection decisions. Environmental and social risk management adds a new dimension to the existing risk management approach that already focuses on assessing risks such as credit risk, market risk and liquidity risk in each bank's transaction.

The Loan Officer for the Head Office and Branch Managers for the branches identify and assess Environmental and Social (E&S) risks related to credit operations. When the Bank identifies potentially significant environmental and social issues, the Bank prefers to address the issue by working with the borrower on appropriate safeguards and more sustainable practices. By facilitating the adoption of more sustainable practices, the Bank is able to better serve the long-term interests of the borrowers, the communities and the environment in which they operate, while ensuring prudent risk management for the business. The preparation and reporting process for the proper management of E&S risks and other risks are as follows:

1. E&S Risks Monitoring Report, i.e., the report used to monitor loan exposure to E&S risks, with the following column heading: (i) Account Name; (ii) PN Number; (iii) Date Granted; (iv) Maturity Date; (v) Outstanding Balance; (vi) Type of Loan; (vii) Purpose of Loan; (viii) Industry Classification; and (ix) E&S Risks involved for the loan, shall be prepared by the Loan Officer for the Head Office and the Branch Managers for HBC units on a monthly basis.
2. The Loan Officer and the Branch Managers shall as well identify and assess other risks related to borrowers, such as physical and transition risks that may impact the borrowers' businesses or sources of funds and prepare the Physical and Transition Risks Monitoring Report on a monthly basis.

3. E&S Risks, Physical Risks and Transition Risks Monitoring Reports shall be submitted to the Bank's Risk Management Officer for monitoring and reporting purposes every 2nd week of the month following the reference month.
4. Loan exposures to E&S risks as reflected in the E&S Risks Monitoring Report shall be reported to the Board of Directors every 4th Friday of the month to apprise the Board on the Bank's exposure to E&S risks.

- **BREAKDOWN OF E&S RISK EXPOSURES OF THE BANK PER INDUSTRY OR SECTOR**

For year 2023, the Bank's credit exposures include three (3) loans granted and released with noted E&S risk, as follows:

HBC Unit	Outstanding Balance	Noted Risk
Head Office	144,923.33	Environmental risk, i.e., environmental pollution, and social risk, i.e., human health hazard
Head Office	283,504.28	Environmental risk, i.e., environmental pollution, and social risk, i.e., human health hazard
New Market Site Branch	2,324,728.66	Physical risk, i.e., risk of flooding and soil erosion as there is a river at the back of the collateral property.
TOTAL	2,753,156.27	

- **INFORMATION ON EXISTING AND EMERGING E&S RISKS AND THEIR IMPACT ON THE BANK**

In 2023, the Bank's credit portfolio included three (3) accounts that presented Environmental and Social (E&S) risks and no emerging E&S risks were identified that could significantly impact the Bank. This careful monitoring and management of E&S risks demonstrate the Bank's commitment to sustainable and responsible lending practices, ensuring that potential environmental and social impacts are thoroughly assessed and mitigated. Through this proactive approach, the Bank maintains its stability and continues to support projects that align with its values of sustainability and social responsibility.

- **OTHER INITIATIVES TO PROMOTE ADHERENCE TO INTERNATIONALLY RECOGNIZED SUSTAINABILITY STANDARDS AND PRACTICES.**

For other areas of operations, Environmental and Social (E&S) risks are identified and assessed by the General Manager for the Head Office and by the respective Branch Managers for the branches.

In line with its sustainability objectives, the Bank has implemented an Environmental and Social Risk Management System (ESRMS) to systematically address E&S risks in its daily operations. This comprehensive system includes

several key actions designed to minimize environmental impact and promote sustainability:

- **Promoting a Paperless Office:** Reducing paper usage through digital documentation and electronic communication.
- **Water Conservation:** Conducting an inventory of all faucets and water connections to save water and prevent water crises.
- **Recycling Program:** Implementing recycling initiatives to manage waste responsibly.
- **Energy Efficiency:** Using LED lights and purchasing inverter appliances to conserve power.
- **Fuel Conservation:** Scheduling company vehicles for site visits, appraisals, and credit investigations to optimize fuel usage and reduce greenhouse gas emissions.
- **Safety Initiatives:** Providing a safe environment for both customers and employees.

To ensure the Bank's alignment with these sustainability objectives, senior management oversees the consistent application of these practices across all job assignments. Compliance with the Bank's sustainability practices is monitored on a monthly basis. The Comptroller for the Head Office and Branch Managers for the branches prepare detailed monitoring reports, which are then submitted to the Risk Management Officer for evaluation. This diligent monitoring and evaluation process ensures that the Bank remains committed to its sustainability goals and continues to operate in an environmentally and socially responsible manner.

VII. DUTIES AND RESPONSIBILITIES

a. BOARD OF DIRECTORS

Consistent with the expectations set out under Sec. 132 of the MORB to promote the long-term financial interest of the Bank and ensure that it has beneficial influence on the economy, the Board of Directors shall:

- i. Institutionalize the adoption of sustainability principles, including those covering E&S risk areas in the Bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the Bank's strategic objectives and operations taking into account the Bank's risk appetite and ability to manage risks.
- ii. Ensure the integration of Environmental and Social (E&S) Risks in setting strategies, objectives, targets, and other business plans, and incorporating

- the same in the preparation of the Bank's Annual Plans and Budget. The Board of Directors shall also monitor the progress in attaining the accomplishment of such strategies, objectives, targets as well as other business plans by requiring the Risk Management Officer to render regular reports to the Board of Directors as well as conducting periodic review and evaluation report to gauge their effectiveness.
- iii. Develop capacity building programs for the Board of Directors and all personnel through an active participation in webinars and trainings related thereto and where possible, sending delegates to technical training sessions given by multilateral institutions and other UN SDG supporters such as USAID, BSP and the likes on an on-going basis.
 - iv. Establish an effective strategy to communicate sustainability objectives and policies across the Bank and stakeholders by including the Bank's sustainable finance framework in the monthly agenda of the Board of Directors and in the Annual Report to Stockholders highlighting not only the Bank's objectives but progress in attaining such objectives.
 - v. Promote a culture that fosters environmentally and socially responsible business decisions by including sustainable strategies and initiatives in the Bank's internal standard operating procedures such as but not limited to:
 - Promoting a paperless office and maximizing technology in the regularization of manuals and voluminous training materials, streamlining reports to avoid obsolete, duplicated or unnecessary reports
 - Conserving energy within the office by replacing all lights with LED Lights, installing inverter appliances i.e., air-conditioner and electric fan;
 - Implementing a recycling program where files for disposal are re-used for draft printing, and the likes
 - Scheduling the use of company vehicles to cut down on fuel and gasoline consumption
 - Purchasing office furniture and fixtures that are environment-friendly
 - vi. Ensure the adequacy of available resources in attaining sustainability objectives by keeping an open mind in allocating funds to the acquisition or engagement of resources necessary for the purpose and that sustainability implications are considered in the over-all decision-making process at all times.

