SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

| 1. Date of Report (Date of earliest e | vent reported) | | |
|---|--|--|--|
| Sep 1, 2021 | | | |
| 2. SEC Identification Number | | | |
| 147584 | | | |
| 3. BIR Tax Identification No. | | | |
| 002-727-376-000 | | | |
| 4. Exact name of issuer as specified | d in its charter | | |
| Premiere Horizon Alliance Cor | poration | | |
| 5. Province, country or other jurisdic | ction of incorporation | | |
| Philippines | | | |
| 6. Industry Classification Code(SEC | 6. Industry Classification Code(SEC Use Only) | | |
| Unit 1705, East Tower, Philipp Center, Pasig City Postal Code 1605 | ine Stock Exchange Centre, Exchange Road, Ortigas | | |
| 8. Issuer's telephone number, includ (02) 8632-7715 | ling area code | | |
| 9. Former name or former address, | if changed since last report | | |
| Not Applicable | | | |
| 10. Securities registered pursuant to | o Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA | | |
| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding | | |
| COMMON STOCK P 0.25 PAR VALUE | 5,096,541,496 | | |

11. Indicate the item numbers reported herein

Item No. 9 Other Item

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Premiere Horizon Alliance Corporation PHA

PSE Disclosure Form 5-1 - Substantial Acquisitions References: SRC Rule 17 (SEC Form 17-C) and Section 4.4 and/or Section 5 of the Revised Disclosure Rules

Subject of the Disclosure

Joint venture and investment by Premiere Horizon Alliance Corp. (PHA) in Phil Star Development Bank, Inc. (PDB)

Background/Description of the Disclosure

The Board of Directors of PHA on August 30, 2021 approved the assignment by Squidpay Technology Inc. (SPT) to PHA, of SPT's 40% of the 60% share that SQUIDPAY will invest in PHILSTAR, pursuant to the Memorandum of Agreement (MOA) previously executed between SPT, PDB and Philippine Regional Investment Development Corporation (PRIDE) on 8 April 2021.

In connection to the same, PHA and SPT executed on 31 August 2021 a Deed of Assignment to effect the foregoing, with conformity of PRIDE and PDB. The assignment formally made PHA a party to the MOA, together with PRIDE, PDB and SPT.

In the MOA, Squidpay will infuse up to Nine Hundred Million Pesos (Php900,000,000.00) for a 60% stake in PDB, subject to the conditions contained therein and subsequent implementing agreements and outlines the overall partnership of PDB, PRIDE, PDB (and now with PHA) in the endeavor. The current stockholders of PDB, which includes PRIDE will retain at least 40%. The investment is in line with PDB's thrust to transform itself and engage in digital banking and PHA's business as an investment holding company.

SPT is a homegrown fintech company engaged in online and offline payment solutions for automated fare collections, bills payment, e-commerce payments, merchant payment services and electronic loading. Recently, SPT was granted by BSP its Operator of Payment System (OPS) and Electronic Money Issuer (EMI) licenses. With its various LGU and major bank relationships, SPT's integrated digital bank operations creates an array of financial services that closes the gap between the country's deep mobile phone penetration and lagging online transactions growth.

PDB is a subsidiary of AbaCore Capital Holdings, Inc. (ABA)'s 100% subsidiary PRIDE. It was the oldest rural bank in Batangas before it was converted into a development bank. As disclosed ABA previously, the Board of Directors of PDB approved the amendments to the corporate structure of the bank to support its shift into a digital bank.

PRIDE is a duly licensed investment house and a member of the Investment House Association of the Philippines (IHAP) and currently has an authorized capital stock of 1 billion pesos and an asset base of P2.5 billion pesos. PRIDE's thrust is to develop projects that uplift the Philippine countryside.

| Date of Approval by Board of Directors | Aug 30, 2021 |
|---|---|
| Date of Approval by Stockholders | ТВА |
| Other Relevant Regulatory Agency, if applicable | Board and Stockholders approval for SPT, PRIDE, PDB and PHA. BSP application for digital banking. |
| Date of Approval by Relevant Regulatory Agency | ТВА |

Rationale for the transaction including the benefits which are expected to be accrued to the Issuer as a result of the transaction

The transaction is the first step in solidifying the endeavor of PDB, in partnership with SPT, PRIDE and PHA, to become a digital bank, subject to the approval of the BSP. As PDB is a bank servicing rural areas, it will likewise be in line with the focus of PHA in its business as an investment holding company focused on countryside development, including technology.

The vision of parties is for PDB to become the leader in financial inclusion using innovative financial technology, agency banking, and digital platforms. The mission is to serve clients at the base of the pyramid by providing inclusive financial services and products while achieving dual bottom-line of financial sustainability and financial inclusion. The intention is for PDB to reach the unbanked and underserved segment through countrywide network and system infrastructure through technology such as, but not limited to mobile based banking app, web/internet banking, and through agent banks. Technology, with SPT as a partner in the endeavor will be the main driver for further client acquisition by PDB. The partnership between the parties to the transaction will disrupt and win the underserved and unbanked market. PDB will bring its banking expertise, SPT will bring its financial technology expertise, while PHA and PRIDE, their expertise in countryside development.

Description of the transaction including the timetable for implementation and related regulatory requirements, if any

As the assignee of 40% of the 60% investment of SPT in the MOA, PHA will invest up to Php600,000,000.00 in cash and/or assets in PDB, with the end view of being 40% owner of PDB. PHA will subscribe to 2,000,000 common shares of PDB (with par value of Php100 per share) at Php300 per share.

The investment of PHA and SPT is subject to conditions under the MOA, which includes the approval of the BSP of the investment and the approval/transitioning of PDB into a digital bank.

On 31 August 2021, PDB filed with the BSP its application for the approval of the transaction and application for a digital banking license.

Within 10 days from the closing conditions provided in the MOA, which includes the BSP approval of the transaction and the application for the digital banking license of PDB, the parties will execute the relevant subscription agreements for the said investment.

| Name | Nature of Business | Nature of any material relationship with the Issuer, their directors/officers or any of their affiliates |
|--|---|---|
| Premiere Horizon Alliance Corporation | PHA is a Philippine based investment holding company whose shares are listed in the Philippine Stock Exchange (PSE). It is engaged in countryside development with a focus on the areas of food security, natural resources development, life sciences, technology and tourism. | Not Applicable |
| Squidpay Technology Inc. | Squidpay Technology Inc. is a homegrown fintech company engaged in online and offline payment solutions for automated fare collections, bills payment, e-commerce payments, merchant system payments and electronic loading. SPT was granted by the BSP its Operator of Payment System (OPS) and Electronic Money Issuer (EMI) licenses. With its various LGU and major bank relationships, SPT's integrated digital bank operations creates an array of financial services for financial inclusion. | The shareholders and affiliates of SPT, led by its Chairman, Mr. Marvin Dela Cruz, owns 55% of the outstanding capital stock of PHA. One of PHA's independent directors, Ms. Elisa May Arboleda- Cuevas, is concurrently the President of SPT. PHA director and treasurer Brandon P. Leong is likewise a director of SPT. Meanwhile, directors Augusto M. Cosio, Jr. (PHA Chairman), and Roberto B. Ortiz, also serves as part of the independent board of advisors of SPT.] |
| Philstar Development Bank, Inc. | PDB is s subsidiary of PRIDE, which in turn is a 100% subsidiary of ABA. PDB was the oldest rural bank in the province of Batangas before it transitioned into a development bank. | Other than the transaction subject of this disclosure, there are no other material relationship with the issuer, their directors/officer or any of their affiliates |
| Philippine Regional Investment Development Corporation | PRIDE is a duly licensed investment house and a member of the Investment House Association of the Philippines. It currently has an authorized capital stock of P1 billion and an asset base of P2.5 billion. PRIDE's thrust is to develop projects that uplift the Philippine countryside. | Other than the transaction subject of this disclosure, there are no other material relationship with the issuer, their directors/officer or any of their affiliates |

Identities of the parties to the transaction

Terms and conditions of the transaction

The nature and amount of consideration (e.g. price per share, the aggregate amount)

Up to Php600,000,000.00 for 2,000,000 common shares of PDB at a subscription price of Php300 per share.

The foregoing investment, when approved by the relevant regulatory agencies including the BSP, will make PHA directly own 40% of the outstanding capital stock of PDB.

Basis upon which the amount of consideration or value of the transaction was determined

The value of the transaction was based on the current amount of unissued shares of PDB based on its latest authorized capital stock. Considering that PDB has a total of 3,000,000 unissued stock and the investment of PHA of Php600,000,000 for 40%, the same will equate to the value of Php300 per share.

The Php300 per share is a commercial agreement between the parties in line with the parties', in line with PHA, SPT and PDB's shared vision on countryside upliftment and development, financial inclusion through technology, with the CALABARZON region being a growth area, coupled with the national push for digital banking.

| The number of shares to be acquired | 2,000,000 common shares |
|---|-------------------------|
| Ratio/percentage to total outstanding capital stock | 40 |

Terms of payment

Pursuant to the MOA which PHA became a party to following the assignment by SPT, the terms of payment shall be subject to a separate implementing agreement between the parties but not longer than 3 years from closing.

Conditions precedent to closing of the transaction, if any

Approval of the BSP of the transaction and digital banking license application of PDB and all corporate and third party consents shall have been obtained.

Description of the company subject of the transaction

Nature and business

PDB is a subsidiary of AbaCore Capital Holdings, Inc. (ABA)'s 100% subsidiary PRIDE. It was the oldest rural bank in Batangas before it was converted into a development bank.

PDB, formerly PRIDE Star Development Bank, Inc. was incorporated on 2 March 1956. In its latest Articles of Incorporation, it is authorized to engage and carry in the development banking business and has an authorized capital stock of P500,000,000 divided into 5,000,000 common shares with a par value of P100 peso per share.

Submission of BSP application for approval of transaction/application for digital banking license - 31 August 2021

BSP completion of processing - end of September 2021

Closing – within 10 days from BSP approval

Full transitioning to a digital bank by PDB – within 3 years from approval of the BSP

Discussion of major projects and investments

Application for Digital Banking License.

List of subsidiaries and affiliates, with percentage holdings

| Name | % Ownership | |
|------|-------------|--|
| None | None | |

Capital structure

Authorized capital stock

| Type of Security | Type of Security Amount Number of Shares | | |
|------------------|--|-----------|--|
| Common | 500,000,000.00 | 5,000,000 | |

Subscribed Shares

| Type of Security Amount Nu | | Number of Shares |
|----------------------------|----------------|------------------|
| Common | 200,000,000.00 | 2,000,000- |

Paid-Up Capital

| Amount | 180,600,100.00 |
|------------------|----------------|
| Number of Shares | 1,806,001 |

Issued Shares

| Type of Security | Amount | Number of Shares | |
|------------------|----------------|------------------|--|
| Common | 200,000,000.00 | 2,000,000 | |

Outstanding Shares

| Type of Security | Security Amount Number of Shares | | |
|------------------|----------------------------------|-----------|--|
| Common | 200,000,000.00 | 2,000,000 | |

Par Value

| Type of Security | Amount | |
|------------------|--------|--|
| Common | 100.00 | |

Ownership Structure (including percentage holdings)

| Name | Number of Shares | % Ownership |
|--|------------------|-------------|
| Philippine Regional investment Development Corp. | 799,995 | 40 |
| Blue Stock Development Holdings, Inc. | 399,999 | 20 |
| Hedge Integrated Management Group, Inc. | 399,999 | 20 |
| Rodrigo C. Reyes | 400,000 | 20 |
| Regina O. Reyes | 2 | 0 |
| Raul B. De Mesa | 1 | 0 |
| Arturo V. Magtibay | 1 | 0 |
| Iluminado B. Montemayor | 1 | 0 |
| Antonio Victoriano F. Gregorio III | 1 | 0 |
| Clarita T. Zarraga | 1 | 0 |

Board of Directors

| Name | (Regular or Independent) |
|------------------------------------|--------------------------|
| Raul B. De Mesa | Chairman |
| Rodrigo C. Reyes | Regular |
| Illuminado B. Montemayor | Regular |
| Regina O. Reyes | Regular |
| Arturo V. Magtibay | Regular |
| Antonio Victoriano F. Gregorio III | Regular |
| Clarita T. Zarraga | Independent |

Principal Officers

| Name | Position/Designation |
|------------------------------|----------------------|
| Rodrigo C. Reyes | President |
| Illuminado B. Montemayor | Treasurer |
| Ednalyn C. Escalona | General Manager |
| Melecia H. Pagcaliwagan | Cashier |
| Mary Remie Jane T. Marasigan | Corporate Secretary |

Effect(s)/impact on the business, financial condition and operations of the Issuer

The investment and joint venture into digital banking is in line with PHA's vision of countryside development and together with SPT, promoting financial inclusivity especially to the unbanked. Amidst the ongoing pandemic, digital banking provides convenience and reach to customers that will give them easy access to funds. The potential economic benefit to PHA in being a part of this growing industry is significant.

Together with the fold-in of SPT, the investment in PRIDE, will create a Fintech business unit for PHA that is continues to grow and thrive amidst the pandemic and physical lockdowns. This will provide substantial economic cushion for PHA while waiting for the pandemic to ease.

Other Relevant Information

See attached PDB Art. of Inc. and By-Laws, Rural Bank AOI, General Information Sheet, the latest AFS and Deed of Assignment.

Filed on behalf by:

| Name Raul | Ma. Anonas |
|-----------|--|
| | utive Vice President, Chief Operating Officer, Chief Information Officer and SEC Compliance Officer |



FR/ioo

REPUBLIC OF THE PHILIPPINES SECURITIES AND EXCHANGE COMMISSION Ground Floor, Secretariat Building, PICC City of Pasay, Metro Manila

COMPANY REG. NO. 10906

CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the amended articles of incorporation of the

PHIL STAR DEVELOPMENT BANK INC. (Amending Article VII thereof)

copy annexed, adopted on <u>February 12, 2018</u> by a majority vote of the Board of Directors and on <u>November 14, 2017</u> and readopted on <u>February 12, 2018</u> by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 15 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019 and Section 14 of R.A. 8791 (The General Banking Law of 2000) and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 12^{Th} day of July, Twenty Nineteen.

GERARDO F. DEL ROSARIO Director **Company Registration and Monitoring Department**

AMENDED ARTICLES OF INCORPORATION

OF

PHIL STAR DEVELOPMENT BANK INC. (Formerly: PRIDE STAR DEVELOPMENT BANK, INC.)

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, all of whom are of legal age and residents of the Philippines. have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of this corporation shall be <u>PHIL STAR DEVELOPMENT</u> <u>BANK INC.</u> (as approved by the Board and ratified by the stockholders on August 22, 2013)

SECOND: That the objects and purposes for which said corporation is formed are:

Primary Purpose

To carry on and engage in the development banking business as provided for in all pertinent banking laws of the Republic of the Philippines, and to have and exercise all powers, rights, privileges and attributes of a development bank and in the course of its business and operations including, but not limited to, the following:

a) to grant loans, whether secured or unsecured;

b) to invest in readily marketable bonds and other debt securities, commercial papers and accounts receivables, drafts, bills of exchange, acceptances, or notes arising out of commercial transactions;

c) to issue domestic letters of credit;

d) to buy for its own account or for its clients, for re-sale or otherwise. deal in government securities after compliance with the requirements of pertinent laws and regulations; e) to undertake such other investments which the Monetary Board may determine as necessary in the furtherance of national economic objectives;

f) to receive deposits in the form of time, savings account, checking account, new accounts, government deposits, foreign currency deposits and other forms of deposit upon prior approval of the Monetary Board;

g) to act as a foreign exchange dealer, and as such to buy and sell foreign exchange subject to prior licensing by and other pertinent rules and regulations of the Bangko Sentral ng Pilipinas;

Secondary Purposes

1) Upon prior approval of the Monetary Board, to receive and care for money deposited in trust arising from legacies, voluntary and other trusts, and judicial decrees, or in any manner, to act as trustee under any mortgage or bonds issued by any body politic or corporation and to accept and execute any other corporate trusts not inconsistent with law, to act under the order or appointment of any court of record as guardians, receiver, trustee or depository of the estate of minor, insane or weak-minded person, habitual drunkard, other incompetent person, as assignee on insolvency and as receiver and depository any moneys paid into court by parties to any legal proceedings and of property of any kind that may be brought under the jurisdiction of any court by proper legal proceedings; to act as the executor thereof; to act under appointment of any court of competent jurisdiction as the administrator of the testate or intestate estate of any deceased person; to execute any legal trust confided to it by any court of record or by any person. association or corporation for the holding, management and administration of any estate, real or personal, and the rents, issue and profits thereof; and generally to do and undertake all kinds of trust business permitted by law upon prior approval of the Monetary Board and subject to applicable Bangko Sentral ng Pilipinas rules and regulations;

2) To act as the agent of any private corporation, and in such capacity to receive and disburse moneys, transfer, register and execute certificates of stock, bonds or other evidences of indebtedness and to act as the agent of any corporation, company or association, foreign or domestic, or of any individual for any lawful purpose;

3) To receive, in the same manner as under paragraph (1), gold and silver bars, jewelries, precious stones, articles of similar nature, stocks and bonds and other securities or valuables, subject to applicable Bangko Sentral ng Pilipinas rules and regulations; to receive in custody, funds, documents and valuable objects and rent safety deposit boxes for the safeguard of such effects; 4) To act as financial agent and buy and sell by order of and for the account of other persons, shares, evidences of indebtedness and all types of securities; to make collections and payments for the account of others and perform such other services as are not incompatible with banking business;

5) To engage in any other trade or business undertaking that may be authorized by the Monetary Board of the Bangko Sental ng Pilipinas and/or other pertinent banking laws of the Republic of the Philippines.

Generally, to do and perform all acts and things necessary and proper for the carrying out of the foregoing purposes and objects as well as all acts and things provided by the banking and corporation laws of the Republic of the Philippines.

THIRD: That the principal office of the corporation is to be located at Alpa Hotel, Tolentino Road, Kumintang Ibaba, Batangas City; (as approved by the Board and ratified by the stockholders on September 26, 2013)

FOURTH: That the term of existence of the corporation is extended for another fifty (50) years from and after the date of its expiry on March 2, 2006;

FIFTH: That the names, residence and citizenships of the incorporators of the said corporation are as follows:

| NAME | RESIDENCE | CITIZENSHIP |
|--|--|-------------|
| 1. Catalina R. Reyes (Wife of Incorporator Antonio A. Reyes) | | Filipino |
| 2. Antonio A. Reyes | 54 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 | Filipino |
| 3. Helen R. Reyes | | Filipino |
| 4. Cezar K. Roxas | | Filipino |
| 5. Dr. Benito K. Reyes | Dete | Filipino |
| 6. Atty. Jose B. Tiongco | | Filipino |
| 7. Felipe Antolin | | Filipino |
| 8. Florencio Bagsit | | Filipino |

SIXTH: That the number of directors of said corporation shall be SEVEN (7) and that the names, citizenships, and addresses of the directors of the corporation who are to serve until their successors are elected and qualified as provided in the by-laws are as follows:

| NAME | RES | IDENCE | CITIZENSHIP |
|--------------------------|-----------------|--------|-------------|
| 1. Catalina R. Reyes | · · · · · · · · | | Filipino |
| 2. Antonio A. Reyes | | | Filipino |
| 3. Helen R. Reyes | | | Filipino |
| 4. Cezar K. Roxas | | | Filipino |
| 5. Dr. Benito K. Reyes | | | Filipino |
| 6. Atty. Jose B. Tiongco | | | Filipino |

SEVENTH: That the authorized capital stock of the Corporation is <u>FIVE</u> <u>HUNDRED MILLION PESOS (P500,000,000.00)</u>, Philippine Currency, divided into <u>FIVE</u> <u>MILLION (5,000,000)</u> shares of common stock with voting rights at par value of ONE HUNDRED PESOS (P100.00) each; (as amended on November 14, 2017; Feb. 12, 2018) prodop date

EIGHTH: That the amount of Common Stock which has been actually subscribed is TWO HUNDRED THOUSAND PESOS (P200,000.00), and the following persons have subscribed for the number of shares and the amount of common stock set out after their respective names:

| NAME | RESIDENCE | CITIZENSHIP | NO. OF SHARES | AMOUNT OF COMMON STOCKS |
|--------------------------|-----------|-------------|------------------|----------------------------|
| 1. Catalina R. Reyes | | Filipino | 1,100 | SUBSCRIBED P110,000.00 |
| 2. Antonio R. Reyes | | Filipino | 100 | 10,000.00 |
| 3. Helen R. Reyes | | Filipino | 100 | 10,000.00 |
| 4. Cezar K. Roxas | | Filipino | 200 | 20,000.00 |
| 5. Dr. Benito K Reyes | | Filipino | 200 | 20,000.00 |
| 6. Atty. Jose B. Tiongco | | Filipino | 200 | 20,000.00 |
| 7. Felipe Antolin | | Filipino | 50 | 5,000.00 |
| 8. Florencio Bagsit | | Filipino | 50 | 5,000.00 |
| | | | 2,000 | P200,000.00 |

Corrected by Edmalyn C. Escalome Curf.