- vii. Integrate the sustainability agenda in the performance appraisal system by mandating the Bank's HR Officer to develop Bank Forms that ensure its inclusion and consideration during the annual performance appraisal.
- viii. Approve the Bank's ESRMS that is commensurate with the Bank's size, nature and complexity of operations and oversee its implementation. The Board of Directors shall ensure that the ESRMS is aligned with internationally recognized principles, standards and global practices and forms part of the Bank-wide risk management system.
- ix. Approve application for loans and other credit accommodations that support eligible green and social projects. The Bank's Appraisal and Credit Investigation Report prepared by the Bank's Appraiser and Credit Investigator shall **incorporate a report on ESG factors to facilitate and justify loan approval or rejection as the case may be. The Board of Directors is responsible for** rejecting loans and other accommodations to business activities that are included in the exclusion list, harmful to the environment, violate human rights, and undermine biodiversity and cultural heritage of communities, among others.

b. SENIOR MANAGEMENT

The senior management shall be responsible for the overall implementation of the Board-approved strategies and policies in relation to the sustainability objectives of the Bank and shall:

- i. Ensure alignment of Bank activities with the overall E&S strategic objectives/targets through the periodic review of the Annual Plans and Budget and reporting the same to the Board of Directors for their oversight and necessary actions as the case may be.
- ii. Adopt tools and methodologies that will manage E&S risks such as but not limited to E&S risk rating sheet, E&S assessment form, and E&S risk monitoring report to be prepared by the responsible employee for the proper management and monitoring of E&S risks;
- iii. Communicate sustainability policies and procedures across the organization through the regularization of the Sustainability Finance Framework, the ESRMS, regulations and updates on the matter and by including the same in the agenda of Board Meetings and regular management meetings.
- iv. Report to the Board of Directors the E&S risk exposures and progress of implementation of the Sustainable Finance Framework on a regular basis with such report highlighting potential issues associated with both internal

and external activities of the Bank and of its clients that may have material impact on the Bank's portfolio or reputation.

- v. Assess continuing relevance of the sustainability policies in the face of evolving developments through the annual review and evaluation of the Sustainable Finance Framework by the Risk Management Officer and the consistency of performance of personnel with the Bank's sustainability objectives by incorporating ESG in the Bank's Forms for Rating Sheet (for Directors) and Performance Evaluation (for employees).
- vi. Facilitate the identification, assessment, monitoring and mitigation of E&S risks. The Risk Management Officer shall ensure that the Bank takes a holistic approach in managing these risks aligned with the strategic objectives set by the Board of Directors.

c. RISK MANAGEMENT OFFICER

The Bank's Risk Management Officer is responsible for overseeing the management of the Bank's E&S risks and shall report to the Board of Directors the existing and emerging E&S risk exposures and their impact on the Bank as well as status/progress report of the attainment of the Bank's sustainability objectives and strategies under the Sustainable Finance Framework.

The Risk Management Officer is tasked to integrate the E&S risks into stress testing, capital and liquidity planning exercises as well as in the business continuity and disaster recovery plans and ensure that such are reported to the Board of Directors on a regular basis.

d. CHIEF INTERNAL AUDITOR AND CHIEF COMPLIANCE OFFICER

The audit and compliance functions shall incorporate in their respective programs the assessment of adherence to policies related to the management of the E&S risks and evaluation of the robustness and continuing relevance of the said policies. The internal audit function shall also review the Bank's adherence to international sustainability standards and principles as well as relevant laws and regulations.

The scope of audit to be performed by the Audit functions on the Bank's Sustainable Finance Framework shall cover the review of the following: (i) sustainability policies, procedures and risk management system, including the integration of sustainability principles in operations and adherence to international sustainability standards and principles as well as relevant laws and regulations; (ii) Bank's culture, competence, training and awareness on sustainability; (iii) effectiveness of the tools or

mechanism used in managing and monitoring environmental and social (E&S) risks; (iv) Board and senior management oversight, i.e., roles, responsibility and authority on sustainability; and (v) periodic reporting to management and Board of Directors relative to sustainability and E&S risks. On the other hand, the scope of compliance testing to be performed by the Compliance function on the Bank's Sustainable Finance Framework shall cover the following: (i) monitoring and tracking of compliance with the Bank's sustainability policies and procedures as well as regulatory agencies standards and relevant laws and regulations; and (ii) checking and monitoring of implementation of updates in sustainability standards and principles as well as relevant laws and regulations for continuous improvement.

Detailed procedures to be performed by the Audit and Compliance functions as well as their comprehensive work programs covering the assessment of the integration of sustainability principles in operations, including adherence to international sustainability standards and principles and relevant laws and regulations are incorporated in the Amended Internal Audit Manual and Amended Compliance Program & Manual as well as in their respective Bank Forms for Audit Procedures Checklist and Compliance Testing.

CORPORATE INFORMATION

ORGANIZATIONAL STRUCTURE

KEY OFFICERS

<i>President</i>	<i>ANGELICA HALILI CRUZ</i>
<i>Vice-President/Chief Compliance Officer</i>	<i>ARNEL Y. GRAVADOR</i>
<i>Vice-President/General Manager</i>	<i>MARILYN R. CRUZ</i>
<i>Secretary</i>	<i>ELEANOR C. MENDOZA</i>
<i>Treasurer</i>	<i>GERARDO M. DE LEON</i>
<i>Chief Internal Auditor</i>	<i>JOANNE B. DE LEON</i>
<i>Risk Management Officer</i>	<i>JENELYN M. DE GUZMAN</i>
<i>Comptroller</i>	<i>PEACHY VELLE L. SANCHEZ</i>
<i>Chief Security Officer/ Chief Accountant</i>	<i>RONALD S. FLORES</i>

HEAD OFFICE

CASH DEPARTMENT

<i>Head Cashier</i>	<i>NORA V. CONTRTERAS</i>
<i>Head Teller</i>	<i>ISABELLE NICOLE M. LUNA</i>
<i>Savings Bookkeeper</i>	<i>REVIELYN S.P. OLIVARES</i>
<i>New Accounts Officer/ Check Verifier</i>	<i>RYIEL VICTOR K. NACINO</i>
<i>Check Clearing Officer</i>	<i>DHAN PAOLO D.C. MARTINEZ</i>

LOANS DEPARTMENT

<i>Loan Officer</i>	<i>CRISANTO P. POLICARPIO, JR.</i>
<i>Assistant Loan Officer</i>	<i>CHRISTINE JOY MENDOZA</i>
<i>Loan Processing Officer</i>	<i>CHERRY P. LLEGADO</i>
<i>C.I./Appraiser I</i>	<i>DHAN PAOLO D.C. MARTINEZ</i>
<i>C.I./Appraiser II</i>	<i>MEL B. RESURRECCION</i>
<i>Liaison Officer</i>	<i>HANZ JOSEPH F. MENDOZA</i>
<i>Credit Analyst</i>	<i>JOSELITO R. POLICARPIO</i>
<i>Loan Collection Officer</i>	<i>JAN ANGELO P. RODA</i>

ACCOUNTING DEPARTMENT

<i>Chief Accountant</i>	<i>RONALD S. FLORES</i>
<i>Accounting Assistant</i>	<i>JUNE PEARL M. NICASIO</i>
<i>Bookkeeper</i>	<i>ABIGAIL JUSTINE C. BAYANI</i>
<i>Inventory Assistant</i>	<i>EDMUNDO S. DE JESUS</i>

AUDIT AND COMPLIANCE OFFICE

<i>Branch Internal Auditor</i>	<i>JAYA M. BACCOL</i>
<i>Compliance Assistant</i>	<i>JOSEFINA B. FUENTES</i>
<i>AML/Compliance Assistant</i>	<i>ALLAN JOSEPH F. MENDOZA</i>

HUMAN RESOURCE, LEGAL AND COMMUNICATION OFFICE

<i>HR Specialist</i>	<i>GERRY LOU V. HERNANDEZ</i>
<i>IT Specialist</i>	<i>RAYMOND CHRISTIAN H. GERONIMO</i>
<i>Occupational Safety & Health/ Training Officer</i>	<i>MARY PAULINE A. POLETE</i>
<i>Legal Counsel</i>	<i>ATTY. NORMA GAMINDE-CO</i>
<i>Legal Assistant</i>	<i>HANZ JOSEPH F. MENDOZA</i>

HBC BRANCHES

MALOLOS BRANCH

Acting Branch Manager
 Branch Cashier
 Branch Accountant
 Branch New Accounts/ Loan
 Processing Clerk

CIELITO L. ALEJANDRINO
 MARYLLE HELAINE P. SILVA
 JORIEL LYKA M. GAJUDO
 MARVIN SETH D.R. OSORIO

NEW MARKET SITE BRANCH

Branch Manager
 Branch Cashier
 Branch Accountant
 Branch Loan Processing Clerk
 Branch Teller I
 Branch Teller II
 Branch New Accounts Clerk

ABBYGAIL D. PASTORPIDE
 OLIVE D.L. CABATAY
 LAARNI N. DOMINGO
 MA. ANDREA S.M. RAMOS
 VANESSA B. CABILLOS
 MICHELLE P. MEDIOS
 CLARIZA D.G. DELA TORRE

SAN JOSE DEL MONTE BRANCH

Acting Branch Manager
 Branch Cashier
 Branch Accountant
 Branch Teller
 Branch New Accounts/ Loan
 Processing Clerk

MARY JANE M. MAYORES
 SIENALYN R. CLETO
 GERALDINE Y. OCRAY
 JHOANNA LISSA F. POLICARPIO
 MARY JANE C. CRUZ

NORZAGARAY BRANCH

Branch Manager
 Branch Cashier
 Branch Accountant
 Branch Teller
 Branch New Accounts/ Loan
 Processing Clerk

VERONICA C. BERNABE
 ARDEN B. SANTIAGO
 JANICE D.S. SAN PEDRO
 ELIJAH MAE B. CRUZ
 XANDA D.M. RAMOS

STOCKHOLDERS

NAME OF STOCKHOLDERS	CITIZENSHIP	NUMBER OF SHARES SUBSCRIBED	AMOUNT SUBDCRIBED	% TO TOTAL AMOUNT SUBSCRIBED	CLASS (VOTING STATUS)
PEREZ, PATRIA H.	FILIPINO	86,135	8,613,500.00	8.98	Common
CRUZ, JUANITA L.	FILIPINO	84,996	8,499,600.00	8.86	Common
CRUZ, ANGELICA HALILI	FILIPINO	82,392	8,239,200.00	8.59	Common
MANGUBAT, AZUCENA P.	FILIPINO	61,036	6,103,600.00	6.36	Common
ACEVAM REALTY INC.	FILIPINO	49,555	4,955,500.00	5.16	Common
FRANCIA, MA. LOURDES B.	FILIPINO	44,249	4,424,900.00	4.61	Common
ESPIRITU, CORAZON A.	FILIPINO	42,715	4,271,500.00	4.45	Common
CARILLO, CLARITA D.L.	FILIPINO	41,433	4,143,300.00	4.32	Common
BAUTISTA, JOSE RAYMUNDO H.	FILIPINO	38,833	3,883,300.00	4.05	Common
BAUTISTA, MA. ANNA D.	FILIPINO	37,256	3,725,600.00	3.88	Common
PEREZ, BERNARDITA H.	FILIPINO	35,498	3,549,800.00	3.70	Common
HALILI, ANNA KATRINA A.	FILIPINO	29,820	2,982,000.00	3.11	Common
TRAJANO, JOCELYN ANNE H.	FILIPINO	29,820	2,982,000.00	3.11	Common