NINTH: That the following persons have paid on the shares of Common Stock for which they have subscribed the amount set out after their respective names:

| NAMES | AMOUNT PAID ON SUBSCRIPTION TO COMMON STOCK |
|--|--|
| Catalina R. Reyes Antonio R. Reyes Helen R Reyes Cezar K. Roxas Dr. Benito K. Reyes Atty. Jose B. Tiongco Felipe Antolin Florencio Bagsit | P38,300.00 5,000.00 5,000.00 500.00 500.00 500.00 100.00 100.00 |
| Total | - P50,000.00 |

TENTH: That Miss Helen R. Reyes has been elected by the subscribers as Treasurer of the Corporation to act as such until her successor is duly elected and qualified in accordance with the By-laws, and that as such Treasurer, she has been authorized to receive for the Corporation and to receipt in its name for all subscriptions paid in by said subscribers.

IN WITNESS WHEREOF, we have hereunder set our hands this 11th day of February, 1956, A.D.

1. (Sgd.) Catalina R. Reyes (Wife of Incorporator Antonio A. Reyes)

5. (Sgd.) Dr. Benito Reyes

6. (Sgd.) Atty. Jose B. Tiongco

2. (Sgd.) Antonio Reyes by C.A. Reyes Attorney-in-fact

3. (Sgd.) Helen R. Reyes (single)

7. (Sgd.) Felipe Antolin

4. (Sgd.) Cesar K. Roxas

8. (Sgd.) Florencio A. Bagsit/

Signed in the Presence of:

(Sgd.) Illegible

(Sgd.) Ciria L. Napolon

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES) PROVINCE OF BATANGAS) S.S. CITY OF LIPA) Before me, the undersigned, a Notary Public in and for the Province of Batangas, Philippines, personally appeared:

| NAME | CITIZENSHIP | RES. CERT. NO. | DATE AND |
|------------------------------------|-------------|----------------|---------------------------|
| | | | PLACE OF ISSUE |
| 1. Catalina R. Reyes | | A-428666 | 1/21/56 Lipa City |
| 2. Antonio A. Reyes | | A-4283667 | 1/21/56 Lipa City |
| Helen R. Reyes | | A-2361106 | 2/15/55 Manila |
| Cesar K. Reyes | | A-0268386 | 3/5/55 Manila |
| 5. Atty. Jose B. Tiongco | · · · · | A-0275201 | 5/25/55 Manila |
| Dr. Benito Reyes | | A-4207185 | 2/15/56 Ibaan, Batangas |
| 7. Felipe Antolin | | A-4172114 | 1/4/56 Batangas, Batangas |
| 8. Florencio Bagsit | | A-4171996 | 1/3/56 Batangas, Batangas |

known to me to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their free act and voluntary deed.

IN TESTIMONY WHEREOF, I have hereunder set my hand and affixed my official seal this 20th day of February, A.D. 1956.

(Sgd) Carlos S. Solis Notary Public Until Dec. 31th 1957

Doc. No. 31 Page No. 56 Book No. III Series of 1956.

DIRECTORS' CERTIFICATE

We, the Secretary and a majority of the members of the Board of Directors of PHIL STAR DEVELOPMENT BANK, INC., do hereby certify:

1. At the Special Meeting of the Stockholders and Board of Directors held at Alpa Hotel, Tolentino Road, Kumintang Ibaba, Batangas City on February 12, 2018, the following amendment to the Articles of Incorporation were adopted unanimously by the Board of Directors, to wit:

"RESOLVED, as it is hereby resolved, that the following resolutions on the increase in capital stock and change of name which was previously approved during the Stockholders' meeting held on November 14, 2017, be, as they are hereby, reconfirmed and ratified, to wit:

STOCKHOLDERS' RESOLUTION NO. 7 Series of 2017

"RESOLVED, as it is hereby resolved that the increase in the authorized capital stock from One Hundred Million (₱100,000,000.00) Pesos divided into One Million (1,000,000) shares at One Hundred Pesos (₱100.00) per share to Five Hundred Million (₱500,000,000.00) divided into Five Million (\$,000,000) shares at One Hundred Pesos (₱100.00) per share, be, as it is hereby approved and ratified."

"RESOLVED, further, that the Articles of Incorporation be, as it is hereby amended particularly on its SEVENTH article to read as follows:

SEVENTH: THAT THE AUTHORIZED CAPITAL STOCK IS FIVE HUNDRED MILLION PESOS (P500,000,000.00), PHILIPPINE CURRENCY, DIVIDED INTO FIVE MILLION (5,000,000) SHARES OF COMMON STOCK WITH VOTING RIGHTS AT PAR VALUE OF ONE HUNDRED PESOS (P100.00) EACH."

2. That the above mentioned amendment were likewise approved by the vote of stockholders owning more than two-thirds (2/3) of the outstanding capital stock of the corporation during the same Special Meeting of the Stockholders and Board of Directors held at Alpa Hotel, Tolentino Road, Kumintang Ibaba, Batangas City on February 12, 2018; readop fur date

3. The amendment to the Articles Seventh of Articles of Incorporation have been duly incorporated in the proposed amended Articles of Incorporation of the bank, a true and correct copy of which is hereto attached.

Ednalyn C. Escalono Goneral Manager

"



HIN 2 F 2019

IN WITNESS WHEREOF, we have affixed our signature this day of MAR 0 7 2018 ,20 at BATANGAS CITY RAUL B. DE MESA REGINA O. REYES Independent Director Director ART MAGTIBAY OS, JR Direct Director ANTONIO OBIANO F. GREGORIO f **RODRIGO C. REYES** Director Director JAERO GARCIA bendent Di ector Corporate Secretary MAR 0 7 2018 day SUBSCRIBED AND SWORN to before me this of BATANGAS CITYO by the above affiants at ASILO blic Until D Doc No. _20 PTR 3021201/JAN.32018/BATS.CITY IBP Lifetime No. 0359 / tty's Roll No. 37927 Page No. MCLE Exemption No. V-000505 Valid Until April 14, 2019 Book No. 23 TIN-154-157-021 Series of 201 8

B

REPUBLIC OF THE PHILIPPINES) IN THE CITY OF BATANGAS) S.S.

SECRETARY'S CERTIFICATE

I, MARY REMIE JANE T. MARASIGAN, of legal age, Filipino, with residence address at Villa Florentina Subd., Manghinao Proper, Bauan, Batangas, after having duly sworn to in accordance with law, hereby certifies:

That I am the incumbent Corporate Secretary of PHIL STAR DEVELOPMENT BANK, INC., (the "Bank") with address at Alpa Hotel, Tolentino Road, Kumintang Ibaba, Batangas City.

That, to the best of my knowledge, I do hereby certify that no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation as its duly elected and/or appointed directors or officers or vice versa.

IN WITNESS WHEREOF, I have hereunto set my hand this MAY 2 Bd 2019 of ______ 2018 at Batangas City.

MARY REMIE JANE T. MARASIGAN Corporate Secretary

SUBSCRIBED AND SWORN TO before me this ______ MAY 2 3 2019 Batangas City. ______ 2018 at

Doc. No. <u>294</u> Page No. <u>(00</u> Book No. <u>25</u>) Series of 20<u>9</u>

ATTY. RIANO U. ASILO Notary Public ntil December 31,2020 PTR # 3307 333/Jan. 3.2019/Bats.City IBP Lifetime No: 03591/Atty's Roll No. 37927 Not Commision No. 2018-35/TIN-154-157-021



BANGKO SENTRAL NG PILIPINAS

CENTRAL POINT OF CONTACT DEPARTMENT II

CERTIFICATE OF AUTHORITY

KNOW ALL MEN BY THESE PRESENTS:

By virtue of the authority vested by the Monetary Board in its Resolution No. 1559 dated 8 December 2005, I hereby certify that the amendment to the Articles of Incorporation (AOI) of:

PHIL STAR DEVELOPMENT BANK, INC.

Alpha Hotel, Tolentino Road, Kumintang Ibaba, Batangas City

to wit:

Reference Article Seventh of AOI

Subject

Increase in the authorized capital stock from "#100 million" to "#500 million," and the number of common shares from "1 million" to "5 million"

approved by a majority vote of the board of directors and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Bank, duly certified by the Corporate Secretary and majority of the directors, are in accordance with law.

This Certificate is hereby issued to enable Phil Star Development Bank, Inc. to register its Amended Articles of Incorporation with the Securities and Exchange Commission pursuant to Section 17 of Batas Pambansa Blg. 68 (The Corporation Code of the Philippines) and Section 14 of Republic Act No. 8791 (The General Banking Law of 2000).

IN WITNESS WHEREOF, I have hereunto set my hand and caused the official seal of the Bangko Sentral ng Pilipinas to be affixed this and day of October 2018 at Manila, Philippines.



Officer-in-Charge

SES Licensing Form No. 04-018 * Version 0 * Updated 25 Jan 2018

File/Ref No. CPCD2-201808-0001c_G3D7-O-PSTAR

A. Mabini St., Malate 1004 Manila, Philippines • (632) 708-7701 • www.bsp.gov.ph • bspmail@bsp.gov.ph



REPUBLIC OF THE PHILIPPINES SECURITIES AND EXCHANGE COMMISSION SEC Building, EDSA, Greenhills City of Mandaluyong, Metro Manila

Company Reg. No. 10906

CERTIFICATE OF FILING OF AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

PRIDE STAR DEVELOPMENT BANK, INC.

copy annexed, adopted on August 09, 2010 by a majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 48 of the Corporation Code of the Philippines Batas Pambansa Blg. 68, approved on May 1, 1980, Sec. 14 of R.A. 8791 as amended, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this ______day of November, Twenty Ten.

PO A. CATARAN Director Company Registration and Monitoring Department

VB/wheng

Certified true copy from Original:

EDNALYN C. ESCALONA General Manager

CERTIFIED TRUE enhed by D. ABAD

Title: SEC i-Report

.

.

| 11/03/2010 (DEPA YOR: PRIDE STAR DEVELOPMENT BAN BATANGAS CITY NATURE OF COLLECTION LRF (A0823) AMENDED BY LAWS | RTMENT) CRM K INC. ACCOUNT CODE 131 | AMOUNT | |
|--|--|--|--|
| NATURE OF COLLECTION LRF (A0823) | | AMOUNT | |
| LRF (A0823) | | Amooni | |
| | 131 . | 10.00 | |
| | 606 | 10.00 500.00 | |
| | 000 | 500.00 | |
| | | | |
| | | | |
| the second s | | | 1982 |
| A DE CORRECTOR DE CONTRACTOR DE CONTRACT | | | |
| | | enderic - contract - contract - contract | |
| | | | |
| | | | |
| and the second | | | |
| | | | |
| | · | Php 510.00 | |
| DTAL AMOUNT TO BE PAID | | 1.110 010100 | |
| searcad hv:/ / | | | |
| 25 y Lato | | | |
| MS. UBINCE | | | |
| Schine Validation: 2010/104 | . 1 | | |
| | 5 JAIL | | |
| 2010110 | Typ | | |
| | 3 | | |
| | | | |
| | RDS: | 26 | |
| | | | AAL |
| | | | 19 101 |
| | | 17 | 55-9 = ABL |
| | | 7 - | |
| Comparison of the second second second second | A CONTRACTOR OF A CONTRACTOR O | Certific | ed true copy from Origina |
| | | | |
| 1 | | | |
| | | | |
| | | | |
| | | | EDNALYN C. ESCALONA |
| | | | EDNALYN C. ESCALONA General Manager |

Mr. Bind 12985 .0049 .0002 2:35A 2392 COVER SHEET 0 9 0 6 11 S E C Registration P R D E I S Т A R D E E 0 P M E N L В T N C I -Former Name: Rural Bank of Batangas, Inc. -(Company's Full Name) 3 7 R i z a A е B V а a a S C t (Business Address : No. Street City / Town / Province) Atty. Joaquin E. San Diego 7245055; (043)7232667 Contact Person Telephone Company Number/s Amended By-laws 0 6 19th Month Day FORM TYPE Month Day Fiscal Year Annual Meeting N/A Secondary License Type, If Applicable RMD C 5 N/A Dept. Requiring this Doc. Amended Articles Number/Section Total Amount of Borrowings 10 N/A N/A Total No. of Stockholders Domestic Foreign To be accomplished by SEC Personnel concerned Leo Monitong ? # of signaloris ? HOV897666 File Number LCU Document I.D. Cashier ONA STAMPS Remarks = pls. use black ink for scanning purposes 6 Diff ECOPY Certified true copy from Original: CERTIFIED TRU 50/4 Vertified by: D. ABAD Date ! EDNALYN C. ESCALONA General Manager

AMENDED BY-LAWS

OF

PRIDE STAR DEVELOPMENT BANK, INC. [Formerly, "Rurat Bank of Batangas, Inc,"]

ARTICLE I - OFFICES

SECTION 1. Principal Office. The principal office of the Bank shall be as stated in_Article THIRD of the Articles of Incorporation.

ARTICLE II - CAPITAL STOCK

SECTION 1. Certificate of Stock. Ownership or proprietary interest in the assets of the Bank shall be evidenced by certificates of shares of the Capital Stock which shall be recorded on the books of the Bank, and shall be in such form as the Monetary Board of the Central Bank of the Philippines may prescribe. Certificates of stocks shall be issued by the Secretary only after full payment of the value thereof, and shall be signed by the President and the Secretary and sealed with the corporate seal. The registered holder of any share of stock of the Bank shall be regarded as the sole owner thereof for all purposes.

SECTION 2. Lost or Destroyed Certificate. In case of loss or destruction, a duplicate may be issued in accordance with the Republic Act No. 201.

SECTION 3. Transfers of Stock. Transfers of stock shall be made only upon the books of the Bank, and before a new certificate is issued, the old certificate must be surrendered for cancellation. If less than the entire number of shares represented by the certificate is assigned, two new certificates shall be issued, and the other in the name of the transferor for the balance of the shares. The stock books of the Bank shall be closed for transfer twenty (20) days before the general election and ten (10) days before dividend days.

No transfer of stock shall be effected which will violate the legal requirements that at least 60% of the voting stock of a development bank shall be owned by citizens of the Philippines.

ARTICLE III - MEETINGS OF STOCKHOLDERS

SECTION 1. Annual Meetings. The annual meeting of the stockholders shall be held at the principal office of the Bank on June 19th in each year at 8:00 o'clock p.m. or if such day be a legal holiday then, on the first full business day thereafter, at the same hour and place. The Board of Directors, however, by resolution adopted 15 days before the regular holding of such annual meeting, and with proper notice to stockholders, may vary either the date, place (which must not be outside the city where the principal office is located) or hour or all of them for holding such annual meeting in which case, the annual meeting shall be held at the place, date and time so fixed by the Board of Directors not any day earlier than the fifteenth day after the adoption of such resolution. If for some reason, any annual meeting cannot take place, any such meeting may thereafter be called in the manner provided for the calling of special meetings.

SECTION 2. Special Meetings. Special meetings of the stockholders may be called by the President or Secretary upon written request of the stockholders holding a majority of the subscribed and outstanding shares or by resolution of the Board of Directors. The President shall cause written notice of the time, place, and date of such meeting to be mailed at least five (5) days before the date of such meeting to each stockholder of record at the close of business day at the address of each stockholder as the name appears on the records of the corporation. Each such notice shall state the purpose or purposes of such special meeting.

Certified true copy from Original:

EDNALYN C. ESCALONA General Manager

| - to land | | | OBY C | - |
|-------------|----------------|------------|-------|--------|
| CERT | FIED T | RUEL | or L | 20. |
| Paga | <u> 9 al 9</u> | pages | 2 | 5 |
| persined by | D. ABAD | Date Issue | - Ca | - Anno |

2985 .0049 .0005

SECTION 3. Quorum. A majority of the subscribed capital stock entitled to vote not declared delinquent shall constitute a quorum at meetings of stockholders. If at a meeting a quorum is not present, the chairman of the meeting or a majority of the voting stockholders present may adjourn the meeting from time to time until a quorum is in attendance.

SECTION 4. Waiver of Notice. Any meeting may be validly held without notice if each stockholder shall sign a written waiver of such notice.

SECTION 5. Organization. The President of the Bank shall preside at the meetings of stockholders. The Secretary of the Bank shall act as Secretary at all meetings of stockholders, provided that in the absence of or inability of the Secretary, the presiding officer may designate some other person to act as Secretary of such meetings.

SECTION 6. Order of Business. The order of the Business at the annual meeting, and as far as possible, at all other meetings of the stockholders shall be:

- 1. Calling of roll;
- 2. Proof of due notice of meeting;
- 3. Reading and disposal of any unapproved minutes;
- 4. Annual reports of officers and committees;
- 5. Election of Directors;
- 6. Unfinished business;
- 7. New business; and
- 8. Adjournment.

ARTICLE IV - DIRECTORS

SECTION 1. Election The business affairs of the Bank shall be conducted under the supervision and control of a Board of seven (7) directors. The holders of common stock entitled to vote shall elect such directors in the manner provided in the Corporation Code, whose qualifications shall be subject to the approval of the Monetary Board of the Bangko Sentral ng Pilipinas.

SECTION 2. Eligibility. Only Filipino citizens are eligible for election to the Board.

SECTION 3. Term. The regular term of a director shall be from the date of his election to the regular annual meeting of the stockholders of the Bank or until his successor shall have been elected and qualified to take his place at said annual meeting. Unless a director shall sooner resign, be removed from office, or becomes unable to act by reason of death, disqualification, or otherwise, he shall hold office during the term for which elected and until his successor is elected and qualified.

SECTION 4. Prohibition. Except with the approval of the Monetary Board, no individual shall become or be a director if he is or becomes a director or employee of any other financial or credit institution established within the territory of operation of the Bank.

SECTION 5. Quorum. A majority of the directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but less than a quorum may adjourn from time to time until a quorum is in attendance

SECTION 6. Filling Vacancy. If vacancies occur in the Board of Directors, the remaining directors constituting a quorum shall, by majority vote, elect persons to fill such vacancies for the unexpired term. In case of resignation or death of all or a majority of the directors, any stockholder may call a special meeting in the same manner that the President may call such meeting, and the directors for the unexpired term may be elected at any such special meeting in the manner provided for their election at annual meetings.

| | Certified true copy from Original: | CERTIFIED TRUE COPY |
|---|--|-----------------------------|
| 7 | EDNALYN C. ESCALONA General Manager | Parto Cr M ABAD Date Issued |

12335.0049.000

0

SECTION 7. Removal. A director may be removed in the manner provided for by law at a regular or C(special meeting called for that purpose, by a vote of stockholders holding or representing two-thirds (2/3) of the subscribed stock entitled to vote.