NAME OF STOCKHOLDERS	CITIZENSHIP	NUMBER OF SHARES SUBSCRIBED	AMOUNT SUBSCRIBED	% TO TOTAL AMOUNT SUBSCRIBED	CLASS (VOTING STATUS)
HALILI, ANTHONY GERARD A.	FILIPINO	29,819	2,981,900.00	3.11	Common
DE LEON, GERARDO M.	FILIPINO	26,037	2,603,700.00	2.71	Common
VITO, MARIA ANGELICA C.	FILIPINO	20,603	2,060,300.00	2.15	Common
CRUZ, MARIO, JR. HALILI	FILIPINO	20,369	2,036,900.00	2.12	Common
CRUZ, DOMINGO L.	FILIPINO	16,396	1,639,600.00	1.71	Common
CRUZ, SOTERA L.	FILIPINO	16,325	1,632,500.00	1.70	Common
GARCIA, MARIEDELLE ANNE M.	FILIPINO	15,119	1,511,900.00	1.58	Common
MENDOZA, JESUS ANGELO C.	FILIPINO	12,504	1,250,400.00	1.30	Common
FERNANDEZ, ZENAIDA	FILIPINO	11,297	1,129,700.00	1.18	Common
HALILI, MARIA JOSEFA A.	FILIPINO	10,273	1,027,300.00	1.07	Common
BUENSUCESO, MA. THERESA H.	FILIPINO	10,185	1,018,500.00	1.06	Common
CRUZ, MAURO L.	FILIPINO	8,036	803,600.00	0.84	Common
MARTIN, PLACIDA B.	FILIPINO	7,764	776,400.00	0.81	Common
CRUZ, DOMINGO, JR. C.	FILIPINO	7,614	761,400.00	0.79	Common
CRUZ, CEFERINA L.	FILIPINO	6,744	674,400.00	0.70	Common
HEIRS OF BENEDICTO G. GUEVARRA	FILIPINO	5,733	573,300.00	0.60	Common
OPERARIO, RUBY P.	FILIPINO	4,563	456,300.00	0.48	Common
CRUZ, MA. CARMELA C.	FILIPINO	4,196	419,600.00	0.44	Common
DOMINGO, ANGELINA S.	FILIPINO	3,900	390,000.00	0.41	Common
GUBALLA, LORETO D.J.	FILIPINO	3,817	381,700.00	0.40	Common
PEREZ, PABLO	FILIPINO	3,686	368,600.00	0.38	Common
FRANDO, ANGELITA LOIDA B.	FILIPINO	2,839	283,900.00	0.30	Common
HEIRS OF LILIA C. BAESA	FILIPINO	2,749	274,900.00	0.29	Common
MENDOZA, ELEANOR C.	FILIPINO	2,651	265,100.00	0.28	Common
HEIRS OF EFREN P. JACINTO	FILIPINO	2,213	221,300.00	0.23	Common
HEIRS OF VIRGINIO GUEVARRA	FILIPINO	2,136	213,600.00	0.22	Common
CABATAY, OLIVE D.L.	FILIPINO	1,814	181,400.00	0.19	Common
ALEJANDRINO, CIELITO L.	FILIPINO	1,777	177,700.00	0.19	Common
MARTIN, EVANGELINE B.	FILIPINO	1,744	174,400.00	0.18	Common
DE LEON, JOANNE B.	FILIPINO	1,725	172,500.00	0.18	Common
POLICARPIO, JOSELITO R.	FILIPINO	1,627	162,700.00	0.17	Common
CRUZ, MARILYN R.	FILIPINO	1,566	156,600.00	0.16	Common
MARTIN, MA. THERESA B.	FILIPINO	1,413	141,300.00	0.15	Common
DE GUZMAN, JENELYN M.	FILIPINO	1,372	137,200.00	0.14	Common
VICENTE, ARMAND J.	FILIPINO	1,268	126,800.00	0.13	Common
SANTIAGO, DOMINADOR R.	FILIPINO	1,264	126,400.00	0.13	Common
MORALES, MARIA CRISTINA C.	FILIPINO	1,254	125,400.00	0.13	Common
SALVADOR, MA. TERESA P.	FILIPINO	1,235	123,500.00	0.13	Common
REYES, MA. CECILIA C.	FILIPINO	1,187	118,700.00	0.12	Common
MARTIN, DOMINADOR, JR. B.	FILIPINO	937	93,700.00	0.10	Common
ALEJANDRINO, JOAN C.	FILIPINO	830	83,000.00	0.09	Common
ARMENION, MARY ROSE D.	FILIPINO	786	78,600.00	0.08	Common
ANGELES, LEILANI I.	FILIPINO	762	76,200.00	0.08	Common
BERNABE, BELEN B.	FILIPINO	694	69,400.00	0.07	Common
BUENAVENTURA, NENITA F.	FILIPINO	691	69,100.00	0.07	Common
PENAFLOIDA, ELISEA B.	FILIPINO	676	67,600.00	0.07	Common
BUENAVENTURA, PILAR S.	FILIPINO	657	65,700.00	0.07	Common
CRUZ, MICHAEL HALILI	FILIPINO	649	64,900.00	0.07	Common
HEIRS OF VICENTE R. SANTIAGO	FILIPINO	637	63,700.00	0.07	Common
SANTIAGO, EDUARDO R.	FILIPINO	637	63,700.00	0.07	Common
SANTIAGO, INOCENCIA C.	FILIPINO	637	63,700.00	0.07	Common
GUEVARRA, ERLINDA C.	FILIPINO	574	57,400.00	0.06	Common
GONZALES, RACHELLE D.R.	FILIPINO	529	52,900.00	0.06	Common
RAMOS, XANDRA D.M.	FILIPINO	473	47,300.00	0.05	Common
AVANCEÑA, ALFRED A.	FILIPINO	426	42,600.00	0.04	Common
RESURRECCION, MEL B.	FILIPINO	366	36,600.00	0.04	Common
JOSE, LAURA V.	FILIPINO	364	36,400.00	0.04	Common
INOCENCIO, JOCELYN C.	FILIPINO	336	33,600.00	0.04	Common
PASTORPIDE, ABBYGAIL D.	FILIPINO	327	32,700.00	0.03	Common
HEIRS OF DOMINADOR P. SANTIAGO, JR.	FILIPINO	318	31,800.00	0.03	Common
MAZO, LOURDES S.	FILIPINO	318	31,800.00	0.03	Common