SECTION 8. Regular Meetings. There shall be a regular meeting of the Board of Directors at least SECTION 8. Regular Meetings. There shall be a regular meeting of the Board of Directors at least conce a month at such hours and on such days as shall be fixed by either the Board of Directors or by the President of the Bank in written notice mailed to each director at least seven (7) days before the date of the scheduled meeting. G

SECTION 9. Special Meeting. The President of the Bank may call a special meeting of the Board of -Directors at any time, and may preside at such meetings or designate a presiding officer. Notice of such meetings shall be given by the President to each director at least three (3) days before date thereof.

SECTION 10. Waiver. Any meeting may be validly held without notice if all the directors shall sign a written waiver of such notice.

SECTION 11. Compensation. Directors, as such, shall receive such compensation for their service as may from time to time be fixed by the Board of Directors, with the approval of the stockholders.

SECTION 12. Order of Business. The order of business at its annual meeting, and as far as possible, at all other meetings of the Board of Directors shall be:

- 1. Calling of roll;
- 2. Proof of due notice of meeting;
- Reading and disposal of any approved minutes;
- 4. Report of officers and committees;
- 5. Election of Directors;
- 6. Unfinished business;
- 7. New business; and
- 8. Adjournment.

ARTICLE V - COMMITTEES OF DIRECTORS

SECTION 1. Credit Committee. The Board of Directors shall elect from their number of two Directors to act with the Bank Manager as a Credit Committee. The Secretary shall serve as an ex-officio secretary of the committee. The Board of Directors may also elect one additional Director to serve as an alternate on the Credit Committee in the absence or inability of any director-member thereof.

SECTION 2. Duties of the Credit Committee. The Credit Committee shall meet as frequently as convenient and, acting as a loan committee, shall process, scrutinize, and recommend the approval or rejection of applications for loans. Any member of the Credit Committee may be removed at any time by a majority vote of the entire membership of the Board of Directors. No loan shall be made unless the application has received the unanimous approval of the qualified membership of the Credit Committee present at the meeting at which such action is taken, provided, however, that the Board of Directors may authorize the making of loans in accordance with definite procedure.

SECTION 3. Other Committees. The Board of Directors shall appoint/elect from their number the members of the following committees:

The Audit Committee shall be composed of directors at least two (2) of whom shall be independent directors, including the Committee Chairman. The Audit Committee shall provide oversight of the Bank's financial reporting and control and internal and external audit functions.

| Certified true copy from Original: | CERTIFIED TRUE COPY |
|--|---------------------|
| EDNALYN C. ESCALONA General Manager | Sec. |

5.00

C

NI 4 The Corporate Governance Committee shall be composed of at least three (3) members of the Board, two (2) of whom shall be independent directors. The Corporate Governance Committee shall assist the Board in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board.

The Risk Management Committee shall be composed of at least three (3) members of the Board. The Risk Management Committee shall be responsible for the development and oversight of the Bank's risk management program.

The members of the Audit, Corporate Governance and Risk Management Committee shall have such other qualifications as may be specified by Bangko Sentral ng Pilipinas and the Board of Directors of the Bank. The said committees shall have such other powers and responsibilities as may be provided by the BSP or the Board. They Board shall adopt the terms of reference or charters for said committees which will specify their authority, duties and functions, relationship with the Board of Directors and internal procedures.

Special Committee. The Board of Directors may designate one or more committees in addition to the Credit, <u>Audit, Corporate Governance and Risk Management Committee</u>. Each such committee shall consist of at least two directors of the Bank who shall be elected by the Board of Directors. Each such committee shall possess and exercise such powers and authority as the Board of Directors may delegate. Any member of any committee may be removed at any time by the Board of Directors. (As amended on August 9, 2010)

SECTION 4. Quorum. A majority of the members of any committee shall constitute a quorum.

SECTION 5. Keeping of Records. All committees shall keep records of their proceedings and submit the same to the Board of Directors at its next meeting or earlier, if required.

ARTICLE VI - OFFICERS

SECTION 1. Executive Officers. The executive officers of the Bank shall be a President, Vice-President, Secretary, Bank Manager, and a Cashier who shall be elected by a majority vote of the entire membership of the Board of Directors at its first meeting held after the annual stockholders meeting, and such other times during the year as may be required to fill vacancies. The position of Secretary and Cashier may be combined in one person.

SECTION 2. President. The President shall be the Chief Executive Officer of the Bank. He shall see to it that all orders and resolutions of the Board of Directors, all orders of the Monetary Bank of the Central Bank of the Philippines, and all rules and regulations of the Bank are carried into effect, and shall exercise such other powers and perform such other duties as are prescribed for the office of the President in these by-laws.

SECTION 3. Vice President. The Vice President shall exercise the powers, authority and duties of the President during the absence or inability to act of the latter.

SECTION 4. Secretary. The Secretary shall provide for the keeping of the records of the bank and shall have the custody of the seal of the corporation. The Secretary shall, in addition, exercise such other powers and perform such other duties as are prescribed for the Office of the Secretary in these By-laws, and all other duties usually pertaining to that office, and such other duties as may be prescribed from time to time by the Board of Directors.

SECTION 5. Cashier. The Cashier shall have custody of all funds, securities, and other assets of the corporation, shall provide full and complete record of all assets and liabilities of the Bank, and shall make such reports with respect thereto as may be required by the Board of Directors. The Cashier shall, in addition, exercise such other powers and perform such other duties as are prescribed by these by-laws for the Office of

| Certified true copy from Original: | | | |
|------------------------------------|--|--|--|
| | | | |
| | | | |
| EDNALYN C. ESCALONA | | | |

General Manager

CERTIFIED TRUE COPY 1 thed by D. ABAD Date lasu

0

12

00

て

the Cashier, and all other duties usually pertaining to that office, and such other duties as may be prescribed by the Board of Directors.

SECTION 6. Bank Manager. The Board of Directors may provide for the position of a Bank Manager C who shall have, subject to the control of the Board of Directors, general management of the business affairs of who shall

C SECTION 6-A. Internal Auditor. The Independent Auditor shall perform an independent audit function. The Independent Auditor shall be appointed or designated by the Board of Directors and shall directly report to the Audit Committee. The Internal Auditor shall have the following duties and responsibilities:

a. to develop and implement an effective audit program covering both management operations and financial aspects of the Bank;

b. to appraise and evaluate the Bank's financial records to prevent and detect frauds and errors;

c. to constructively examine and analyze the organizational structure, plans and policies, financial and system controls, methods of operations and use of human and physical facilities to reveal defects or irregularities in any of the elements examined and to indicate possible improvements;

d. to promote operational efficiency and adherence to prescribed management policies. (As amended on August 9, 2010)

SECTION 6-B. Compliance Officer. The principal function of the Compliance Officer is to oversee and coordinate the implementation of the compliance system. His responsibility shall include the identification, monitoring and controlling of compliance risk. The Compliance Officer shall be appointed or designated by the Board of Directors. He shall have such qualifications as may be prescribed by the Bangko Sentral ng Pilipinas. (As amended on August 9, 2010)

SECTION 7. Other Officer, Employees and Agents. The Board of Directors may elect or employ and, subject to the general supervision of the Monetary Board, fix the compensation of such other officers, employees, and agents as the Board of Directors may deem necessary, to perform such duties as may be prescribed from time to time by the Board of Directors.

SECTION 8. Eligibility. The President and the Vice President of the Bank must be directors, the Secretary or the Cashier need not be a director or a stockholder of the Bank, but he must be a citizen and resident of the Philippines. The offices of president and vice president may not be combined with each other or with any other office or offices. No individuals shall be eligible to become or be salaried officer or employee if he is also or becomes a candidate for, or holder of, any public office which is remunerative.

SECTION 9. Removal. Any officer, employees or agent of the Bank may be removed at any time by a majority vote of the entire membership of the Board of Directors.

ARTICLE VII - MISCELLANEOUS PROVISIONS

SECTION 1. Report. Annually, the Board of Directors shall render an annual financial report including a statement of income and expenses and a balance sheet, at the annual stockholders meeting, and said report and financial statement shall be opened to the scrutiny of all stockholders of the Bank at all times. Each stockholder is entitled to a copy of the annual financial report and statement.

SECTION 2. Disbursements. All current expenses of the Bank shall be paid, and all checks and vouchers shall be signed by the Cashier or by the assistant cashier or other employee specifically authorized to

| Certified true copy from Original: | Verified by: D. ABAD Date testied |
|--|-----------------------------------|
| EDNALYN C. ESCALONA General Manager | C. S. |

do so by the Board of Directors, provided, that checks of the bank in payment for expenses of the bank must be countersigned by the President and in his absence or inability, by the Vice President. Vouchers shall be properly filed and numbered. At every meeting of the Board of Directors a summary report of such disbursements shall

Whe submitted and reported.

CI A

1

SECTION 3. Records. Copies of the articles of incorporation and by-laws of the Bank, proceedings of stockholders and directors, amendments to the articles of incorporation and by-laws, reports of committees of edirectors and election returns, shall be recorded in the minutes of the book of the Bank. The minutes of the meetings of the committees and of the Board of Directors shall be signed by their respective chairman or presiding officers and attested by the person acting as secretary of the meeting.

SECTION 4. Inspection and Examination of Books. The books, accounts, and records of the Bank shall be opened to inspection and examination by any stockholder of the Bank or by any duly authorized representative of the Central Bank on any working day during office hours.

SECTION 5. Earnings. The Bank shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal years to (1) capital retirement fund to provide for the gradual retirement of the government's equity investment in the bank, (2) establishing and maintaining a reserve for bad and doubtful accounts, (3) replenishing any impairment to its capital. Any sums remaining shall be distributed as dividends to stockholders, but no dividends in excess of 10% per annum shall be paid.

SECTION 6. Investments. Sums in the surplus, reserve and capital retirement funds may be invested in securities issued by the Government of the Philippines or by any Philippine Government instrumentality, and such other securities as may be approved by the Monetary Board as eligible for investments.

SECTION 7. Profit Sharing. The net profits or earnings of the Corporation after deducting the expenses of administration shall be disposed of as follows: Twenty per centum (20%) to surplus, the maximum amount of which to be accumulated shall be left to the discretion of the Board; not more than five per centum (5%) as bonus to the members of the Board of Directors; not more than five per centum (5%) as bonus to the executive officers and employees; and the balance may be declared as dividends and appropriated for other purposes at the discretion of the Board of Directors.

SECTION 8. Fiscal Year. The fiscal year shall end on the 31st day of December in each year.

SECTION 9. The corporate seal of the corporation shall be circular in form and shall bear the name of the Bank.

SECTION 10. Execution of Documents.

a) All documents required to be executed in connection with a banking transaction and releases of security, may be executed in the name of the Bank by the President or Bank Manager or by any other employee specifically designated for the purpose by the Board of Directors.

b) All other documents, including bonds, contracts and conveyances, except checks and vouchers, shall be signed by the President, and shall be attested by the Secretary or Cashier, or in the absence of or due to the inability of the Secretary or Cashier, shall be attested by an Assistant Secretary or an Assistant Cashier.

SECTION 11. Disqualification for Interest. No director, officer, employee or agent of the Bank shall in any manner, directly or indirectly participate in the deliberation, or the determination of any bank matter affecting his pecuniary interests of any enterprise in which he is directly or indirectly interested. A member of the Board of Directors or of any committee shall withdraw from the meeting of the board or committee during its deliberation or determination of any matter with respect to which he is disqualified. When a member of any committee is disqualified, the remaining members who are directors may select another director to serve in the place of the disqualified member.

| Certified true copy from Original: | Venthed by D. ABAD Date Issued |
|------------------------------------|--------------------------------|
| EDNALYN C. ESCALONA | |
| General Manager | |

SECTION 12. Bonding. Any director, officer or employee of the Bank, handling funds or securities amounting to P1,000.00 or more in any one year, should be bonded. The bond must be a surety bond in an amount to be determined by the Monetary Board.

SECTION 13. Dissolution. The Bank may be dissolved in any of the manners provided for by law for the purpose.

SECTION 14. Amendments. Subject to the approval of the Monetary Board of the Central Bank of the Philippines, these by-laws may be amended, repealed or altered in whole or in part by a vote of the owners of a majority of the subscribed capital stock entitled to vote at any regular meeting of the stockholders, or at any special meeting where such action has been announced in the call and notice of such meeting. The Board of Directors may adopt rules and regulations in harmony with the foregoing by laws, but shall not alter or repeal any by-laws and amendments adopted by the stockholders of the Bank.

SECTION 15. Rules and Regulations. All rules and regulations promulgated by the Monetary Bank of the Central of the Philippines in accordance with the General Banking Law and other pertinent laws, are hereby made a part of this Code of By-laws.

Voted upon and adopted this 20th day of May, 1956, in the City of Manila, by the undersigned stockholders owning/representing at least a majority of the subscribed capital stock entitled to vote.

- 1. (Sgd) Catalina R. de Reyes
- 2. Antonio A. Reyes
- 3. (Sgd) Helen R. Reyes
- 4. (Sgd) Cezar K. Roxas
- 5. (Sgd) Dr. Benito K. Reyes
- 6. Atty. Jose B. Tiongco

We, the undersigned, the Secretary and a majority of the directors of the "Rural Bank of Batangas, Philippines, Inc.", do hereby certify that the foregoing instrument is a true and correct copy of the by-laws of said corporation, as approved by the stockholders holding at least a majority of the subscribed capital stock entitled to vote at the meeting of the stockholders held on May 20th, 1956,

- 1. (Sgd) Catalina R. de Reyes
- 2. Antonio A. Reyes
- 3. (Sgd) Helen R. Reyes
- 4. (Sgd)Cezar K. Roxas
- 5. (Sgd) Dr. Benito K. Reyes
- 6. Atty. Jose B. Tiongco

Countersigned:

(Sgd.) Helen R. Reyes Secretary

Certified true copy from Original:

CERTIFIED TRUE COPY

| U | NAL | YIN | C. I | ESC | AL | | IJ |
|---|-----|------|------|------|-----|---|----|
| | Gen | eral | M | lana | age | r | |

DIRECTORS' CERTIFICATE



WKNOW ALL MEN BY THESE PRESENTS:

20 20

(1) (1)

1

We, the undersigned, being a majority of the members of the Board of Directors of PRIDE STAR DEVELOPMENT BANK, INC. (formerly Rural Bank of Batangas, Inc.) the Chairman and the Secretary of the Stockholders' Meeting, do hereby certify that:

1. At the Regular Meeting of the Board of Directors of the corporation held on August 9, 2010 at its principal office, the following amendments to the By-Laws were adopted unanimously by the Board of the corporation, to wit:

"RESOLVED, as it is hereby resolved, to provide for the creation of audit, corporate governance, and risk management committees of the Board, and for this purpose to amend Article V, Section III of the By-laws, the amended section to read as follows:

'SECTION 3. Other Committees. The Board of Directors shall appoint/elect from their number the members of the following committees:

The Audit Committee shall be composed of directors at least two (2) of whom shall be independent directors, including the Committee Chairman. The Audit Committee shall provide oversight of the Bank's financial reporting and control and internal and external audit functions.

The Corporate Governance Committee shall be composed of at least three (3) members of the Board, two (2) of whom shall be independent directors. The Corporate Governance Committee shall assist the Board in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board.

The Risk Management Committee shall be composed of at least three (3) members of the Board. The Risk Management Committee shall be responsible for the development and oversight of the Bank's risk management program.

The members of the Audit, Corporate Governance and Risk Management Committee shall have such other qualifications as may be specified by Bangko Sentral ng

Certified true copy from Original:

CERTIFIED T Venified hvs D. ABAD

12985 .0049 .0013

Pilipinas and the Board of Directors of the Bank. The said committees shall have such other powers and responsibilities as may be provided by the BSP or the Board. They Board shall adopt the terms of reference or charters for said committees which will specify their authority, duties and functions, relationship with the Board of Directors and internal procedures.

Special Committee. The Board of Directors may designate one or more committees in addition to the Credit, Audit, Corporate Governance and Risk Management Committee. Each such committee shall consist of at least two directors of the Bank who shall be elected by the Board of Directors. Each such committee shall possess and exercise such powers and authority as the Board of Directors may delegate. Any member of any committee may be removed at any time by the Board of Directors.'

"RESOLVED, to provide for the position of an independent Internal Auditor and for this purpose to amend Article VI of the By-laws by adding a new section that will read as follows:

'SECTION 6-A. Internal Auditor. The Independent Auditor shall perform an independent audit function. The Independent Auditor shall be appointed or designated by the Board of Directors and shall directly report to the Audit Committee. The Internal Auditor shall have the following duties and responsibilities:

a. to develop and implement an effective audit program covering both management operations and financial aspects of the Bank;

 b. to appraise and evaluate the Bank's financial records to prevent and detect frauds and errors;

c. to constructively examine and analyze the organizational structure, plans and policies, financial and system controls, methods of operations and use of human and physical facilities to reveal defects or irregularities in any of the elements examined and to indicate possible improvements; offici

d. to promote operational efficiency and adherence to prescribed management policies.'

Certified true copy from Original:

EDNALYN C. ESCALONA General Manager

CERTIFIED TRUE COP Venfied hvs D. ABAD

Q. n. 1

5166' 6906' 5862

"RESOLVED, to provide for the position of a Compliance Officer, and for this purpose to amend Article VI of the By-laws by adding a new section that will read as follows:

'SECTION 6-A. Compliance Officer. The principal function of the Compliance Officer is to oversee and coordinate the implementation of the compliance system. His responsibility shall include the identification, monitoring and controlling of compliance risk. The Compliance Officer shall be appointed or designated by the Board of Directors. He shall have such qualifications as may be prescribed by the Bangko Sentral ng Pilipinas.'

- That the above-mentioned amendments were likewise approved by the vote of stockholders owning more than two-thirds (2/3) of the outstanding capital stock of the corporation during the Regular Meeting of the stockholders of the corporation held on August 9, 2010 at its principal office;
- 3. The attached documents are true and correct copies of the By-laws of PRIDE STAR DEVELOPMENT BANK (formerly Rural Bank of Batangas).

2 7 AUG 2010 IN WITNESS WHEREOF, we have hereunto set our hands this MANILA 2010 in OS ANTONIO A. ARELLANO ARD WILL LIAM N. PALOU Chairman / President Director Stockholders' Meeting LEONARDO S. GAYAO LOURDES M. AGUIRRE Director/ Secretary Director of the Stockholders' Meeting CERTIFIED TRUE CO Certified true copy from Original:

080

Venfied bys D. ABAD Date le

17985 .0049 .0015 **OTILIO VICENTE F. ARELLANO II** ANTONIO V.F GREGORIO III Director Director MIGUEL C. MALVAR Director Aplo SECURITIES and EXCHANGE COMMISSION SUBSCRIBED AND SWORN to before me, a Notary Public in and for MANILA _, affiants exhibiting to me their respective identification documents, whose particulars are indicated beneath their respective printed names. aid not affect the integrity of the

Doc. No.: 2147 Page No.: 473 Book No.: U Series of 2010.

GUAOILI Atty. Di Notary Public

Until December 31, 2610 PTR No. 9236238 Jan. 6, 2010 Q.C. COMORI 2 IBP No. 794111 Jan. 4. 2010 Q.C. Atty. Roll No. 24655 MCLE II - 0015473



Venfied by: D. ABAD

Certified true copy from Original:

Republic of the Philippines SECURITIES and EXCHANGE COMMISSION

I hereby certify that [a] this is a true copy of the document stored In the SEC I-View facility to which proper security measures were employed to ensure date integrity, consisting of <u>FUURTUE</u> [_____] page(s); and [b] at all material times, the SEC I-View Facility was operating in a manner that did not affect the integrity of the electronic document.

PRINTE CTAR DEVERSION MENT MANK (DC.

OR No.: 660000 Bated

BASIS: ELECTRONIC RECORDS FROM CD NOTE: NOW: PHILITAL DEVELOPMENT WANK IN(.



Romeo B. Camano SEC PSRU Specialist Electronic Records Management Division formation and Communications Technology Department

Certified true copy from Original:

1

M _____ paid under

DEC 0 6 2017

Department of commerce and industry Securities and Exchange Commission MANILA

TO ALL TO WHOM THESE PRESENTS MAY COME, GREETINGS:

under and in accordance with the provisions of Act of the Philippine Commission Numbered Fourteen Hundred and Fifty-nine, enacted March first, Nineteen hundred and six, as amended by Acts of the Philippine Legislature, Numbered Fifteen hundred and six, Fifteen hundred and sixty-five, Sixteen hundred and thirty, Seventeen hundred and forty-four, Eighteen hundred and thirty-four, Eighteen hundred and ninety-five, Twenty hundred and three, Twenty hundred and twelve, Twenty hundred and thirty-seven, Twenty hundred and ninety-two, Twenty-one hundred, Twenty-one hundred and thirty-five, Twenty-four hundred and fifty-two. Twenty-seven hundred and twenty-eight, Twenty-seven hundred and ninety-two, Twenty-nine hundred, Twenty-nine hundred and ninety-four, Thirty-five hundred and eighteen, Thirty-six hundred and ten, Thirty-seven hundred and forty-one, Thirty-eight hundred and forty-nine and Thirty-eight hundred and fifty, and Commonwealth Acts Numbered Two hundred and eighty-seven, and Four hundred and thirty-seven, were presented for filing in this Commission on <u>Mar ch 1, 1956</u>, and a copy of which said Articles is hereto

attached:

Now THEREFORE, by virtue of the powers and duties vested in me by law, I do hereby certify that the said Articles of Incorporation were, after due examination to determine whether they are in accordance with law, duly registered in this Commission on the <u>2nd</u> day of <u>March</u>, Anno Domini, Nineteen hundred and <u>fifty-six</u>.

> IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Manila, Philippines this _______ and of _______ M a r c h______, in the year of our Lord nineteen hundred and _______ fifty-six______, and of the Independence of the Philippines, the _______ Tenth.

> > (Sgd.) Mariano G. Pineda Commissioner

CENTRAL BANK OF THE PHILIPPINES 1949

CERTIFICATE OF AUTHORITY

Date March 1, 1956

No. 48

This will certify that the ARTICLES OF INCORPORATION of the

RURAL BANK OF BATANGAS, INC.

Philippines, Inc.

duly signed by its incorporators on February 11, 1956 and notarially acknowledged by its Treasurer on the same date may now be registered with the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Central Bank at Manila, Philippines, this 1st day of March, in theyear of our Lord, nimeteen hundred and fifty-six.

For the Monetary Board:

(Sgd.) M. Cuaderno, Sr. Governor

COPY

ARTICLES OF INCORPORATION OF THE RURAL BANK OF BATANGAS INC.

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, all of whom are of legal age and residents of the Philippines, have this day voluntary associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST. That the name of this corporation shall be "RURAL BANK OF BATANGAS, INC."

SECOND. That the objects and purposes for which said corporation is formed are: To carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or interprises; and to have and exercise all authority and power to do and perform all acts and to transact all business which may legally be had or done by Rural Banks organized under and in accordance with the Rural Banks Act, as it exists or may be amended and to do all other things incident thereto and necessary and proper and in connection with said prupose within such teritory as may be determined by the Monetary Board of the Central Bank of the Philippines.

THIRD. That the principal office of the corporation is to be located at Batangas, province of Batangas, Philippines.

FOURTH. That the term of existence of the corporation is to be fifty (50) years from and after the date of incorporation.

FIFTH. That the names, residences and citizenships of the incorporators of the said corporation are as follows:

| NAN | Æ | RESIDENCE | | CITIZENSHIP |
|--------------|---------------------------------------|-----------|------|-------------|
| | R. Reyes incorporator A. Reyes) | | | Filipino |
| 2. Antonio A | . Reyes | | | Filipino |
| 3. Helen R. | Reyes | | - 26 | Filipino |
| 4. Cezar K. | Roxas | | | Filipino |
| 5. Dr. Benit | to K. Reyes | | | Filipino |
| 6. Atty. Jos | e B. Tiongco | | | Filipino |
| 7. Felipe An | ntolin | | | Filipino |
| 8. Florencia | Bagsit | | | Filipino |

SIXTH: That the number of directors of the said corporation shall be six (6) and the name of the directors of the said corporation who are to serve until their successors are elected and qualfie d as provided by the by-laws are as follows:

NAME

| 1. | Catalina R. Reyes | | Filipino |
|----|------------------------|---|----------|
| 2. | Antonio A. Reyes | | Filipino |
| 3. | Helen R. Reyes | | Filipino |
| 4. | Cezar K. Roxas | (| Filipino |
| 5. | Dr. Benito K. Reyes | | Filipino |
| 6. | Atty. Jose B. Tiongco. | | Filipino |

SEVENTH: That the capital stock of this corporation is ONE MILLION PESOS (F1,000,000.00) Philippine Currency divided into FIVE THOUSAND SHARES of Common Stock, and FIVE THOUSAND SHARES of Preferred Stock, both of the par-value of ONE HUNDRED PESOS each.

(a) Preferred stocks shall be issued only against government investment in the capital stock of the Bank. Preferred stock so issued shall have preference over common stock in the assets of the corporation in the event of liquidation as provided hereunder.

(b) Only common stock shall be entitled to voting rights. Preferred Stocks shall be non-voting; but in case of sale of the government of its preferred stocks to private shareholders, such stock automatically becomes common stock with voting rights, thereby reducing the outstanding number of preferred stocks and increasing the number of outstanding common stocks.

Preferred Stock shall share in dividend distributions not exceeding two per centum 2% thereof without preference. That amount of any dividends payable to any holder of stock may be applied to the repayment of the stockholders indebtedness to the Bank.

As soon as the Bank has resources available for the purpose, the equity investment of the government as evidenced by outstanding preferred stock shall be reduced by retirement of such stock as its par value and its sale to private investors in the manner provided for in Section 7, of Republic Act No. 720 (Rural Banks Act) as amended).

No retirement or purchase by the Bank of its shares subschibed by private shareholders shall be made unless an equal amount of preferred shares is purchased so long as the government holds preferred shares in the Bank.

In the event of liquidation, dissolution, receivership, bankruptcy, or winding up of the affairs of the Bank, voluntry or involuntary, the assets of the Bank remaining after the payments have been made to the creditors shall be distributed in the following order: First recipients shall be the holders of preferrd stocks to the full par value of the preferred stocks, or ratably in so far as the assets of the bank will permit, then the holders of the common stock to the full par value of the common stock, or ratably so intso far as the assets of the Bank will permit; and thereafter, any sums remaining shall be distributed equally to holders of common and preferred stocks alike. In the absence of preferred stocks, common stockholders shall share in proportion to their respective holdings in the assets available for distribution.

That above rights preferences and restributions shall be printed on the back of the Stock Certificate to be issued by the Bank. EIGHT: That the amount of Common Stock which has been actually subscribed is TWO HUNDRED THOUSAND PESOS (F200,000.00) and the following have subscribed for the number of shares and the amount of Common Stocks set out after their respective names:

| | RESIDENCE | C <u>ITIZENSHIP</u> | NO. OF SHARES | A MOUNT OF COMMON STOCKS SUBSCRIBED |
|------------------------|-----------|---------------------|------------------|---|
| 1. Catalina R. Reyes | | Filipino | 1,100 | P110,000.00 |
| 2. Antonio A. Reyes | • | Filipino | 100 | 10,000.00 |
| 3. Helen R. Reyes | | Filipino | 100 | 10,000.00 |
| 4. Cezar K. Roxas | | Filipino | 200 | 20,000.00 |
| 5.Dr. Benito K. Reyes | | Filipino | 200 | 20,000.00 |
| 6. Atty. Jose B. Tiong | geo | , Filipino | 200 | 20,000.00 |
| 7. Felipe Antolin | | Filipino | 50 | 5,000.00 |
| 8. Florencio Bagsit | | Filipino tal | 2,000 | <u>5,000.00</u> ₽200,000.00 |
| | | | | |

NINTH: That the following persons have paid on the shares of Common

| Stock | for which | they have | subscribed | the | amount set | out | alter | fue TL | reabacerva |
|--------|-----------|-----------|------------|-----|------------|------|-------|--------|------------|
| names: | | | | | A MOUTINE | DATD | ON | | |

| | NAMES SU | DESCRIPTION TO |
|----|------------------------|-----------------------------|
| 1. | Catalina R. Reyes | 38,300.00 |
| 2. | Antonio A. Reyes | 5,000.00 |
| 3. | Helen R. Reyes | 5,000.00 |
| 4. | Cezar K. Roxas | 500.00 |
| 5. | Dr. Benito K. Reyes | 500.00 |
| 6. | Atty. Jose B. Tiongco | 500.00 |
| 7. | Felipe Antolin | 100.00 |
| 8. | Florencio Bagsit Total | <u>100.00</u> ₽50,000.00 |
| | | |

TENTH: That Miss Helen R. Reyes has been elected by the subscribers as Treasurer of the Corporation to act as such until her successor is duly elected and qualified in accordance with the By-Laws and as such Treasurer she has been authorized to receive for the Corporation and to receipt in its name for all subscriptions paid in by said subscribers.

- next page -

IN WITNESS WHEREOF, we have hereunto set our hands this 11th day of February, 1956, A.D.

1. (Sgd.) Catalina R. Reyes 4. (Sgd.) Cezar K. Roxas (Wife of Incorporator Antonio A. Reyes)

- 4 -

2. (Sgd.) Antonio Reyes by C.R. Reyes 5. (Sgd.) Dr. Benito Reyes Attorney in Fact

3. (Sgd.) Helen R. Reyes (single) 6.(sgd.) Atty. Jose B. Tiongco

7. (Sgd.) Felipe Antolin

8. (Sgd.) Florencio A. Bagsit

Signed in the presence of: (Sgd.) Illegible (Sgd.) Ciria L. Mapolon

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES) PROVINCE OF BATANGAS) S.S. 6ITY OF LIPA)

Before me, the undersigned, a Notary Public in and for the Province of Batangas, Philippines, personally appeared:

| | NAME | CITIZENSHIP | RES. CERT. NO. | DATE AND PLACE OF ISSUE |
|----|--------------------|--------------|----------------|----------------------------|
| 1. | Catalina R. Reyes | Filipino | A -4283666 | 1/21/56 Lipa City |
| 2. | Antonio A. Reyes | Filipino | A-4283667 | 1/21/56 Lipa City |
| 3. | Helen R. Reyes | Filipino | A-2361106 | 2/15/55 Manila |
| 4. | Cezar K. Roxas | Filipino | A+0268386 | 3/5/55 Manila |
| 5. | Atty. Jose B. Tion | gco Filipino | A-0275201 | 5/25/55 Manila |
| 6. | Dr. Benito Reyes | Filipino | A-4207185 | 2/15/56 Ibaan, Bats. |
| 7. | Felipe Antolin | Filipino | A-4172114 | 1/4/56 Batangas, Bat. |
| 8. | Florencio Bagsit | Filipino | A-4171996 | 1/3/56 Batangas Bat. |

known to me to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their free act and voluntary deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal this 20th day of February, A.D. 1956.

(Sgd.) Carlos S. Solis Notary Public Until Dec. 31st, 1957

Doc. No. 31 Page No. 56 Book No. III Series of 1956.





The following document has been received:

Receiving: Buen Jose Mose Receipt Date and Time: July 12, 2021 09:11:12 AM

Company Information

SEC Registration No.: 0000010906 Company Name: PHIL STAR DEVELOPMENT BANK INC. Industry Classification: Company Type:

Document Information

Document ID: OST107122021863554 Document Type: GENERAL_INFORMATION_SHEET Document Code: GIS Period Covered: June 22, 2021 Submission Type: GIS Remarks: None

| | GEN | ERAL INFORMATION | N SHEET | '(GIS) | | | | | |
|--|---|---|--|--|---|--|--|--|--|
| | FOR THE YEAR 2021 | | | | | | | | |
| | | STOCK CORPORA | TION | | | | | | |
| GENERAL INSTRUCTIONS: 1. FOR USER CORPORATION: THIS GIS : MEETING. DO NOT LEAVE ANY ITEM THE INFORMATION IS NON-EXISTEM THE GIS SHALL BE SUBMITTED WIT CORPORATION AT THE ANNUAL ME 2. IF NO MEETING IS HELD, THE CORPORE | 1 BLANK. WRITE "N NT. IF THE ANNUAL HIN THIRTY (30) C. MBERS' MEETING. | I.A." IF THE INFORMATIO STOCKHOLDERS' MEETI ALENDAR DAYS AFTER | N REQUIR NG IS HEI THE ELEC | ED IS NOT APPLICABLE TO TH .D ON A DATE OTHER THAN 7 .TION OF THE DIRECTORS, TF | IE CORPORATION OR "NONE" IF THAT STATED IN THE BY-LAWS, RUSTEES AND OFFICERS OF THE | | | | |
| AN ANNUAL STOCKHOLDERS' MEET | ING BE HELD THERE | EAFTER, A NEW GIS SHAL | L BE SUB | MITTED/FILED. | | | | | |
| THIS GIS SHALL BE ACCOMPLISHED I THE SEC SHOULD BE TIMELY APPRIS ACTIONS THAT AROSE BETWEEN T TOGETHER WITH A COVER LETTER SUBMITTED WITHIN SEVEN (7) DAY SUBMIT FOUR (4) COPIES OF THE GI ALL COPIES SHALL UNIFORMLY BE C ONLY THE GIS ACCOMPLISHED IN A THIS GIS MAY BE USED AS EVIDENCI | SED OF RELEVANT (HE ANNUAL MEETI SIGNED THE CORP S AFTER SUCH CHAI S TO THE RECEIVIN N A4 OR LETTER-SI ACCORDANCE WITH | CHANGES IN THE SUBMI' NGS, THE CORPORATION ORATE SECRETARY OF T NGE OCCURED OR BECAM NG SECTION AT THE SEC IZED PAPER. THE PAGES I THESE INSTRUCTIONS | ITED INFO SHALL SI THE CORPO IE EFFECT MAIN OFF OF ALL CO SHALL BH | DRMATION AS THEY ARISE. F UBMIT AMENDED GIS CONTA ORATION. THE AMENDED GIS TVE. FICE, OR TO SEC SATELLITE O DPIES SHALL USE ONLY ONE S E CONSIDERED AS HAVING BI | OR CHANGES RESULTING FROM MINING THE NEW INFORMATION S AND COVER LETTER SHALL BE FFICES OR EXTENSION OFFICES. IDE EEN FILED. | | | | |
| LAWS, RULES AND REGULATIONS | | | | | •••••••••••••••••••••••••••••••••••••• | | | | |
| CORPORATE NAME: | | ==== PLEASE PRINT LEGIBLY | * ======= | | DATE REGISTERED: | | | | |
| | PHIL STAR DEVEL | LOPMENT BANK, INC. | | | DATE REGISTERED. | | | | |
| BUSINESS/TRADE NAME: | | | | | MARCH 2, 1956 | | | | |
| 1 0 00 0 10 10 10 10 10 10 10 10 10 10 1 | PHIL STAR DEVEL | OPMENT BANK, INC. | | | FISCAL YEAR END: | | | | |
| SEC REGISTRATION NUMBER: | | | | | | | | | |
| | | 000/ | | | | | | | |
| DATE OF ANNUAL MEETING PER BY-LA | | 0906 | | 1999) | December 31 | | | | |
| | | | | | NUMBER (TIN) | | | | |
| ACTUAL DATE OF ANNUAL MEETING: | EVERY 19TH DAY O | OF JUNE OF EACH YEAR | | | 000-935-545 WEBSITE/URL ADDRESS: | | | | |
| ACTOREDATE OF ANTOAE MEETING. | IUNE | 22, 2021 | | | NONE | | | | |
| COMPLETE PRINCIPAL OFFICE ADDRES | - 100 Sectors | | | | E-MAIL ADDRESS: | | | | |
| | OLENTINO ROAD, I | KUMINTANG IBABA, BAT | FANGAS C | ПТҮ | pridestardevelopmentbank@g mail.com | | | | |
| COMPLETE BUSINESS ADDRESS: | | | | | FAX NUMBER: | | | | |
| | | KUMINTANG IBABA, BAT | TANGAS C | CITY | (043) 723-2667 | | | | |
| OFFICIAL E-MAIL ADDRESS pridestardevelopmentbank@gmail.com | | E-MAIL ADDRESS nk.gm@gmail.com | OFF | ICIAL MOBILE NUMBER 0922-838-1534 | ALTERNATE MOBILE NUMBER 0922-838-1533 | | | | |
| | praperteeres | ninginingineni.com | | 0722-050-1554 | 0722-050-1555 | | | | |
| NAME OF EXTERNAL AUDITOR & ITS SIG | GNING PARTNER: | | SEC ACCRE | DITATION NUMBER (if applicable): | TELEPHONE NUMBER(S): | | | | |
| RAMON F. GARCIA & COMPANY, | , CPAs / MS. HONOF | RATA L. PAGUIO | | 0257-FR-2 | (043) 723-2667; (043) 980- 6206 | | | | |
| PRIMARY PURPOSE/ACTIVITY/INDUST | RY PRESENTLY EN | GAGED IN: | INDUSTI | RY CLASSIFICATION: | GEOGRAPHICAL CODE: | | | | |
| BAI | NKING | | | BANKING | 4200 | | | | |
| | ====== IN'I | TERCOMPANY AFFILIATI | IONS === | | | | | | |
| PARENT COMPANY | | SEC REGISTRATION | N NO. | AD | DRESS | | | | |
| NONE | | N/A | | | N/A | | | | |
| SUBSIDIARY/AFFILIAT | Е | SEC REGISTRATION | N NO. | | DRESS | | | | |
| NONE | | N/A | | | N/A | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | <u> </u> | | ····· | · · · · · · · · · · · · · · · · · · · | | | | |
| | NOT | E: USE ADDITIONAL SHEET | IF NECESSA | LARY | | | | | |

.

•

| ' GENERAL INFORMATION SHEET | | | | | | | | |
|--|--|--|--|--|--|--|--|--|
| STOCK CORPORATION | | | | | | | | |
| Comparate Name: | | | | | | | | |
| Corporate Name: PHIL STAR DEVELOPMENT BANK, INC. | | | | | | | | |
| A. Is the Corporation a covered person under the Anti Money Laundering Act (* Yes No | | | | | | | | |
| [AMLA], as amended? [Rep. Acts. 9160/9164/10167/10365] | | | | | | | | |
| Please check the appropriate box: | | | | | | | | |
| 1. | | | | | | | | |
| Danks | Jewelry dealers in precious metals, who, as a | | | | | | | |
| D. Offshore Banking Units | 4 business, trade in precious metals | | | | | | | |
| ☐:. Quasi-Banks ☐1. Trust Entities | | | | | | | | |
| | | | | | | | | |
| Description: D | | | | | | | | |
| g . Foreign Exchage Dealers | louislas declara in province atomas video es a | | | | | | | |
| h. Money Changers | 5. Jewelry dealers in precious stones, who, as a business, trade in precious stone | | | | | | | |
| i. Remittance Agents | business, trade in precious stone | | | | | | | |
| i. Electronic Money Issuers | | | | | | | | |
| k. Financial Institutions which Under Special Laws are subject to | | | | | | | | |
| Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, | Company service providers which, as a business, | | | | | | | |
| including their subsidiaries and affiliates. | 6. provide any of the following services to third | | | | | | | |
| 2. | parties: | | | | | | | |
| a. Insurance Companies | | | | | | | | |
| b. Insurance Agents | 1 . acting as a formation agent of juridical persons | | | | | | | |
| C. Insurance Brokers | . acting as (or arranging for another person to act as) | | | | | | | |
| d. Professional Reinsurers | a director or corporate secretary of a company, a | | | | | | | |
| e. Reinsurance Brokers | partner of a partnership, or a similar position in relation to other juridical persons | | | | | | | |
| f. Holding Companies | relation to other jurializations | | | | | | | |
| ☐g. Holding Company Systems ☐h. Pre-need Companies | The providing a projectory de 66 as husingers address an | | | | | | | |
| i. Mutual Benefit Association | : providing a registered office, business address or accommodation, correspondence or administrative | | | | | | | |
| \prod j. All Other Persons and entities supervised and/or regulated by the | address for a company, a partnership or any other | | | | | | | |
| Insurance Commission (IC) | legal person or arrangement | | | | | | | |
| 3. | | | | | | | | |
| a. Securities Dealers | . acting as (or arranging for another person to act as) | | | | | | | |
| b. Securities Brokers | a nominee shareholder for another person | | | | | | | |
| c. Securities Salesman | 7. Persons who provide any of the following services: | | | | | | | |
| | | | | | | | | |
| d. Investment Houses | a. managing of client money, securities or other assets | | | | | | | |
| e. Investment Agents and Consultants | | | | | | | | |
| f. Trading Advisors g. Other entities managing Securities or rendering similar services | p. management of bank, savings or securities accounts | | | | | | | |
| h. Mutual Funds or Open-end Investment Companies | c. organization of contributions for the creation, | | | | | | | |
| i. Close-end Investment Companies | operation or management of companies | | | | | | | |
| j. Common Trust Funds or Issuers and other similar entities | operation of management of companies | | | | | | | |
| k. Transfer Companies and other similar entities | l. creation, operation or management of juridical | | | | | | | |
| I. Other entities administering or otherwise dealing in currency, | persons or arrangements, and buying and selling | | | | | | | |
| commodities or financial derivatives based there on | business entities | | | | | | | |
| n. Entities administering of otherwise dealing in valuable objects | 8. None of the above | | | | | | | |
| n. Entities administering or otherwise dealing in cash Substitutes and | Describe N/A | | | | | | | |
| other similar monetary instruments or property supervised and/or | nature of | | | | | | | |
| regulated by the Securities and Exchange Commission (SEC) | business: | | | | | | | |
| D. Has the Comparative court is to be in the second | | | | | | | | |
| B. Has the Corporation complied with the requirements on Custom (CDD) or Know Your Customer (KYC), record-keeping, and subn | alignian of poports | | | | | | | |
| under the AMLA, as amended, since the last filing of its GIS? | Assion of reports · Yes · No | | | | | | | |
| | | | | | | | | |

5

GENERAL INFORMATION SHEET

STOCK CORPORATION

CORPORATE NAME:

.