NAME OF STOCKHOLDERS	CITIZENSHIP	NUMBER OF SHARES SUBSCRIBED	AMOUNT SUBSCRIBED	% TO TOTAL AMOUNT SUBSCRIBED	CLASS (VOTING STATUS)
SANTIAGO, CONCEPCION	FILIPINO	318	31,800.00	0.03	Common
SANTOS, MARIA JOSEFINA S.	FILIPINO	318	31,800.00	0.03	Common
SENDO, AIDA S.	FILIPINO	318	31,800.00	0.03	Common
AMUL, VERONICA B.	FILIPINO	316	31,600.00	0.03	Common
IGNACIO, MICHELLE L.	FILIPINO	270	27,000.00	0.03	Common
RODRIGO, MARY GRACE A.	FILIPINO	264	26,400.00	0.03	Common
GUEVARRA, BEN JAMES C.	FILIPINO	255	25,500.00	0.03	Common
GULINAO, MA. BELINDA G.	FILIPINO	255	25,500.00	0.03	Common
MALIG, MA. BENILDA G.	FILIPINO	255	25,500.00	0.03	Common
VERGARA, MELITO	FILIPINO	255	25,500.00	0.03	Common
MARTIN, TEODORICO B.	FILIPINO	234	23,400.00	0.02	Common
SAN PEDRO, JANICE D.S.	FILIPINO	208	20,800.00	0.02	Common
DE VERA, MA. ANALYN G.	FILIPINO	205	20,500.00	0.02	Common
BUENAVENTURA, DANILO D.	FILIPINO	201	20,100.00	0.02	Common
GUBALLA, REYNALDO R.	FILIPINO	201	20,100.00	0.02	Common
FLORES, RONALD S.	FILIPINO	200	20,000.00	0.02	Common
ALBERTO, MICHAEL D.	FILIPINO	140	14,000.00	0.01	Common
ESTEBA, CLARISSA A.	FILIPINO	137	13,700.00	0.01	Common
CALAYAG, RUFINA M.	FILIPINO	132	13,200.00	0.01	Common
BARLES, MARINEL M.	FILIPINO	122	12,200.00	0.01	Common
DE JESUS, MARJOREE M.	FILIPINO	122	12,200.00	0.01	Common
MANGUBAT, ELISEO JONNEL P.	FILIPINO	122	12,200.00	0.01	Common
MANGUBAT, JOMAR P.	FILIPINO	122	12,200.00	0.01	Common
MATEO, NICHOLE S.	FILIPINO	119	11,900.00	0.01	Common
DELA TORRE, CLARIZA D.G.	FILIPINO	112	11,200.00	0.01	Common
LAGUERTA, MARY ROSE DC.	FILIPINO	111	11,100.00	0.01	Common
LOZADA, LEANDRO C.	FILIPINO	99	9,900.00	0.01	Common
SANTOS, RODELIO B.	FILIPINO	93	9,300.00	0.01	Common
RUIZ, JOSEPHINE D.	FILIPINO	90	9,000.00	0.01	Common
POLICARPIO, CRISANTO, JR. P.	FILIPINO	84	8,400.00	0.01	Common
AMUL, JERIC R.	FILIPINO	77	7,700.00	0.01	Common
DE JESUS, MEIVERLY CATES B.	FILIPINO	76	7,600.00	0.01	Common
DEL ROSARIO, JAY FEE D.C.	FILIPINO	72	7,200.00	0.01	Common
HEIRS OF LEONARDO S.D. BERNARDINO	FILIPINO	64	6,400.00	0.01	Common
MENDOZA, CHRISTINE JOY	FILIPINO	63	6,300.00	0.01	Common
MONTERO, ARLENE E.	FILIPINO	63	6,300.00	0.01	Common
REYES, FLORENTINO P.	FILIPINO	55	5,500.00	0.01	Common
SARMIENTO, MARIVIC C.	FILIPINO	38	3,800.00	0.00	Common
ESPIDILLON, ALEJANDRO H.	FILIPINO	34	3,400.00	0.00	Common
ROSALIO, JANNETH F.	FILIPINO	34	3,400.00	0.00	Common
CONTRERAS, NORA V.	FILIPINO	29	2,900.00	0.00	Common
DE JESUS, EDMUNDO S.	FILIPINO	28	2,800.00	0.00	Common
GRAVADOR, ARNEL Y.	FILIPINO	27	2,700.00	0.00	Common
CABUHAT, EUFROCINA A.	FILIPINO	24	2,400.00	0.00	Common
MIEN, DAISYREE M.	FILIPINO	22	2,200.00	0.00	Common
ROGELIO, FLORITA P.	FILIPINO	20	2,000.00	0.00	Common
HEIRS OF EDITHA T. SANTIAGO	FILIPINO	20	2,000.00	0.00	Common
MARCELO, EDGARDO J.	FILIPINO	17	1,700.00	0.00	Common
FAUSTO, ROMEL G.	FILIPINO	10	1,000.00	0.00	Common
HALILI, TERESITA B.	FILIPINO	10	1,000.00	0.00	Common
RODRIGUEZ, MARIO P.	FILIPINO	10	1,000.00	0.00	Common
DOMINGO, LAARNI N.	FILIPINO	9	900.00	0.00	Common
SANTIAGO, ARDEN B.	FILIPINO	9	900.00	0.00	Common
SANTIAGO, JOHN RUDOLF R.	FILIPINO	8	800.00	0.00	Common
CRUZ, ELIJAH MAE B.	FILIPINO	7	700.00	0.00	Common
BERNABE, VERONICA C.	FILIPINO	5	500.00	0.00	Common
AVENA, JOSEFINA C.	FILIPINO	1	100.00	0.00	Common
TOTAL		959,686	95,968,600.00	100.00	