PHIL STAR DEVELOPMENT BANK, INC.

| CORPORATE NA | AME: | | Р | HIL STAR DEVEI | LOPMENT BANK, | . INC. | | |
|---|---------------------------------------|------------------|---------------------|---|---------------------|--|-------------------|--|
| | | | CAPITA | L STRUCTURE | | | ······ | |
| AUTHORIZED CA | PITAL STOCK | | | | | | | |
| | | TYPE OF SHARES * | NUMBER OF SHARES | PAR/STAT | FED VALUE | AMOUNT (PhP (No. of shares X Par/Sta | | |
| | | | 5,000,000 | | 100.00 | 500,000,000.00 | 0 | |
| | | | | | | | | |
| · · · · · · · · · · · · · · · · · · · | | TOTAL | 5,000,000 | 1. <u> </u> | TOTAL P | 500,000,000.0 | 0 | |
| SUBSCRIBED CAI | PITAL | | | | | | | |
| FILIPINO | NO. OF STOCK- HOLDERS | TYPE OF SHARES * | NUMBER OF SHARES | NUMBER OF SHARES IN THE HANDS OF THE PUBLIC ** | PAR/STATED VALUE | AMOUNT (PhP) | % OF OWNERSHI | |
| | 10 | | 2,000,000 | | 100.00 | 200,000,000.00 | 100. | |
| | | | | | | | | |
| | | TOTAL | 2,000,000 | TOTAL | TOTAL P | 200,000,000.00 | 100.0 | |
| F O R E I G N (INDICATE BY NATIONALITY) | NO. OF STOCK- HOLDERS | TYPE OF SHARES * | NUMBER OF SHARES | NUMBER OF SHARES IN THE HANDS OF THE PUBLIC ** | PAR/STATED VALUE | AMOUNT (PhP) | % OF OWNERSHI | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| Percentage of Fo | reign Equity : | TOTAL | | TOTAL | TOTAL P | | | |
| | | | <u></u> | TOTAL | SUBSCRIBED P | 200,000,000.00 | | |
| PAID-UP CAPIT | 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | | | | | | r | |
| FILIPINO | NO. OF STOCK- HOLDERS | TYPE OF SHARES * | NUMBER OF SHARES | PAR/STAT | FED VALUE | AMOUNT (PhP) | % OF OWNERSHI | |
| | | | 1,806,001 | | 100.00 | 180,600,100.00 | 100.0 | |
| | | | | | | | | |
| | | | | | | | | |
| | | TOTAL | 1,806,001 | | TOTAL P | 180,600,100.00 | 100.0 | |
| F O R E I G N (INDICATE BY NATIONALITY) | NO. OF STOCK- HOLDERS | TYPE OF SHARES * | NUMBER OF SHARES | PAR/STAT | FED VALUE | AMOUNT (PhP) | % OF OWNERSHII | |
| | | | | | | | | |
| | • • • • • • • • • • • • • • • • • • • | | | | | | | |
| 0.00 % | | TOTAL | | | TOTAL P | The second s | | |
| | | | | TOTAL PAID-U | P P | 180,600,100.00 | 100.0 | |
| | | NOTI | E: USE ADDITION | AL SHEET IF NE | CESSARY | | | |
| * Common, Prefe | rred or other cl | | | | | | | |
| 1 10 10 10 10 10 10 10 10 10 10 10 10 10 | | | | | | | | |

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

GENERAL INFORMATION SHEET

STOCK CORPORATION

| CORPORATE NAME: | PHIL STAR DE | | | | | | | |
|--|--|----------------------|--------------|---------------|-----------------|---------------------|----------------|-----------------------------|
| | | DIRI | ECTOR | S / OF | FICERS | | | |
| NAME/CURRENT RESIDENTIAL ADDRESS | NATIONALITY | INC'R | BOARD | GENDER | STOCK HOLDER | OFFICER | EXEC. COMM. | TAX IDENTIFICATIO NUMBER |
| 1. RAUL B. DE MESA | FILIPINO | N | С | м | Y | N/A | A/M | \searrow |
| 2. RODRIGO C. REYES | FILIPINO | N | м | М | Y | PRESIDENT | | |
| 3. ILUMINADO B. MONTEMAYOR | FILIPINO | N | М | М | Y | TREASURER | | |
| 4. REGINA O. REYES | FILIPINO | N | м | F | Y | N/A | | \searrow |
| 5. ARTURO V. MAGTIBAY | FILIPINO | N | м | М | Y | N/A | | |
| 6. ANTONIO VICTORIANO F. | FILIPINO | N | м | м | Y | N/A | A/M | \geq |
| 7. CLARITA T. ZARRAGA | FILIPINO | N | I | F | Y | N/A | A/C | |
| 8. EDNALYN C. ESCALONA | FILIPINO | N | | F | N | GENERAL MANAGER | N/A | |
| 9. MELECIA H. PAGCALIWAGAN | FILIPINO | N | | F | N | CASHIER | N/A | |
| 0. MARY REMIE JANE T. MARASIGAN | FILIPINO | N | | F | N | CORPORATE SECRETARY | N/A | \searrow |
| 1. ELYSSA LORAINE A. RAMOS | FILIPINO | N | | F | N | COMPLIANCE OFFICER | N/A | |
| 2 | | | | | | | | |
| 3. | | | | | | | | |
| 4. | | | - 14 14 - | | | | | - |
| 5. | | | | | | | | |
| STRUCTION: | | | | | | | | |
| FOR SEX COLUMN, PUT "F" FOR FEMALE, " FOR BOARD COLUMN, PUT "C" FOR CH FOR INC'R COLUMN, PUT "Y" IF AN INCC FOR STOCKHOLDER COLUMN, PUT "Y" FOR OFFICER COLUMN, INDICATE PARTI | AIRMAN, "M" FOR M DRPORATOR, "N" IF IF A STOCKHOLDEF | NOT. R, "N" IF NC | ρŦ. | | | | | |

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER,

SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE, ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

,

GENERAL INFORMATION SHEET

STOCK CORPORATION

| | | STOCK CORI | NT LEGIBLY ===== | | ======================================= | |
|---|--------------|-------------|--|-------------|--|---|
| CORPORATE NAME: | PHIL STAR I | DEVELOPMENT | BANK, INC. | | <u> </u> | |
| TOTAL NUMBER OF STOCKHOLDERS: | 10 | <u></u> | NO. OF STOCKHOLDE | RS WITH 100 | OR MORE SHARI | 54 |
| FOTAL ASSETS BASED ON LATEST AUDITED FINA | NCIAL STATEN | AENTS: | P246,540,119.00 | | | |
| | ST | OCKHOLDER'S | INFORMATION | | | <u>, , , , , , , , , , , , , , , , , , , </u> |
| · · · · · · · · · · · · · · · · · · · | | SHARES | SUBSCRIBED | <u> </u> | | · · · · · · · · · · · · · · · · · · · |
| NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS | ТҮРЕ | NUMBER | AMOUNT (PhP) % OF OWNER- SHIP | | AMOUNT PAID (PhP) | TAX IDENTIFICATION NUMBER |
| 1 PHILIPPINE REGIONAL INVESTMENT DEVELOPMENT CORP. | соммон | 799,995 | 79,999,500.00 | | | |
| FILIPINO | | | | 40.00% | 79,999,500.00 | |
| | | | | 10.0070 | 79,999,500.00 | |
| | TOTAL | 799,995 | 79,999,500.00 | | | |
| 2. BLUE STOCK DEVELOPMENT HOLDINGS, INC. | COMMON | 399,999 | 39,999,900.00 | | | |
| FILIPINO | | | | | | |
| | | | | 20.00% | 39,999,900.00 | |
| | TOTAL | 399,999 | 39,999,900.00 | | | |
| 3. HEDGE INTEGRATED MANAGEMENT GROUP, INC. | COMMON | 399,999 | 39,999,900.00 | | - 160 - 833 - 60 - 80 - 80 - 80 - 80 - 80 - 80 - 80 | |
| FILIPINO | | | | | | |
| | | | | 20.00% | 39,999,900.00 | |
| | TOTAL | 399,999 | 39,999,900.00 | | | |
| 4. RODRIGO C. REYES | COMMON | 400,000 | 40,000,000.00 | | | · · · · · · · · · · · · · · · · · · · |
| FILIPINO | | | | 20.000/ | 00 (00 100 00 | |
| | | | | 20.00% | 20,600,100.00 | |
| | TOTAL | 400,000 | 40,000,000.00 | | | |
| 5. REGINA O. REYES | COMMON | 2 | 200.00 | | | |
| FILIPINO | | | | | 200.00 | |
| | TOTAL | 2 | 200.00 | | | |
| 6. RAUL B. DE MESA | COMMON | | 100.00 | | | |
| FILIPINO | COMMON | | 100.00 | | | |
| | | | | | 100.00 | $>\!\!\!<$ |
| | TOTAL | 1 | 100.00 | | | |
| 7. ARTURO V. MAGTIBAY | COMMON | 1 | 100.00 | | | |
| FILIPINO | | | | | and a state of the | |
| | | | | | 100.00 | |
| | TOTAL | 1 | 100.00 | | | |
| TOTAL AMOUNT O | F SUBSCRIBE | D CAPITAL | 199,999,700.00 | 100.00% | 100 | ,599,800.00 |
| | | TOTAL AM | OUNT OF PAID-UP C | APITAL | 100 | ,, |

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

.

GENERAL INFORMATION SHEET STOCK CORPORATION

| CORPORATE NAME: | | EVELOPMENT | | | | |
|--|---------------|-------------|--|---------------------|---------------------------------------|-------------------------|
| TOTAL NUMBER OF STOCKHOLDERS: | 10 | | NO. OF STOCKHOLDERS | WITH 100 OR MO | DRE SHARES EACH: | 4 |
| TOTAL ASSETS BASED ON LATEST AUDITED FS: | P246,540,11 | 9.00 | 1 | | · | |
| | S | STOCKHOLDEF | SINFORMATION | | · · · · · · · · · · · · · · · · · · · | |
| | | SHAR | ES SUBSCRIBED | | | ТАХ |
| NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS | туре | NUMBER | AMOUNT (PhP) | % OF OWNER- SHIP | AMOUNT PAID (PhP) | IDENTIFCATION NUMBER |
| 8. ILUMINADO B. MONTEMAYOR FILIPINO | COMMON | 1 | 100.00 | | | |
| | TOTAL | 1 | 100 | | 100.00 | |
| 9. ANTONIO VICTORIANO F. GREGORIO, III FILIPINO | COMMON | 1 | 100.00 | | | |
| | TOTAL | 1 | 100 | | 100.00 | |
| 10. CLARITA T. ZARRAGA FILIPINO | COMMON | 1 | 100.00 | | | |
| | TOTAL | 1 | 100 | | 100.00 | |
| 11. NOTHING FOLLOWS*** | | | | | | |
| | TOTAL | | | | | |
| 12. | | | | | | |
| | TOTAL | | | | | |
| 13. | | | | | | |
| | TOTAL | | | | | |
| 14. | | | | | | |
| | TOTAL | | | | | |
| TOTAL AMOUNT | OF SUBSCRIBED |) CAPITAL | 200,000,000.00 | 0.00% | 30 | 0.00 |
| | | ΤΟΤΑ | L AMOUNT OF PAID-U | P CAPITAL | 180,60 | 00,100.00 |
| INSTRUCTIO Note: For PDTC Nominee included in the list, please separate sheet, if necessary. | | | IOLDERS AND INDICATI ners owning more than 59 | | | ecurities. Attach |

9

.

GENERAL INFORMATION SHEET STOCK CORPORATION

| | | == PLEASE P | RINT LEGIBLY ==== | ========== | | |
|---|---------------|------------------|-----------------------------|------------------------|------------------------|--|
| CORPORATE NAME: | | | | | | |
| TOTAL NUMBER OF STOCKHOLDERS: | | | NO. OF STOCKBOLDERS WITH 10 | D OR MORE SHARES EAC | 1: | |
| TOTAL ASSETS BASED ON LATEST AUDITED FS: | | | | | | |
| | 5 | TOCKHOLDER | 'S INFORMATION | | | an a |
| | | SHAR | ES SUBSCRIBED | | | |
| NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS | ТҮРЕ | NUMBER | AMOUNT (PhP) | % OF OWNER- SHIP | AMOUNT PAID (PhP) | TAX IDENTIFICATION NUMBER |
| 15. | | | | | | |
| | | | | - | | |
| | TOTAL | | | - | | |
| 16. | | | | | | |
| | | | | | | |
| | TOTAL | | | - | | |
| 17. | | | | | ••••••• | |
| | | | | - | | |
| | | · · · · · · · · | | - | | |
| | TOTAL | | | - | | |
| 18. | | | | | | |
| | | | | - | | |
| | | | | | | |
| | TOTAL | | | | | |
| 19. | | ····· | | | <u> </u> | |
| | | | | | | |
| | | | | | | 1 |
| | TOTAL | | | | | |
| 20, | | | | | | |
| | | | | \Box | | |
| | TOTAL | | | - | | |
| | 101112 | | | | | |
| 21. OTHERS (Indicate the number of the remaining stockholders) | | | | | <u></u> | |
| ······ | | | | | | |
| | | | | | | |
| | TOTAL | | | | | |
| TOTAL AMOUNT OF | SUBSCRIBI | ED CAPITAL | | 0.00% | | L |
| | | TOTAL A | MOUNT OF PAID-UP | | | 0.00 |
| | | | OLDERS AND INDICAT | | | |
| Note: For PDTC Nominee included in the list, please indica separate sheet, if necessary. | te further th | e beneficial own | ers owning more than 5 | % of any class of | f the company's voting | g securities. Attach |

• ·

GENERAL INFORMATION SHEET STOCK CORPORATION

| | | | ASE PRINT LEGIBL | Y ====== | ====== | |
|--|-----------------------------|-----------|-----------------------------|-----------------------|---|---|
| CORPORATE NAME: | PHIL STAR DEVELOPME | NT BANK | , INC. | | | |
| | | | | | | |
| 1. INVESTMENT OF COR | PORATE | <u> </u> | AMOUNT (| PhP) | DATE | F BOARD RESOLUTION |
| FUNDS IN ANOTHER C | ORPORATION | | | , | | |
| 1.1 STOCKS | | N/A | | | N/A | |
| | RCIAL PAPER (Issued by | 1 | N/A | | | N/A |
| Private Corporat | | | N/A | | | |
| 1.3 LOANS/ CREDITS | | | N/A | | | N/A |
| 1.4 GOVERNMENT T | REASURY BILLS | | N/A | | | N/A |
| 1.5 OTHERS | | | N/A | | | N/A |
| 2. INVESTMENT OF COR SECONDARY PURPOSI | | VITIES UN | IDER ITS | DATE OF BO RESOLUT | | DATE OF STOCKHOLDERS RATIFICATION |
| | N/A | | | N/A | | N/A |
| 3. TREASURY SHARES | | | NO. OF SHA | ARES | % AS TO THE TOTAL NO. OF SHARES ISSUED | |
| N/A | | | N/A | | | |
| 4. UNRESTRICTED/UNA | PPROPRIATED RETAINE | D EARNIN | IGS AS OF END O | F LAST FISCAL YEA | AR | |
| 5. DIVIDENDS DECLARE | D DURING THE IMMEDIA | TELY PRI | ECEDING YEAR: | | | ····· |
| Түре | OF DIVIDEND | | AMOUNT (PhP) | | | DATE DECLARED |
| 5.1 CASH | | | | NONE | | N/A |
| 5.2 STOCK | | | | NONE | | N/A |
| 5.3 PROPERTY | | | | NONE | | N/A |
| | | TOTAL | P NONE | | | |
| 6. ADDITIONAL SHARES | ISSUED DURING THE PE | RIOD: | | | | |
| DATE | NO. OF | SHARES | | | AMOU | NT |
| N/A | NC | DNE | | | N/A | |
| | | | | | | |
| | | | | | | |
| SECONDARY LICENSE/RE | | AND OTH | T | | | |
| NAME OF AGENCY: | SEC | |] | BSP | | IC |
| TYPE OF LICENSE/REGN. | N/A | | THRI | FT BANK | | N/A |
| DATE ISSUED: | | · | | | + | |
| | N/A | | AUGUS | Г 19, 2009 | | N/A |
| DATE STARTED OPERATIONS: | N/A | | JANUA | RY 4, 2010 | | N/A |
| TOTAL ANNUAL CO DIRECTORS DURING TI YEAR (ii | HE PRECEDING FISCAL | TOTAL | L NO. OF OFFICERS FILE EMPL | | | TOTAL MANPOWER COMPLEMENT |
| | | | 6 | 6 | | |

ų,

I, MARY REMIE JANE T. MARASIGAN, Corporate Secretary of PHIL STAR DEVELOPMENT BANK, INC. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (Section 177, RA No. 11232).

| Done this day JUL 0 9 2021, 20 in BATANGAS | CITY | |
|---|------|--|
| | MAR | Y REMIE JANE T. MARASIGAN (Signature over printed name) |
| SUBSCRIBED AND SWORN TO before me in <u>BATANCAS CTP</u> personally appeared before me and exhibited to me his/her con Passport No. P2475756A issued at DFA Batangas on March 27, 2 | ~ | JUL 0 9 2021 by affiant who evidence of identity consisting of |
| Doc. No. 155 | C | CIPRIAND U. ASILO |

Until Detember 3 PTR No. 3825518 NO. TAR IBP Lifetime 03591 / Alty's Rell No. 37927 Not. Commission No 2020-62-R / TIN-154-157-021

BENEFICIAL OWNERSHIP DECLARATION

FOR THE YEAR: 2021

SEC REGISTRATION NUMBER: CORPORATE NAME:

10906 PHIL STAR DEVELOPMENT BANK, INC.

Instructions:

- 1. Identify the Beneficial Owner/s of the corporation as described in the Categories of Beneficial Ownership in items A to I below. List down as many as you can identify. You may use an additional sheet if necessary.
- 2. Fill in the required information on the beneficial owner in the fields provided for.
- 3. In the "Category of Beneficial Ownership" column, indicate the letter(s) corresponding thereto. In the event that the person identified as beneficial owner falls under several categories, indicate all the letters corresponding to such categories.
- 4. If the category is under letter "I", indicate the position held (i.e., Director/Trustee, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, etc.).
- 5. Do not leave any item blank. Write "N/A" if the information required is not applicable or "NONE" if non-existent.

"Beneficial Owner" refers to any natural person(s) who ultimately own(s) or control(s) or exercise(s) ultimate effective control over the corporation. This definition covers the natural person(s) who actually own or control the corporation as distinguished from the legal owners. Such beneficial ownership may be determined on the basis of the following:

Category

Description

- A Natural person(s) owning, directly or indirectly or through a chain of ownership, at least twenty-five percent (25%) of the voting rights, voting shares or capital of the reporting corporation.
- Natural person(s) who exercise control over the reporting corporation, alone or together with others, through any
- **B** contract, understanding, relationship, intermediary or tiered entity.
- **C** Natural person(s) having the ability to elect a majority of the board of directors/trustees, or any similar body, of the corporation.
- **D** Natural person(s) having the ability to exert a dominant influence over the management or policies of the corporation.
- **E** Natural person(s) whose directions, instructions, or wishes in conducting the affairs of the corporation are carried out by majority of the members of the board of directors of such corporation who are accustomed or under an obligation to act in accordance with such person's directions, instructions or wishes.
- **F** Natural person(s) acting as stewards of the properties of corporations, where such properties are under the care or administration of said natural person(s).
- **G** Natural person(s) who actually own or control the reporting corporation through nominee shareholders or nominee directors acting for or on behalf of such natural persons.
- **H** Natural person(s) ultimately owning or controlling or exercising ultimate effective control over the corporation through other means not falling under any of the foregoing categories.
- I Natural person(s) exercising control through positions held within a corporation (i.e., responsible for strategic decisions that fundamentally affect the business practices or general direction of the corporation such as the members of the board of directors or trustees or similar body within the corporation; or exercising executive control over the daily or regular affairs of the corporation through a senior management position). This category is only applicable in exceptional cases where no natural person is identifiable who ultimately owns or exerts control over the corporation, the reporting corporation having exhausted all reasonable means of identification and provided there are no grounds for suspicion.

| COMPLETE NAME (Surname, Given Name, Middle Name, Name Extension (i.e., Jr., Sr., III) | SPECIFIC RESIDENTIAL ADDRESS | NATIONALITY | DATE OF BIRTH | TAX IDENTIFICATION NO. | % OF OWNERSHIP ¹ / % OF VOTING RIGHTS ² | TYPE OF BENEFICIAL OWNER ³ Direct (D) or Indirect (I) | CATEGORY OF BENEFICIAL OWNERSHIP |
|---|------------------------------------|-------------|------------------|------------------------------|--|--|--|
| REYES, RODRIGO CONCEPCION | | FILIPINO | OCTOBER 20, 1 | | 20% | D | C; I (PRESIDENT) |
| | - - | | | | | | |
| | | | | | | | |

Note: This page is not for uploading on the SEC iView.

¹ For Stock Corporations. ² For Non-Stock Corporations. GIS_FOREIGN (v.2020) For Stock Corporations.



Ramon F. Garcia & Company, CPAs 30F Burgundy Corporate Tower, Sen. Gil Puyat Ave., Makati City, 1200 Main +632 2 8821 05 63 www.crowe.com/ph

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors **PHIL STAR DEVELOPMENT BANK, INC.** (Formerly, PRIDE STAR DEVELOPMENT BANK, INC.) Alpa Hotel Tolentino Road Kumintang Ibaba, Batangas City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **PHIL STAR DEVELOPMENT BANK**, **INC.** (the "Bank") (formerly, PRIDE STAR DEVELOPMENT BANK, INC.) which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of Financial Statements

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

Ramon F. Garcia and Company, CPAs is a member of Crowe Global rendering Audit, Tax & Advisory Services. Crowe Global is a leading international network of separate and independent accounting and consulting firms that are licensed to use Crowe in connection with the provision of professional services to their clients. Crowe Global itself is a non-practicing entity and does not provide professional services to clients. Services are provided by the member firms. Crowe Global and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses and other information in the Notes to the Financial Statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RAMON F. GARCIA & COMPANY, CPAs

By: HONORATA LLPAGUIO

Partner CPA Certificate No. 0078850 PTR No. 8567296, January 24, 2021, Makati City TIN 105-540-683 BOA/PRC Accreditation No. 0207 (November 11, 2019 to April 8, 2023) Partner's BIR Accreditation No. 08-001759-3-2020 (February 24, 2020 to February 23, 2023) Partner's SEC Accreditation No. 78850-A (Valid for the audit of 2019-2023 Financial Statements) Partner's BSP Accreditation No. 78850-B (Valid for the audit of 2020-2024 Financial Statements) Firm's BIR Accreditation No. 0257-FR-2 (October 18, 2018 to October 17, 2021) Firm's BSP Accreditation No. 0207-B (Valid for the audit of 2020-2024 Financial Statements)

April 27, 2021 Makati City

Ramon F. Garcia and Company, CPAs is a member of Crowe Global rendering Audit, Tax & Advisory Services. Crowe Global is a leading international network of separate and independent accounting and consulting firms that are licensed to use Crowe in connection with the provision of professional services to their clients. Crowe Global itself is a non-practicing entity and does not provide professional services to clients. Services are provided by the member firms. Crowe Global and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions

(formerly Pride Star Development Bank, Inc.)

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

| | Note | 2020 | 2019 |
|---|------|--------------|--------------|
| Assets | | | |
| Cash and other cash items | 5 | P610,109 | P730,043 |
| Due from Bangko Sentral ng Pilipinas | 6 | 2,456,979 | 1,650,982 |
| Due from other banks | 7 | 28,995,985 | 87,021,762 |
| Financial assets at amortized cost | 8 | 15,041,463 | 19,438,514 |
| Loans and other receivables, net | 9 | 162,012,785 | 86,302,894 |
| Bank premises, furniture, fixtures and | | | |
| equipment, net | 10 | 8,514,572 | 8,247,070 |
| Investment properties, net | 11 | 24,821,930 | 24,871,330 |
| Retirement asset | 18 | 282,822 | 812,829 |
| Prepaid tax | 19 | - | 195,495 |
| Deferred tax assets | 19 | 3,305,635 | 3,694,985 |
| Other assets | 12 | 497,839 | 465,304 |
| Total assets | | P246,540,119 | P233,431,208 |
| Liabilities | | | |
| Deposit liabilities | 13 | P28,965,467 | P20,246,486 |
| Accrued expenses and other liabilities | 14 | 2,246,225 | 2,137,327 |
| Income tax payable | 19 | 343,909 | - |
| Total liabilities | | 31,555,601 | 22,383,813 |
| Equity | | | |
| Paid-up capital | 15 | 180,600,100 | 180,600,100 |
| Retained earnings | | 34,820,498 | 30,638,633 |
| Accumulated other comprehensive loss, net | 18 | (436,080) | (191,338) |
| Total equity | | 214,984,518 | 211,047,395 |
| Total liabilities and equity | | P246,540,119 | P233,431,208 |

(formerly Pride Star Development Bank, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | Note | 2020 | 2019 |
|---|---------|-------------|------------|
| Interest income | | | |
| On loans | 9 | P12,375,754 | P5,977,697 |
| On financial assets at amortized cost | 8 | 871,612 | 240,524 |
| On deposits with banks | 7 | 708,990 | 1,014,210 |
| | | 13,956,356 | 7,232,431 |
| Interest expense | 13 | 296,534 | 316,680 |
| Net interest income | | 13,659,822 | 6,915,751 |
| Provision for impairment loss | 9,11 | 1,318,027 | 22,174 |
| Net interest income after provision for impairment loss | - | 12,341,795 | 6,893,577 |
| Other income | - | | |
| Service fees | | 1,483,627 | 648,619 |
| Miscellaneous income | 10,11 | 5,442 | 6,541,654 |
| | | 1,489,069 | 7,190,273 |
| | - | 13,830,864 | 14,083,850 |
| Other operating expenses | | | |
| Compensation and other benefits | 16 | 4,574,690 | 4,678,744 |
| Taxes and licenses | 23 | 868,192 | 1,640,979 |
| Other expenses | 16 | 2,953,318 | 3,945,043 |
| | | 8,396,200 | 10,264,766 |
| Income before income tax | | 5,434,664 | 3,819,084 |
| Provision for income tax | 19 | 1,252,799 | 924,457 |
| Net income for the year | | 4,181,865 | 2,894,627 |
| Other comprehensive income (loss), net | | | |
| Item that will not be reclassified subsequently to profit | or loss | | |
| Actuarial gain (loss) on remeasurement of retirement | | | |
| obligation, net | 18 | (244,742) | 71,926 |
| Net comprehensive income for the year | | P3,937,123 | P2,966,553 |

(formerly Pride Star Development Bank, Inc.)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | Paid-up capital (Note 15) | Accumulated other comprehensive loss, net (Note 18) | Retained earnings | Deposit for future stock subscription (Note 15) | Total equity |
|---|------------------------------|--|----------------------|---|--------------|
| Balance at January 1, 2019 Issuance of shares through application of deposit for | P72,489,000 | (P263,264) | P27,744,006 | P27,511,000 | P127,480,742 |
| future stock subscription | 27,511,000 | - | - | (27,511,000) | - |
| Paid-up capital on additional share subscription Actuarial gain on remeasurement of retirement | 80,600,100 | - | - | - | 80,600,100 |
| obligation, net | - | 71,926 | - | - | 71,926 |
| Net income for the year | - | - | 2,894,627 | - | 2,894,627 |
| Balance at December 31, 2019 Actuarial loss on remeasurement of retirement | 180,600,100 | (191,338) | 30,638,633 | - | 211,047,395 |
| obligation, net | - | (244,742) | - | - | (244,742) |
| Net income for the year | | - | 4,181,865 | - | 4,181,865 |
| Balance at December 31, 2020 | P180,600,100 | (P436,080) | P34,820,498 | P- | P214,984,518 |

(formerly Pride Star Development Bank, Inc.)

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | Note | 2020 | 2019 |
|--|---------------------------------------|---|--------------|
| Cash flows from operating activities | | | |
| Income before income tax | | P5,434,664 | P3,819,084 |
| Adjustments for: | | | . 0,010,000 |
| Provision for impairment loss | 9,11 | 1,318,027 | 22,174 |
| Retirement benefit cost | 16,18 | 180,375 | 177,088 |
| Depreciation and amortization | 10,12,16 | 107,245 | 175,806 |
| Gain on sale of furniture and fixtures | 10 | (494) | |
| Gain on sale of investment properties | 11 | - | (6,533,958) |
| Interest income | 7,8,9 | (13,956,356) | (7,232,431) |
| Interest expense | 13 | 296,534 | 316,680 |
| Interest received | 7,9 | 14,866,236 | 7,858,985 |
| Interest paid | 13 | (266,256) | (452,500) |
| Operating income (loss) before changes in working capital | | 7,979,975 | (1,849,072) |
| Changes in working capital | | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | (1)010,072 |
| (Increase) Decrease in: | | | |
| Loans and other receivables | | (78,760,010) | (37,928,643) |
| Other assets | | (25,868) | 6,445 |
| Increase (Decrease) in: | | (23,808) | 0,445 |
| Deposit liabilities | | 8,718,981 | (10,325,356) |
| Accrued expenses and other liabilities | | 78,620 | 511,681 |
| • | | | |
| Cash used in operations | 10 | (62,008,302) | (49,584,945) |
| Contribution to retirement fund | 18 19 | - (210.155) | (549,000) |
| Income tax paid Net cash used in operating activities | 19 | (219,155) (62,227,457) | (50,133,945) |
| Cash flows from investing activities | | | |
| Redemption of agrarian reform bonds | 8 | 4,578,141 | 474,255 |
| Interest received on investment in agrarian reform bonds | 8 | 690,522 | 191,406 |
| Proceeds from sale of furniture and fixtures | 10 | 500 | |
| Additions to bank premises, furniture, fixtures and equipment | 10 | (341,420) | (17,864) |
| Addition to intangible assets | 12 | (40,000) | (17,004) |
| Purchase of agrarian reform bonds | 8 | (40,000) | (19,863,651) |
| Additions to investment properties | 11 | | (15,805,051) |
| Proceeds from disposal of investment properties | 11 | | 16,100,000 |
| | · · · · · · · · · · · · · · · · · · · | | (3,664,609) |
| Net cash provided by (used in) investing activities | | 4,887,743 | (3,004,009) |
| Cash flow from financing activity Paid-up capital on share subscription | 15 | | 80,600,100 |
| | <u> </u> | (52.000.24.4) | · · · |
| Net increase (decrease) in cash and cash equivalents | | (57,339,714) | 26,801,546 |
| Cash and cash equivalents January 1 | | 89,402,787 | 62,601,241 |
| - | | | |
| December 31 | | P32,063,073 | P89,402,787 |
| Cash and cash equivalents | _ | | |
| Cash and other cash items | 5 | P610,109 | P730,043 |
| Due from BSP | 6 | 2,456,979 | 1,650,982 |
| Due from other banks | 7 | 28,995,985 | 87,021,762 |
| | | P32,063,073 | P89,402,787 |

(formerly Pride Star Development Bank, Inc.)

NOTES TO FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - GENERAL INFORMATION

1.1 Corporate information

Phil Star Development Bank, Inc. (the "Bank") was registered with the Securities and Exchange Commission (SEC) on March 2, 1956 per SEC Registration No. 10906 to carry on and engage in the development banking business as provided for in all pertinent banking laws of the Republic of the Philippines, and to have and exercise all powers, rights, privileges and attributes of a development bank and in the course of its business and operations. On January 21, 2006, the term of existence of the Bank was extended for another fifty years from and after the date of expiry on March 2, 2006.

On August 22, 2013 and September 26, 2013, the Bank adopted the Amended Articles of Incorporation amending Articles I and III respectively, by the unanimous vote of the Board of Directors (BOD) and by the vote of the stockholders owning more than two-thirds of the outstanding capital stock. The amended Articles to read as follows:

- I. "FIRST: That the name of the corporation shall be Phil Star Development Bank, Inc. (as approved by the BOD and ratified by the stockholders on August 22, 2013)"
- II. "THIRD: That the principal office of the corporation is to be located at Alpa Hotel, Tolentino Road, Kumintang Ibaba, Batangas City."

The Amended Articles of Incorporation was filed with the SEC on June 18, 2014 and approved on July 14, 2014.

As a banking institution, its operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP), wherein the Bank is required to comply with the rules and regulations of the BSP such as the use of safe and sound banking practices. On March 7, 2008, the Bank applied for its conversion into a private development bank.

The Monetary Board of the BSP, in its Resolution No. 1146 dated September 4, 2008, approved the conversion/upgrading of the Bank into a thrift bank (a private development bank). The BSP issued a certificate of authority certifying the amendments to the Articles of Incorporation and By-Laws of the Bank.

1.2 Approval of the financial statements

The financial statements of the Bank were approved and authorized for issue by the BOD on April 27, 2021, and that Rodrigo C. Reyes, the Bank's President, was authorized to sign and cause the issuance of the financial statements on its behalf.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The significant accounting policies adopted in the preparation of these financial statements are discussed in this note. These policies have been consistently applied to the years presented, unless otherwise stated.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council and adopted by the SEC.

Presentation of financial statements

The financial statements are presented in accordance with PAS 1 (Revised), *Presentation of Financial Statements*. The Bank presents all items of income and expense in a single statement of comprehensive income, with profit or loss and other comprehensive income (OCI) presented in two sections. It is required to present a statement of financial position as at the beginning of the earliest comparative period when the Bank applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements and said retrospective application, retrospective restatement or reclassification has a material effect on such third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

These financial statements are presented in Philippine Peso, which is also the Bank's functional currency and all values are rounded to the nearest peso. Functional currency is the currency of the primary economic environment in which the entity operates or in which it primarily generates and expends cash, while presentation currency is the currency in which the financial statements are presented.

Basis of measurement

The Bank's financial statements have been prepared on historical cost basis, except as disclosed in the accounting policies that follow.

Use of judgments and estimates

The preparation of financial statements in compliance with PFRSs requires the use of certain critical accounting estimates. It also requires the Bank's management to exercise its judgment in applying the Bank's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 3.

2.2 Changes in accounting policies and disclosures

The accounting policies applicable and adopted in the preparation of the financial statements are consistent with those of the previous financial year, except for the adoption of new/amended standards and interpretations effective starting January 1, 2020.

• Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

- a. if the language regarding a material item, transaction or other event is vague or unclear;
- b. if information regarding a material item, transaction or other event is scattered in different places in the consolidated financial statements;
- c. if dissimilar items, transactions or other events are inappropriately aggregated;
- d. if similar items, transactions or other events are inappropriately disaggregated; and
- e. if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The adoption of these amendments has no significant impact on the Bank's financial statements.

• Amendments to PFRS 3, Definition of a Business

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments have no impact on the Bank's financial statements.

• Amendments to PFRS 16, Covid-19-Related Rent Concessions

Lessees (but not lessors) are provided with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19, and that meets certain conditions, is a lease modification. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

The practical expedient only applies to lessees' rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments due on or before June 30, 2021; and
- c. there is no substantive change to other terms and conditions of the lease.

If a lessee chooses to apply the practical expedient to a lease, it must apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances, as required by paragraph 2 of PFRS 16.

The amendment is to be applied retrospectively in accordance with PAS 8. However, lessees are not required to restate prior period amounts, and they are not required to disclose the information required by paragraph 28(f) of PAS 8 in the period of adoption.

The adoption of these amendments has no significant impact on the Bank's financial statements since there is no change in the lease payments during the year.

Standards effective after December 31, 2020

The Bank will adopt the following new pronouncements when these become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new pronouncements to have a significant impact on the financial statements.

• Annual improvements to PFRS Standards 2018-2020 Cycle

• Amendments to PFRS 1, Subsidiary as a first-time adopter

The amendment permits a subsidiary that applies PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

o Amendments to PFRS 9, Fees in the '10 percent' test for derecognition of financial liabilities

The amendment clarifies which fees an entity includes when it applies the '10 percent' test of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

• Amendments to PFRS 16, Lease incentives

The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

• Amendments to PAS 41, Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments to PFRS 1, PFRS 9 and PAS 41 are all effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The amendment to PFRS 16 only regards an illustrative example, so no effective date is stated.

The Bank is still evaluating the impact of these new amendments.

• Amendments to PFRS 3, *Reference to the Conceptual Framework*

The changes in the standard are as follows:

 $\circ\,$ Update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;

- Add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- Add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Bank is still evaluating the impact of these new amendments.

• Amendments to PAS 16, Property, Plant and Equipment - Proceeds before intended use

The standard is amended to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The Bank is still evaluating the impact of these new amendments.

• Amendments to PAS 37, Onerous Contracts - Cost of fulfilling a contract

The changes in Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

The Bank is still evaluating the impact of these new amendments.

• PFRS 17, Insurance Contracts

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of the consolidated financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- a. identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- b. separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- c. divides the contracts into groups that it will recognize and measure;
- d. recognizes and measures groups of insurance contracts at:
 - i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); or
 - ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- e. recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- f. presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- g. discloses information to enable users of the consolidated financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The amendments are not applicable to the Bank since it has no activities that are predominantly connected with insurance or issue insurance contracts.

• Amendments to PFRS 17, Insurance Contracts

The main changes resulting from Amendments to PFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to PFRS 4) issued on June 25, 2020 are:

- Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change the fixed expiry date for the temporary exemption in PFRS 4, *Insurance Contracts* from applying PFRS 9, *Financial Instruments* so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
- Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.

- Clarification of the application of contractual service margin attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
- Several small amendments regarding minor application issues.