The stockholders owning 1% or more shares of the Bank's issued and outstanding Common Stock as of 31 December 2023, are as follows:

NAME OF STOCKHOLDERS	CITIZENSHIP	NUMBER OF SHARES SUBSCRIBED	AMOUNT SUBSCRIBED	% TO TOTAL AMOUNT SUBSCRIBED	CLASS (VOTING STATUS)
PEREZ, PATRIA H.	FILIPINO	86,135	8,613,500.00	8.98	Common
CRUZ, JUANITA L.	FILIPINO	84,996	8,499,600.00	8.86	Common
CRUZ, ANGELICA HALILI	FILIPINO	82,392	8,239,200.00	8.59	Common
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HALILI, ANNA KATRINA A.	FILIPINO	29,820	2,982,000.00	3.11	Common
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VITO, MARIA ANGELICA C.	FILIPINO	20,603	2,060,300.00	2.15	Common
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CRUZ, SOTERA L.	FILIPINO	16,325	1,632,500.00	1.70	Common
GARCIA, MARIEDELLE ANNE M.	FILIPINO	15,119	1,511,900.00	1.58	Common
MENDOZA, JESUS ANGELO C.	FILIPINO	12,504	1,250,400.00	1.30	Common
FERNANDEZ, ZENAIDA	FILIPINO	11,297	1,129,700.00	1.18	Common
HALILI, MARIA JOSEFA A.	FILIPINO	10,273	1,027,300.00	1.07	Common
BUENSUCESO, MA. THERESA H.	FILIPINO	10,185	1,018,500.00	1.06	Common

PRODUCTS AND SERVICES

PESO DEPOSITS

- *Demand Deposit* – A deposit account otherwise known as current or checking account. This refers to deposit payable upon demand, non-interest bearing and subject to withdrawal thru check. The depositor must maintain a minimum deposit balance so as not to be charged with a corresponding service fee within the month.
- *Savings Deposit* – A deposit account opened and maintained to accumulate funds. Deposit of any amount whether in cash or check may be made for which a passbook of records of transactions is issued. Such deposit is interest-bearing and may be withdrawn anytime upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook, either by the depositor or his personal authorized representative.
- *Special Savings Deposit* – Deposit that may be made for a specified and fixed determinable future term at the option of the depositor, the shortest being thirty (30) days, for which a passbook of records of transactions is issued.
- *Long-Term Time Deposit* – This refers to long-term non-negotiable tax-exempt certificates of time deposit with denominations in increments of P 1,000.00 for a minimum maturity of five (5) years. Its interest shall be computed at prevailing Bank rates and payable upon presentment of covering passbook on specified term at the

option of the depositor. Exemption from withholding tax shall be invalidated by pre-termination.

LOANS

- *Agrarian Reform Loan* – This refers to the amortized cost of production and other types of loans granted to beneficiaries of agrarian reform, namely: tillers, tenant farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers, cooperatives, and compact farms, as provided for in P.D. 717.
- *Agricultural Credit Loan* – This refers to the amortized cost of loans granted to borrowers who are not beneficiaries of agrarian reform to finance activities relating to agriculture and processing, marketing, storage and distribution of products resulting from these activities.
- *Medium and Small-Scale Enterprise Loan* – This refers to amortized cost of loans granted to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership and corporation.
- *Loan for Housing Purposes* – This refers to the amortized cost of loans granted to individuals for housing purposes, which may be for the acquisition, construction, or improvement of a residential unit.
- *Loan for Other Purposes* – This refers to the amortized cost of other loans granted to individuals that cannot be classified under any of the foregoing classifications. The same shall be presented under Other Micro Enterprise Loan in the Financial Reporting Package.
- *Loans for Consumption* – This refers to the amortized cost of loans granted to individuals for consumption purposes.

BANK WEBSITE

The Bank's digital presence which is designed to bring our services and support closer to clients, are as follows:

Website: www.hiyasbank.com

Facebook Page: facebook.com/hiyasbankingcorp

Clients can explore our online platforms to manage their accounts, to stay updated, and connected with us.

BANKING UNITS

- Head Office

📍 Gov. Fortunato F. Halili Avenue,
Bagbaguin, Sta. Maria, Bulacan

☎ (044) 762-3667 / (044) 815-5426
✉ hiyasbank@yahoo.com

▪ Malolos Branch

📍 100 Roberto-Maria Building,
Mabini Street, Guinhawa,
City of Malolos, Bulacan
☎ (044) 794-6181
✉ hiyasbankmalolos@gmail.com

▪ New Market Site Branch

📍 New Public Market Site,
Poblacion, Sta. Maria, Bulacan
☎ (044) 641-3176
✉ hiyasbankmarket@gmail.com

▪ San Jose del Monte Branch

📍 Quirino Highway, Tungkong Mangga,
City of San Jose del Monte, Bulacan
☎ (044) 797-3588
✉ hiyasbanksjdm@gmail.com

▪ Norzagaray Branch

📍 A. Payumo Street, Poblacion,
Norzagaray, Bulacan
☎ (044) 815-4457
✉ hiyasbankgaray@gmail.com

Note:

HBC Poblacion Branch was transferred and officially merged with HBC New Market Site in September of 2020 due to the termination of the covering Lease Contract of its bank premises along with a number of reasons. Plans of opening another branch was put on hold due to the economic uncertainties of the pandemic, but the Bangko Sentral ng Pilipinas has generously given the Bank a longer period of time to transfer and reopen the branch in a location where the Bank hopes to compete more aggressively. However, challenges in our liquidity due to decreasing trends in deposit brought by stiff competition from bigger banks commencing January of 2023 when the liquidity relief has been lifted and resumed to its normal levels, have stalled our plans. Consequently, the Board of Directors, in view of the expiry of the extension to reopen a new branch on September 2023, decided with regret and heavy heart during the Regular Meeting on 24 August 2023 under Resolution No. 2023-180, to voluntarily surrender the branching license of HBC Poblacion Branch and just focus on strengthening our remaining branches to better serve our community.