An entity shall apply PFRS 17 for annual reporting periods beginning on or after January 1, 2023. If an entity applies PFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply PFRS 9, *Financial Instruments* on or before the date of initial application of PFRS 17.

The Bank is still evaluating the impact of these new amendments.

• Amendments to PAS 1, Classification of Liabilities as Current or Non-current

The amendment provides a more general approach to the classification of liabilities under PAS 1, *Presentation of Financial Statements* based on the contractual arrangements in place at the reporting date. The amendments currently have an effective date of January 1, 2022.

In April 2020, the IASB held a supplementary IASB meeting to consider COVID-19-related matters including the Board's timelines in view of the COVID-19 pandemic. The Board tentatively decided to delay by one year the effective date of the amendments to annual reporting periods beginning on or after January 1, 2023.

There are no changes in the original amendments other than the deferral of the effective date.

The Bank is still evaluating the impact of these new amendments.

Deferred Effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Bank is currently assessing the impact of the above amendments and to be adopted when effective and applicable.

2.3 Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, and highly-liquid financial instruments, if any, with original maturities of three months or less from the dates of placement and which are subject to an insignificant risk of changes in value.

Cash and other cash items include local currency coins and checks on hand.

2.4 Financial instruments

Initial recognition and measurement

A financial asset or a financial liability is recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. On initial recognition, a financial asset is classified as measured at amortized cost, fair value through OCI, and FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- i. Financial assets at amortized cost (debt instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- iv. Financial assets at FVPL

Financial assets at amortized cost (debt instruments)

The Bank measures a financial asset at amortized cost if both of the following conditions are met:

- i. It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii. Its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Bank's financial assets at amortized cost as at December 31, 2020 and 2019 include cash and cash equivalents, investments in agrarian reform bonds, loans and other receivables, and other assets (petty cash fund and deposit for safety deposit box).

Financial assets at fair value through OCI (debt instruments)

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met:

- i. The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Bank does not have financial assets at fair value through OCI (debt instruments) as at December 31, 2020 and 2019.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading.

The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Bank does not have financial assets at fair value through OCI (equity instruments) as at December 31, 2020 and 2019.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Bank does not have financial assets at FVPL as at December 31, 2020 and 2019.

Impairment of financial assets

The Bank recognizes an expected credit loss (ECL) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages: a) for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL); and b) for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

To assess whether there is a significant increase in credit risk, the Bank compares the risk of default occurring on the asset as at the financial reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information which includes the following:

- i. Internal/external credit rating
- ii. Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- iii. Actual or expected significant changes in the operating results of the debtor
- iv. Significant increases in credit risk on other financial instruments of the same debtor
- v. Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor

Financial assets are written off when there is no reasonable expectation of recovery. The Bank categorizes a loan or receivable for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where loans or receivables have been written off, the Bank continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as (a) financial liabilities at FVPL (including financial liabilities held for trading and those that are designated at fair value), and (b) other financial liabilities measured at amortized cost.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Gains and losses arising from changes in the fair value of financial liabilities classified as held for trading are included in profit or loss. Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Bank classifies its financial liabilities as other financial liabilities. These include deposit liabilities, and accrued expenses and other liabilities (except for statutory liabilities).

Classification of financial instruments between debt and equity

Financial instruments are classified as debt or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as income or expense in profit or loss.

Derecognition of financial instruments

Financial asset

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

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

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a 'passthrough' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to pay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Determination of fair value

The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions). When the current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Fair value hierarchy

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

2.5 Bank premises, furniture, fixtures and equipment

Bank premises, furniture, fixtures and equipment, except land, are valued at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of bank premises, furniture, fixtures and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and any impairment loss are removed from the account and any resulting gain (loss) is credited (charged) to results of operations for the year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| Classification | Estimated useful life in years | | |
|--------------------------|--------------------------------|--|--|
| | 5 years or term of the lease, | | |
| Leasehold improvements | whichever is shorter | | |
| Furniture and fixtures | 5 years | | |
| Transportation equipment | 5 years | | |
| IT equipment | 3 years | | |

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

The Bank's management periodically monitors the conditions of the bank premises, furniture, fixtures and equipment as well as the depreciation and amortization method used and the estimates on related useful lives to ensure that the estimates adopted represent the actual situation.

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (computed as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss in the year the item is derecognized. The Bank likewise assures that if any variation exists between the estimates and the actual scenario, it will have an immaterial effect on the financial statements.

2.6 Investment properties

Investment properties consist of properties acquired by the Bank in settlement of loans through foreclosure or dacion en pago and/or for the other reasons. They are held either to earn rental income or for capital appreciation or for both and are not significantly occupied by the Bank. Investment properties, which consist of real and other properties acquired (ROPA), such as land and building, are initially stated at cost, including transaction costs.

The cost of the property is the carrying amount of the loan plus booked accrued interest less allowance for credit losses plus transaction cost incurred upon acquisition, as defined by the BSP. Provided, that if the carrying amount of the property exceeds P5,000,000, the appraisal of the foreclosed asset shall be conducted by an independent appraiser acceptable to the BSP.

Subsequent to initial recognition, investment property, except land, is stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

When an investment property is disposed of or permanently withdrawn from use and no future benefit is expected from the withdrawal, the resulting gain or loss is recognized in profit or loss.

An impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher of the property's fair value less cost to sell and value in use.

2.7 Other asset

Other asset is recognized when the Bank expects to receive future economic benefit from it and the amount can be reliably measured.

2.8 Accrued expenses and other liabilities

Accrued expenses are liabilities for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the suppliers, including amounts due to employees. It is necessary to estimate the amount or timing of accruals; however, the uncertainty is generally much less than for provisions.

Other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforced claim against the Bank is established. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.9 Share capital

The Bank's ordinary shares are classified as equity instruments. Share capital is determined using the par value of shares that have been issued.

2.10 Retained earnings

Retained earnings include all current and prior period results of operations as disclosed in the statements of comprehensive income and statements of changes in equity.

2.11 Revenue

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

Following are revenues outside the scope of PFRS 15:

Interest income on loans

Interest income on loans is recognized in profit or loss for all financial instruments measured at amortized cost using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

Interest income on deposits with banks

Interest income earned on bank deposits, which is presented net of tax withheld by bank, is recognized as the interest accrues on a time proportion basis taking into account the effective yield on the asset or EIR.

Service fees

Service fees relate to the administration and servicing of loans and are recognized when the service has been provided.

Miscellaneous income

Miscellaneous income relates to the processing and handling fees on loan granted and other incidental income, other than from usual business operations, and is recognized when the service has been provided.

2.12 Interest expense on deposit liabilities

Interest expense on deposit liabilities is recognized in profit or loss when incurred. It is calculated using the effective interest method and is credited to the depositors' account regularly.

2.13 Expense recognition

The Bank's financial statements are prepared on accrual basis of accounting. Under this basis, expenses are recognized when incurred and are reported in the financial statements in the periods to which they relate.

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be reliably measured. They are recognized (a) on the basis of a direct association between the costs incurred and the earning of specific items of income; (b) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (c) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

2.14 Leases

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

Under PFRS 16, a lease exists where the contract grants the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of an identified asset for a period of time is conveyed when, the customer has both of the following throughout the period of use:

- i. The right to obtain substantially all of the economic benefits from use of the identified asset; and
- ii. The right to direct the use of the identified asset.

In identifying the leases, lease and some non-lease components shall be accounted separately under applicable standards.

Bank as a lessee

For lessees, PFRS 16 removes the classification of leases as either operating or financing and requires that all leases be recognized on the statements of financial position, with certain exemptions allowed by this new standard:

- i. Short-term leases (twelve months or less); and
- ii. Leases where the underlying asset, in a new condition, is of low value

The Bank does not recognize right-of-use asset and lease liability considering that its term on lease agreement is not more than 12 months.

2.15 Employee benefits

Short-term benefits

Short-term benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Retirement benefits

The Phil Star Development Bank, Inc. Provident Plan is non-contributory and of a defined benefit type which provides a retirement benefit equivalent to two months' final salary for every year of service.

The regulatory benefit is paid in a lump-sum amount upon retirement. Defined benefit plan defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Retirement benefit cost is determined using the projected unit credit method. This method reflects the services rendered by the employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. The components of defined benefit cost include service cost, net interest on the net defined benefit liability that is recognized in profit or loss, and remeasurements of the net defined benefit liability that is recognized in OCI. Remeasurements of the net defined benefit liability recognized in OCI shall not be reclassified to profit or loss in a subsequent period.

The retirement liability is the present value of the Bank's defined benefit obligation (DBO) at the end of the financial reporting period less the fair value of plan assets. Retirement asset is the excess of the fair value of plan assets over DBO. The DBO is calculated by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rate on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Plan assets are assets that are held by a long-term employee benefit fund. They are neither available to the creditors of the Bank nor can they be paid directly to the Bank. The fair value of plan assets is based on market price information.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to OCI in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

2.16 Provisions and contingencies

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

2.17 Income taxes

Income tax expense represents the sum of the current and deferred taxes.

Current tax

Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, determined at the end of every quarter, subject to adjustments at the end of the period when a final adjustment return is filed and the corresponding annual income tax is computed and determined to be recovered or paid.

The tax currently payable is based on taxable income for the period. Taxable income differs from net income as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated on the basis of the tax rates and tax laws enacted or substantively enacted at the financial reporting date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable income and is accounted for using the liability method.

Deferred tax is determined using tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

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

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and current tax liabilities on a net basis.

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in OCI or directly in equity account), in which case, the tax is also recognized outside profit or loss.

2.18 Related parties

A related party is an entity or person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common or joint control with, the Bank in governing the financial and operating policies, or that has an interest in the Bank that gives it significant influence over the Bank in making financial and operating decisions. It also includes members of the key management personnel of the Bank or close members of their family and others, who have the ability to control, jointly control or significantly influenced by or for which significant voting power in the Bank resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.19 Events after the financial reporting date

Post year-end events that provide additional information about the Bank's position at the financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimate is recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

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

(a) Determining functional currency

Based on the economic substance of the underlying circumstances relevant to the Bank, the functional currency has been determined to be the Philippine Peso.

The Bank considers the following factors in determining its functional currency:

- i. the currency that mainly influences its sale of services and the cost of providing the same;
- ii. the currency in which the funds from financing activities are generated; and
- iii. the currency in which the receipts from operating activities are usually retained.
- (b) Classifying financial instruments

The Bank classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and guidelines set by PAS 32 on the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, generally governs its classification in the statement of financial position.

The classification of financial assets and financial liabilities is set out in Note 4.

(c) Significant increase of credit risk

ECL is measured as an allowance equal to 12-month ECL or lifetime ECL. An asset moves to the next stage when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(d) Determining lease term

Under PFRS 16, the Bank determines whether there is a need to recognize right-of-use asset and lease liability - on-balance sheet lease. Judgment is used in determining whether the lease terms will not go beyond 12 months and if it contains underlying assets of low value. In making such judgment, the Bank evaluates the terms and conditions of the lease arrangement.

(e) Recognizing provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. The policy on the recognition and disclosure of provisions is discussed in Note 2.16. In 2020 and 2019, the Bank has determined that no contingencies will materially affect its financial statements, hence, no provisions are recognized.

Estimates

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Estimating allowance for impairment on loans and other receivables

The Bank measures ECL of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL, the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

In addition to specific allowance against individually significant loans and receivables, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This level of allowance is based on the status of the accounts receivable, past collection experience and other factors that may affect collectibility.

Allowance for impairment as at December 31, 2020 and 2019 amounted to P10,793,447 and P9,524,820, respectively. The carrying value of loans and other receivables as at December 31, 2020 and 2019 amounted to P162,012,785 and P86,302,894, respectively (see Note 9).

(b) Estimating useful lives of bank premises, furniture, fixtures and equipment

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear, and technological obsolescence on the use of these assets. In addition, the estimate of the useful lives of bank premises, furniture, fixtures and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank premises, furniture, fixtures and equipment would decrease the total assets and increase recorded operating expenses.

The net carrying value of bank premises, furniture, fixtures and equipment amounted to P8,514,572 and P8,247,070 as at December 31, 2020 and 2019, respectively. Accumulated depreciation and amortization amounted to P1,487,821 and P1,455,398 as at December 31, 2020 and 2019, respectively (see Note 10). There is no change in the estimated useful lives of these assets in 2020 and 2019.

(c) Determining impairment of non-financial assets

PFRSs require that an impairment review be performed when certain impairment indicators are present. Determining the fair value of non-financial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, compels the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that a non-financial asset is impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations of the Bank.

The preparation of the estimated future cash flows involves significant judgments and estimates. Though management believes that the assumptions used in estimating fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations of the Bank.

No impairment loss was recognized by the Bank on bank premises, furniture, fixtures and equipment in 2020 and 2019 (see Note 10).

Impairment loss recognized on investment properties amounted to P49,400 and nil in 2020 and 2019, respectively (see Note 11).

(d) Determining realizable amount of deferred tax assets

The Bank reviews the carrying amount of deferred tax assets at each financial reporting date and reduces the same to the extent that it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

Estimates of future taxable income indicate that temporary differences will be realized in the future. Deferred tax assets recognized as at December 31, 2020 and 2019 amounted to P3,305,635 and P3,694,985, respectively (see Note 19).

(e) Estimating retirement benefit costs

The present value of DBO depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for retirement include, among others, the discount rate and salary increase rate. Any changes in the assumptions will have an impact on the carrying amount of the retirement obligation.

The Bank determines the appropriate discount rate at the end of each financial reporting period. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligation. In determining the appropriate discount rate, the Bank considers the interest rate on government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement obligation.

Other key assumptions for retirement obligation are based in part on current market conditions. The actuarial assumptions used in the determination of provision for retirement benefit cost are shown in Note 18. While the Bank believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

Retirement benefit cost recognized in profit or loss in 2020 and 2019 amounted to P180,375 and P177,088, respectively (see Notes 16 and 18).

Retirement asset recognized as at December 31, 2020 and 2019 amounted to P282,822 and P812,829, respectively (see Note 18).

NOTE 4 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets and financial liabilities of the Bank as at December 31 are as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| Financial assets at amortized cost | | |
| Cash and other cash items (Note 5) | P610,109 | P730,043 |
| Due from BSP (Note 6) | 2,456,979 | 1,650,982 |
| Due from other banks (Note 7) | 28,995,985 | 87,021,762 |
| Financial assets at amortized cost (Note 8) | 15,041,463 | 19,438,514 |
| Loans and other receivables, net (Note 9) | 162,012,785 | 86,302,894 |
| Other assets (Note 12) | 6,000 | 6,000 |
| | P209,123,321 | P195,150,195 |
| Financial liabilities at amortized cost | | |
| Deposit liabilities (Note 13) | P28,965,467 | P20,246,486 |
| Accrued expenses and other liabilities* (Note 14) | 1,905,650 | 1,838,129 |
| | P30,871,117 | P22,084,615 |

*excluding statutory liabilities

The above carrying amounts of financial assets and financial liabilities, which are carried at amortized cost, are assumed to approximate their fair values due to their relatively short-term maturities and their being subject to an insignificant risk of change in value.

Financial risk management

The Bank's activities expose it to a variety of financial risks, namely (a) credit risk, (b) liquidity risk, and (c) interest rate risk.

Similar to all other businesses, the Bank is exposed to risks that arise from its use of financial instruments. This note describes the Bank's objectives, policies and processes for managing those risks and the methods used to measure them. Further, quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes to the Bank's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

General objectives, policies and processes

The BOD has overall responsibility for the Bank's financial risk management, which includes establishment and approval of risk strategies, policies and limits. The main objective of the financial risk management is to minimize the adverse impact of financial risks on the Bank's financial performance and financial position due to the unpredictability of financial markets.

The main risks arising from the Bank's use of financial instruments are summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Bank employs sound credit policies that are in accordance with external regulations and are attuned with the prevailing business conditions and lending priorities of the Bank. Credits are judiciously identified and evaluated to ensure that risks are properly addressed. The Bank sets limits for individual borrowers. The Bank also monitors credit exposures and continually assesses the creditworthiness of counterparties. Credit policies and procedures are implemented through the Bank's Credit Committee.

The Bank grants loans on the basis of financial strength and payment history of borrowers. Strong collaterals are likewise obtained to further mitigate credit risk. Loanable amount should not exceed 60% of the appraised value of the collateral. An independent unit in the Bank validates property appraisal, title verification, credit investigation and credit evaluation. Insurance cover and assignment of the insurance policies in favor of the Bank is required on these assets. Further, the Bank requires that the borrowers themselves be insured and the insurance policies assigned in favor of the Bank. There are no significant concentrations of credit risk within the Bank.

The Bank does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. The Bank's maximum exposure to credit risk before collateral held or other credit enhancements as at December 31 is as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| Due from BSP (Note 6) | P2,456,979 | P1,650,982 |
| Due from other banks (Note 7) | 28,995,985 | 87,021,762 |
| Financial assets at amortized cost (Note 8) | 15,041,463 | 19,438,514 |
| Loans and other receivables, net (Note 9) | 162,012,785 | 86,302,894 |
| Other asset (Note 12) | 1,000 | 1,000 |
| | P208,508,212 | P194,415,152 |

Concentration of risks of financial assets with credit risk exposure

An analysis of concentration of credit risk by industry at the financial reporting date based on the carrying amount (gross of unearned discount and allowance for impairment) of the assets is shown below:

| | 2020 | | | | |
|--------------------------------------|--|--|---|--------------|--|
| | Loans and other receivables (Note 9) | Due from other banks and BSP (Notes 6 and 7) | Financial assets at amortized cost (Note 8) | Total | |
| Wholesale and retail trade | P74,419,692 | P- | P- | P74,419,692 | |
| Financial intermediaries | - | 31,452,964 | 15,041,463 | 46,494,427 | |
| Manufacturing | 43,310,000 | - | - | 43,310,000 | |
| Agriculture, hunting and forestry | 28,856,148 | - | - | 28,856,148 | |
| Construction | 9,000,000 | - | - | 9,000,000 | |
| Transportation and storage | 5,265,718 | - | - | 5,265,718 | |
| Real estate activities | 5,156,338 | - | - | 5,156,338 | |
| Other community, social and | | | | | |
| personal service activities | 1,662,340 | - | - | 1,662,340 | |
| Professional scientific and personal | | | | | |
| service activities | 1,500,000 | - | - | 1,500,000 | |
| Education | 1,041,250 | - | - | 1,041,250 | |
| Other service activities | 5,562,100 | - | - | 5,562,100 | |
| | P175,773,586 | P31,452,964 | P15,041,463 | P222,268,013 | |

| | 2019 | | | |
|-----------------------------------|--|--|---|--------------|
| | Loans and other receivables (Note 9) | Due from other banks and BSP (Notes 6 and 7) | Financial assets at amortized cost (Note 8) | Total |
| Financial intermediaries | P- | P88,672,744 | P19,438,514 | P108,111,258 |
| Wholesale and retail trade | 45,044,527 | - | - | 45,044,527 |
| Manufacturing | 23,310,000 | - | - | 23,310,000 |
| Agriculture, forestry and fishing | 8,003,759 | - | - | 8,003,759 |
| Construction | 5,000,000 | - | - | 5,000,000 |
| Real estate activities | 4,288,996 | - | - | 4,288,996 |
| Education | 2,499,000 | - | - | 2,499,000 |
| Transportation and storage | 1,610,000 | - | - | 1,610,000 |
| Other service activities | 5,221,909 | - | - | 5,221,909 |
| Other community, social and | | | | |
| personal service activities | 2,091,049 | - | - | 2,091,049 |
| | P97,069,240 | P88,672,744 | P19,438,514 | P205,180,498 |

Loans are impaired if there is an objective evidence of impairment such as default or delinquency by a borrower, restructuring of a loan in terms that the Bank would not otherwise consider, indications that a borrower will enter bankruptcy, or adverse changes in the payment status of borrowers.

The Bank conducts impairment assessment annually following its criteria for impairment and guided by the loan classification set by the BSP.