OUR BOARD OF DIRECTORS...



LORETO D.J. GUBALLA
CHAIRPERSON OF THE BOARD/
INDEPENDENT DIRECTOR



ANGELICA HALILI CRUZ
DIRECTOR



MARIA JOSEFA A. HALILI
DIRECTOR



JUANITA L. CRUZ
DIRECTOR



PATRIA H. PEREZ
DIRECTOR



AZUCENA P. MANGUBAT
DIRECTOR



TERESITA B. HALILI
DIRECTOR



ROMEL G. FAUSTO
INDEPENDENT DIRECTOR



FLORENTINO P. REYES
INDEPENDENT DIRECTOR

SENIOR MANAGEMENT...



ANGELICA HALILI CRUZ
PRESIDENT



ARNEL Y. GRAVADOR
VICE PRESIDENT/
CHIEF COMPLIANCE OFFICER



MARILYN R. CRUZ
VICE PRESIDENT/
GENERAL MANAGER



JOANNE B. DE LEON
CHIEF INTERNAL AUDITOR



JENELYN M. DE GUZMAN
RISK MANAGEMENT OFFICER



ELEANOR C. MENDOZA
CORPORATE SECRETARY



GERARDO M. DE LEON
TREASURER

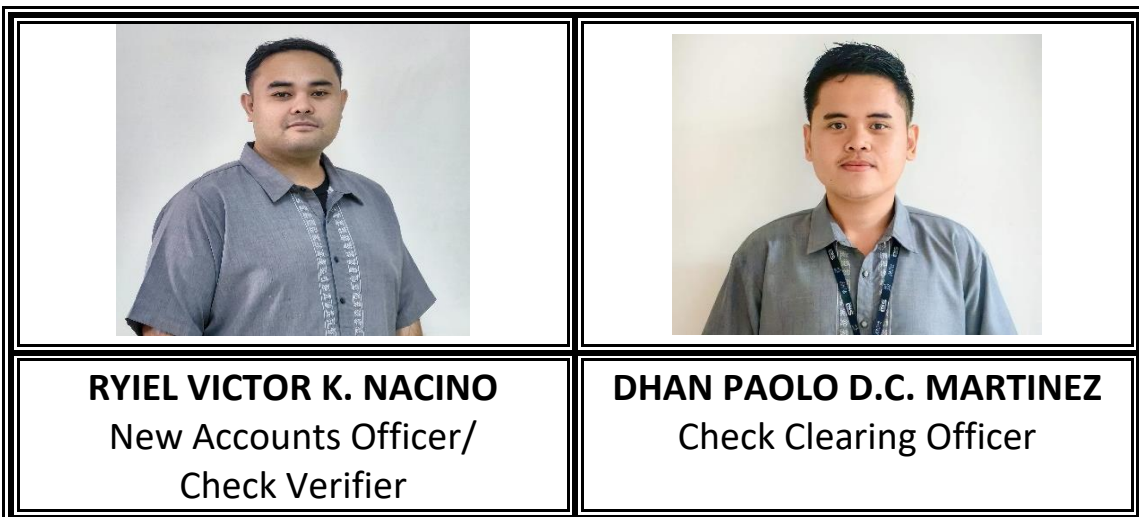


PEACHY VELLE L. SANCHEZ
COMPTROLLER



RONALD S. FLORES
CHIEF SECURITY OFFICER

CASH DEPARTMENT



LOANS DEPARTMENT



CRISANTO P. POLICARPIO, JR.
Loan Officer



CHRISTINE JOY MENDOZA
Assistant Loan Officer



CHERRY P. LLEGADO
Loan Processing Officer



DHAN PAOLO D.C. MARTINEZ
C.I./Appraiser I



MEL B. RESURRECCION
C.I./Appraiser II



HANZ JOSEPH F. MENDOZA
Liaison Officer



JOSELITO R. POLICARPIO
Credit Analyst



JAN ANGELO P. RODA
Loan Collection Officer

ACCOUNTING DEPARTMENT



RONALD S. FLORES
Chief Accountant



JUNE PEARL M. NICASIO
Accounting Assistant



ABIGAIL JUSTINE C. BAYANI
Bookkeeper



EDMUNDO S. DE JESUS
Inventory Assistant

AUDIT AND COMPLIANCE OFFICE



JAYA M. BACCOL
Branch Internal Auditor



JOSEFINA B. FUENTES
Compliance Assistant



ALLAN JOSEPH F. MENDOZA
AML/Compliance Assistant

HUMAN RESOURCE, LEGAL AND COMMUNICATION OFFICES



GERRY LOU V. HERNANDEZ
HR Specialist



MARY PAULINE A. POBLETE
Occupational Safety &
Health/Training Officer



RAYMOND CHRISTIAN H. GERONIMO
IT Specialist



HANZ JOSEPH F. MENDOZA
Legal Assistant

MALOLOS BRANCH



CIELITO L. ALEJANDRINO
Acting Branch Manager



MARYLLE HELAINE P. SILVA
Branch Cashier



JORIEL LYKA M. GAJUDO
Branch Accountant

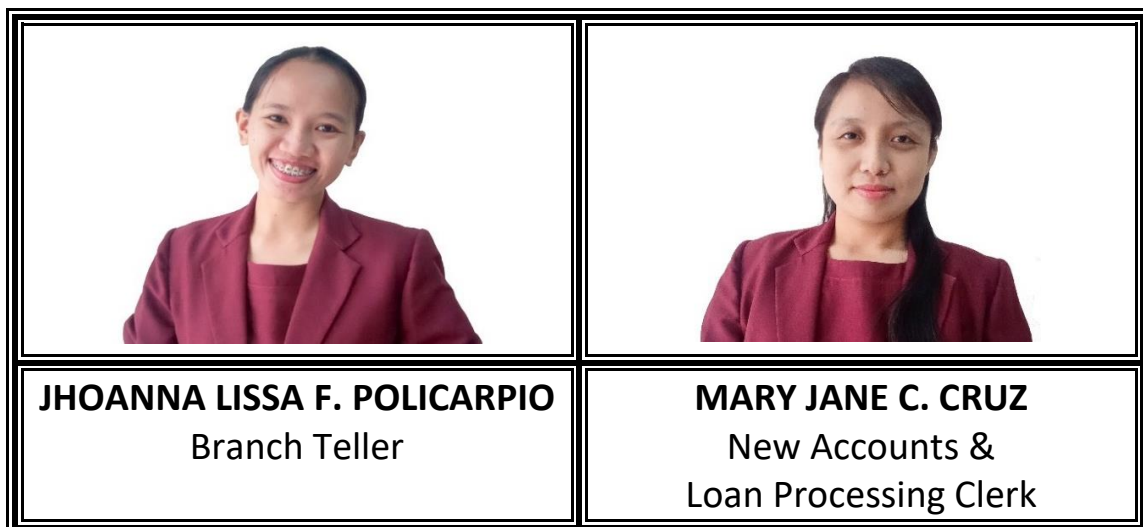
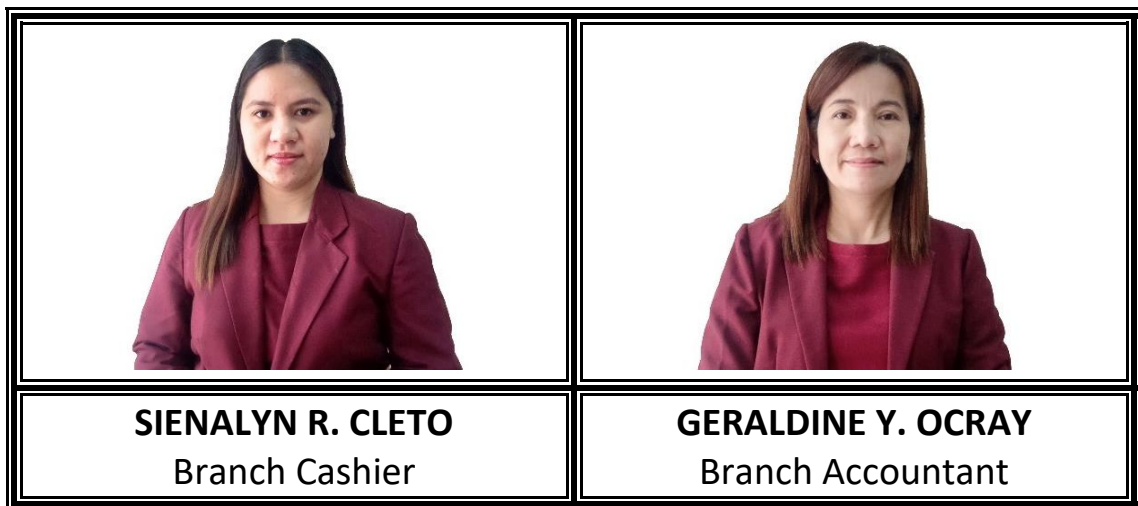
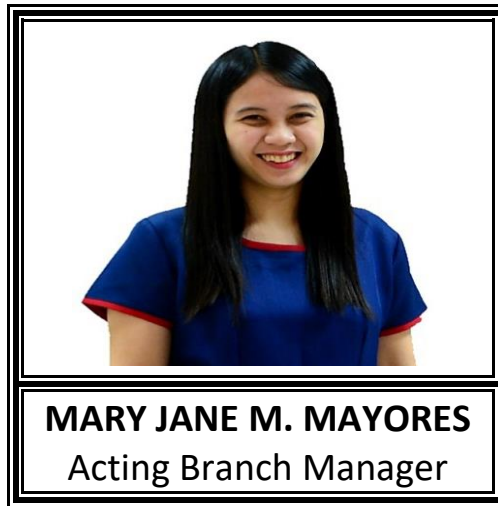


MARVIN SETH D.R. OSORIO
New Accounts &
Loan Processing Clerk

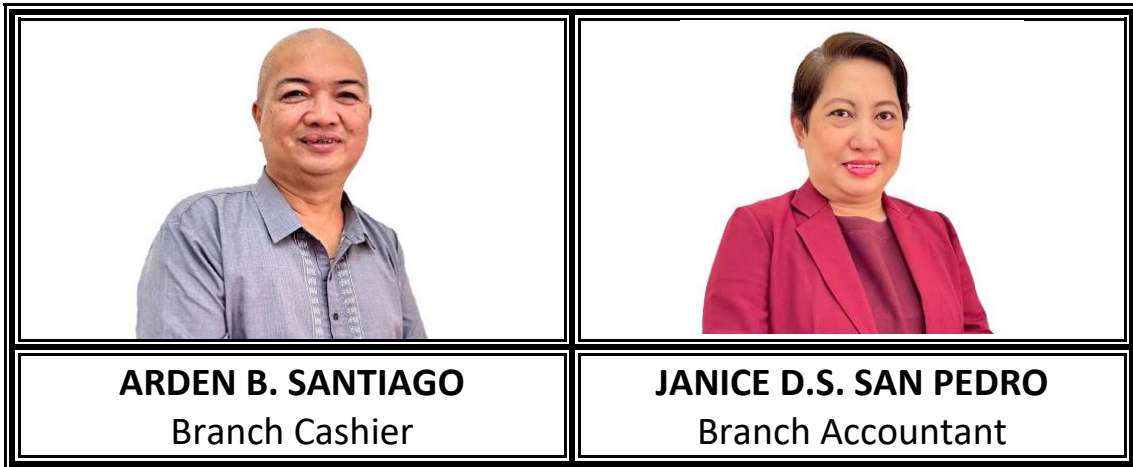
NEW MARKET SITE BRANCH



SAN JOSE DEL MONTE BRANCH



NORZAGARAY BRANCH



OUR MESSENGERS...



ANNEX “A”

FINANCIAL STATEMENTS DECEMBER 31, 2023 AND DECEMBER 31, 2022 AND INDEPENDENT AUDITOR’S REPORT