The analyses of classification of financial assets (gross of allowance for impairment and unearned discount) as at December 31 are as follows:

| | 2020 | | | | |
|------------------------------------|--------------|--------------|--------------|-----------|--|
| | | Neither past | | | |
| | | due nor | Past due but | | |
| | Total | impaired | not impaired | Impaired | |
| Due from BSP | P2,456,979 | P2,456,979 | P- | P- | |
| Due from other banks | 28,995,985 | 28,995,985 | - | - | |
| Loans and other receivables | 175,869,184 | 167,133,314 | - | 8,735,870 | |
| Financial assets at amortized cost | 15,041,463 | 15,041,463 | - | - | |
| Other asset | 1,000 | 1,000 | - | - | |
| | 222,364,611 | 213,628,741 | - | 8,735,870 | |
| Allowance for impairment | 10,793,447 | 2,687,228 | - | 8,106,219 | |
| | P211,571,164 | P210,941,513 | P- | P629,651 | |

| | 2019 | | | | |
|------------------------------------|--------------|--------------|--------------|------------|--|
| | | Neither past | | | |
| | | due nor | Past due but | | |
| | Total | impaired | not impaired | Impaired | |
| Due from BSP | P1,650,982 | P1,650,982 | P- | P- | |
| Due from other banks | 87,021,762 | 87,021,762 | - | - | |
| Loans and other receivables | 97,265,505 | 85,439,905 | - | 11,825,600 | |
| Financial assets at amortized cost | 19,438,514 | 19,438,514 | - | - | |
| Other asset | 1,000 | 1,000 | - | - | |
| | 205,377,763 | 193,552,163 | - | 11,825,600 | |
| Allowance for impairment | 9,524,820 | 1,100,634 | - | 8,424,186 | |
| | P195,852,943 | P192,451,529 | P- | P3,401,414 | |

The loans and other receivables are substantially secured by adequate amount of collateral mainly consisting of the real estate mortgage and hold-out deposits as well as personal and corporate guarantees at various terms from less than a year up to five years.

The market value of these collaterals amounted to P303,241,139 and P261,778,445 as at December 31, 2020 and 2019, respectively.

The credit quality of the Bank's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses more than 1% of its outstanding balance.

In 2017, the Bank obtained a real estate property by taking possession of collateral held as security amounting to P5,620,000. Out of this amount, two properties amounting to P1,376,946 and P510,066 were sold in 2018 and 2017, respectively. Remaining account amounting to P3,732,988 is classified as investment property as of December 31, 2020 and 2019.

Liquidity risk

Liquidity risk arises from the Bank's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Bank will encounter difficulty in meeting its financial obligations as they fall due.

The Bank seeks to manage its liquid funds through cash planning. The Bank uses historical figures and experiences and forecasts from its collections and disbursements. Also, the Bank only places in the money market funds which exceed the Bank's normal operating requirements. Placements made are strictly based on cash planning assumptions and cover only a short period of time. Additionally, a regular monitoring of legal reserve requirements against deposits is being done.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

| | 2020 | | | | |
|---|-------------|-------------|-------------|------------|--|
| | Total | < 3 months | 3-12 months | > 1 year | |
| Deposit liabilities (Note 13) Accrued expenses and other | P28,965,467 | P16,375,348 | P9,190,321 | P3,399,798 | |
| liabilities (Note 14) | 1,905,650 | 1,894,969 | - | 10,681 | |
| | P30,871,117 | P18,270,317 | P9,190,321 | P3,410,479 | |
| Assets held for managing liquidity risk (Notes 5, 6 and 7) | P32,063,073 | P26,563,073 | P5,500,000 | P- | |
| | 2019 | | | | |
| | Total | < 3 months | 3-12 months | > 1 year | |
| Deposit liabilities (Note 13) Accrued expenses and other | P20,246,486 | P8,830,250 | P8,166,438 | P3,249,798 | |
| liabilities (Note 14) | 1,838,129 | 1,827,448 | - | 10,681 | |
| | P22,084,615 | P10,657,698 | P8,166,438 | P3,260,479 | |
| Assets held for managing liquidity risk (Notes 5, 6 and 7) | P89,402,787 | P89,402,787 | P- | P- | |

The Bank's minimum liquidity ratio as at December 31, 2020 and 2019 is 191.85% and 703.31%, respectively, as reported to the BSP.

Capital management

The primary objective of the Bank's capital management is to ensure the ability of the Bank to continue as a going concern; to maintain a strong credit rating and quality ratios; to ensure compliance with the BSP regulations; and to provide returns and benefits to its shareholders. The President, as authorized by the BOD, has overall responsibility for monitoring the capital structure of the Bank and making the necessary adjustment to address the risk and adapt to changes in economic conditions and regulatory requirements.

Details of the Bank's capital as reported to the BSP are as follows:

| | 2020 | 2019 |
|--|--------------|--------------|
| Tier 1 (core) capital | | |
| Paid-up capital (Note 15) | P180,600,100 | P180,600,100 |
| Retained earnings | 35,864,344 | 31,091,178 |
| Deferred tax asset | (3,694,986) | (4,477,363) |
| | 212,769,458 | 207,213,915 |
| Tier 2 (supplementary) capital | | |
| General loan loss provision | 1,679,009 | 846,486 |
| Total regulatory capital | P214,448,467 | P208,060,401 |
| | | |
| Risk-weighted assets | P247,110,084 | P228,325,766 |
| Tier 1 ratio | 86.10% | 90.75% |
| Risk-based capital adequacy (base) ratio (CAR) | 86.78% | 91.12% |

The Bank is regulated by the BSP and is subject to a minimum capitalization of P200 million.

The Bank has exceeded the minimum risk-based CAR, expressed as a percentage of qualifying capital to risk-weighted assets, of not less than 10% as required by the BSP.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rate.

To assure a fair margin of profitability, the Bank keeps a reasonable spread between interest rate on loans and interest rates on deposit liabilities and borrowings. Fluctuation in interest rates has no material effect on the account since the rates are fixed and pre-determined at the inception of the contract.

The Bank's financial assets earn fixed interest and the financial liabilities carry fixed interest.

Net interest gap

The following shows the maturity profile of interest-bearing financial instruments as at December 31:

| | 2020 | | | | |
|---------------------------------------|--------------|-------------|-------------|--------------|-------------|
| | Total | On demand | < 3 months | 3-12 months | > 1 year |
| Due from other banks (Note 7) | P28,995,985 | P21,995,985 | P1,500,000 | P5,500,000 | P- |
| Financial assets at amortized cost | | | | | |
| (Note 8) | 15,041,463 | - | - | 2,526,198 | 12,515,265 |
| Loans and other | | | | | |
| receivables (Note 9) | 175,773,586 | - | 61,104,046 | 99,841,234 | 14,828,306 |
| | P219,811,034 | P21,995,985 | P62,604,046 | P107,867,432 | P27,343,571 |
| Deposit liabilities | | | | | |
| (Note 13) | P28,965,467 | P16,375,348 | P- | P9,190,321 | P3,399,798 |

| | 2019 | | | | |
|---------------------------------------|--------------|-------------|-------------|-------------|-------------|
| | Total | On demand | < 3 months | 3-12 months | > 1 year |
| Due from other banks | | | | | |
| (Note 7) | P87,021,762 | P24,377,068 | P56,144,694 | P6,500,000 | P- |
| Financial assets at amortized cost | | | | | |
| (Note 8) | 19,438,514 | - | - | 4,578,141 | 14,860,373 |
| Loans and other | | | | | |
| receivables (Note 9) | 97,069,240 | - | 15,005,441 | 47,065,440 | 34,998,359 |
| | P203,529,516 | P24,377,068 | P71,150,135 | P58,143,581 | P49,858,732 |
| Deposit liabilities | | | | | |
| (Note 13) | P20,246,486 | P8,830,250 | P- | P8,166,438 | P3,249,798 |

NOTE 5 - CASH AND OTHER CASH ITEMS

Cash and other cash items consist of checks and other cash items received after the Bank's clearing cut-off time until the close of the regular banking hours amounting to P610,109 and P730,043 as at December 31, 2020 and 2019, respectively.

NOTE 6 - DUE FROM BANGKO SENTRAL NG PILIPINAS

The account consists of local currency deposits maintained with the BSP to meet legal reserve requirement amounting to P2,456,979 and P1,650,982 as at December 31, 2020 and 2019, respectively. The portion of this account that is used as a statutory reserve amounted to P868,964 and P809,859 as at December 31, 2020 and 2019, respectively (see Note 13).

NOTE 7 - DUE FROM OTHER BANKS

This account pertains to funds and other deposits maintained with banks in local currency, primarily to facilitate check or draft or other similar payment order collections and other banking services.

The account at December 31 consists of:

| | 2020 | 2019 |
|------------------|-------------|-------------|
| Savings deposits | P21,995,985 | P24,377,068 |
| Time deposits | 7,000,000 | 62,644,694 |
| | P28,995,985 | P87,021,762 |

The bank deposits earn interest at the prevailing bank deposit rates. Interest income amounted to P708,990 and P1,014,210 in 2020 and 2019, respectively. Interest received amounted to P865,321 and P1,187,426 in 2020 and 2019, respectively.

NOTE 8 - FINANCIAL ASSETS AT AMORTIZED COST

In January 2019, the Bank invested in agrarian reform bonds issued by the government with an original face value of P12,412,258. The discounted price of the investment amounted to P9,913,165. An additional investment was approved by the BOD in August 2019 with face value and discounted price of P10,000,000 and P9,950,486, respectively. The Bank receives one-tenth of the face value annually on its anniversary dates which commence one year from the date of issue until the principal sum is fully paid.

Details of the investments are as follows:

| Serial number | Original issue date | Maturity date | Discounted price | Interest rate |
|---------------|---------------------|--------------------|-------------------------|---------------|
| AR-0253256 | September 11, 2013 | September 11, 2023 | P317,687 | 1.30% |
| AR-0253257 | November 13, 2013 | November 13, 2023 | 591,126 | 1.55% |
| AR-0253258 | February 18, 2014 | February 18, 2024 | 32,193 | 1.00% |
| AR-0253259 | March 12, 2014 | March 12, 2024 | 8,262 | 1.07% |
| AR-0253260 | October 7, 2014 | October 7, 2024 | 210,743 | 1.13% |
| AR-0253261 | February 15, 2016 | February 15, 2026 | 16,105 | 0.73% |
| AR-0253262 | August 25, 2016 | August 25, 2026 | 89,273 | 0.71% |
| AR-0253263 | September 6, 2016 | September 6, 2026 | 432,960 | 0.73% |
| AR-0253264 | September 28, 2016 | September 28, 2026 | 1,411,396 | 0.77% |
| AR-0253265 | October 5, 2016 | October 5, 2026 | 586,896 | 0.78% |
| AR-0253266 | October 12, 2016 | October 12, 2026 | 395,300 | 0.79% |
| AR-0253267 | October 24, 2016 | October 24, 2026 | 88,461 | 0.81% |
| AR-0253268 | January 12, 2017 | January 12, 2027 | 104,568 | 0.59% |
| AR-0253269 | May 2, 2017 | May 2, 2027 | 86,365 | 0.77% |
| AR-0253273 | May 30, 2017 | May 30, 2027 | 1,397,634 | 0.82% |
| AR-0253274 | June 13, 2017 | June 13, 2027 | 139,179 | 0.85% |
| AR-0253275 | September 11, 2017 | September 11, 2027 | 592,688 | 0.69% |
| AR-0253276 | January 19, 2018 | January 19, 2028 | 224,264 | 0.27% |
| AR-0253277 | February 5, 2018 | February 5, 2028 | 100,654 | 0.28% |
| AR-0253278 | June 5, 2018 | June 5, 2028 | 2,246,773 | 0.38% |
| AR-0253279 | July 5, 2018 | July 5, 2028 | 840,638 | 0.42% |
| AR-0256882 | December 29, 2016 | December 29, 2026 | 9,950,486 | 0.47% |
| | | | P19,863,651 | |

Movements of the account are as follows:

| | 2020 | 2019 |
|---------------------------------|-------------|-------------|
| Balance at January 1 | P19,438,514 | P- |
| Acquisition at discounted price | - | 19,863,651 |
| Amortization of discount | 181,090 | 49,118 |
| Redeemed | (4,578,141) | (474,255) |
| Balance at December 31 | P15,041,463 | P19,438,514 |

Interest earned amounted to P871,612 in 2020 and P240,524 in 2019. Interest received amounted to P690,522 and P191,406 in 2020 and 2019, respectively.

NOTE 9 - LOANS AND OTHER RECEIVABLES

The details of the account as at December 31 are presented below.

| | 2020 | 2019 |
|---|--------------|-------------|
| Current | P168,338,239 | P85,308,947 |
| Past due | 7,394,099 | 11,719,045 |
| Items in litigation | 41,248 | 41,248 |
| | 175,773,586 | 97,069,240 |
| Unearned discount | (3,062,952) | (1,437,791) |
| | 172,710,634 | 95,631,449 |
| Allowance for impairment | (10,777,924) | (9,509,297) |
| | 161,932,710 | 86,122,152 |
| | | |
| Accounts receivable | 15,523 | 15,523 |
| Allowance for impairment | (15,523) | (15,523) |
| | | |
| Advances to officers and employees | 55,664 | - |
| Accrued interest income from financial assets | 24,411 | 180,742 |
| | P162,012,785 | P86,302,894 |

The major classifications of loans as at December 31 are presented below.

(a) As to collateral

| | 2020 | 2019 |
|----------------------|--------------|-------------|
| Secured loans | | |
| Real estate mortgage | P41,912,051 | P33,491,360 |
| Other collateral | 106,880,342 | 58,611,275 |
| Unsecured loans | 26,981,193 | 4,966,605 |
| | P175,773,586 | P97,069,240 |

Loans which are secured by real estate mortgages have terms ranging from less than one year to five years, and with annual interest rates ranging from 7% to 24% in 2020 and 2019. Loans which are secured by other collateral have terms ranging from one year to five years, and with annual interest rates ranging from 7% to 10% in 2020 and 2019.

Unsecured loans have terms of less than one year with annual interest rates ranging from 7.5% to 26% in 2020 and 2019.

The Bank has loans receivable from its related parties amounting to P3,990,427 and P2,788,996 in 2020 and 2019, respectively (see Note 20).

(b) As to concentration by industry

| | 2020 | | 2019 | |
|--------------------------------------|--------------|--------|-------------|--------|
| | Amount | % | Amount | % |
| Wholesale and retail trade | P74,419,692 | 42.34 | P45,044,527 | 46.40 |
| Manufacturing | 43,310,000 | 24.64 | 23,310,000 | 24.01 |
| Agriculture, hunting and forestry | 28,856,148 | 16.42 | 8,003,759 | 8.25 |
| Construction | 9,000,000 | 5.12 | 5,000,000 | 5.15 |
| Transportation and storage | 5,265,718 | 3.00 | 1,610,000 | 1.66 |
| Real estate activities | 5,156,338 | 2.93 | 4,288,996 | 4.42 |
| Other community, social and personal | | | | |
| service activities | 1,662,340 | 0.95 | 2,091,049 | 2.15 |
| Professional scientific and personal | | | | |
| service activities | 1,500,000 | 0.85 | - | - |
| Education | 1,041,250 | 0.59 | 2,499,000 | 2.57 |
| Other service activities | 5,562,100 | 3.16 | 5,221,909 | 5.39 |
| | P175,773,586 | 100.00 | P97,069,240 | 100.00 |

The BSP considers that credit concentration exists when loan exposure to a particular industry or economic sector exceeds 30% of total loan portfolio. The Bank has undue concentration of credit in wholesale and retail trade in 2020 and 2019.

(c) As to maturity

| 2020 | 2019 |
|--------------|----------------------------|
| P160,945,280 | P62,167,007 |
| | |
| 14,828,306 | 34,902,233 |
| P175,773,586 | P97,069,240 |
| | P160,945,280 14,828,306 |

Non-performing accounts represent approximately 4.23% and 12.12% of the loan portfolio as at December 31, 2020 and 2019, respectively.

Under BSP Circular No. 351, banks that have no unbooked valuation reserves and capital adjustments are allowed to exclude from non-performing classification those loans classified as "loss" in the latest BSP examination which are fully covered by allowance for impairment losses provided that interest on said loans shall not be accrued. The amount of non-performing loans (NPLs) as at December 31, 2020 and 2019 is P7,435,347 and P11,760,293, respectively.

NPLs refer to loans whose principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interest for more than 90 days has been capitalized, refinanced or delayed by agreement.

For loans collectible in lump sum and in quarterly, semi-annual, or annual installments, the total outstanding balance of such loans shall be considered non-performing when one principal installment or interest amortization is unpaid for 30 days.

In the case of loans that are collectible in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more principal installments or interest amortizations are in arrears.

Restructured loans, which do not meet the requirements to be treated as performing loans, shall also be considered as NPLs.

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

The Bank carries effective loan interest rates at December 31, 2020 and 2019 as follows:

| Short term | 7% - 26% |
|------------|----------|
| Long term | 7% - 24% |

Interest earned on loans amounted to P12,375,754 and P5,977,697 in 2020 and 2019, respectively. Interest received amounted to P14,000,915 and P6,671,559 in 2020 and 2019, respectively.

The changes in the allowance for impairment as at December 31 are presented below.

| | | 2020 | |
|-------------------------------|---------------------|------------------------|-------------|
| | Loans receivable | Accounts receivable | Total |
| Balance at January 1 | P9,509,297 | P15,523 | P9,524,820 |
| Provision for impairment loss | 1,268,627 | - | 1,268,627 |
| Balance at December 31 | P10,777,924 | P15,523 | P10,793,447 |
| | | | |
| | | 2019 | |
| | Loans | Accounts | |
| | receivable | receivable | Total |
| Balance at January 1 | P9,482,646 | P20,000 | P9,502,646 |
| Provision for impairment loss | 22,174 | - | 22,174 |
| Reclassification | 4,477 | (4,477) | - |
| Balance at December 31 | P9,509,297 | P15,523 | P9,524,820 |

The Bank believes that the current allowance for impairment is sufficient to absorb credit risk arising from non-collection or non-realization of loans and other receivables.

NOTE 10 - BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

| | Furniture and fixtures | IT equipment | Transportation equipment | Leasehold improvements | Land | Total |
|--|--|--|--|---|---------------------------|--|
| Cost | - | | | • | | |
| At January 1, 2020 | P510,231 | P432,363 | P317,600 | P233,274 | P8,209,000 | P9,702,468 |
| Additions | 102,450 | 106,470 | - | 132,500 | - | 341,420 |
| Retirement | (28,350) | (3,650) | - | - | - | (32,000) |
| Disposal | (9,495) | - | - | - | - | (9,495) |
| At December 31, 2020 | 574,836 | 535,183 | 317,600 | 365,774 | 8,209,000 | 10,002,393 |
| | | - | | | · · | |
| Accumulated depreciation | on and amortiza | tion | | | | |
| At January 1, 2020 | 509,401 | 400,350 | 312,374 | 233,273 | - | 1,455,398 |
| Provisions (Note 16) | 4,505 | 51,174 | 3,300 | 14,933 | - | 73,912 |
| Retirement | (28,350) | (3,650) | - | - | - | (32,000) |
| Disposal | (9,489) | - | - | - | - | (9,489) |
| At December 31, 2020 | 476,067 | 447,874 | 315,674 | 248,206 | - | 1,487,821 |
| | | | | | | |
| Net carrying value | | | | | | |
| At December 31, 2020 | P98,769 | P87,309 | P1,926 | P117,568 | P8,209,000 | P8,514,572 |
| | | | | | | |
| | Furniture | ІТ | Transportation | Lessehold | | |
| | Furniture and fixtures | IT equipment | Transportation equipment | Leasehold improvements | Land | Total |
| Cost | | | • | | Land | Total |
| | | | equipment | | Land P8,209,000 | |
| Cost At January 1, 2019 Additions | and fixtures | equipment | • | improvements | | Total P10,620,781 17,864 |
| At January 1, 2019 | and fixtures | equipment P421,099 | equipment P323,655 | improvements | | P10,620,781 |
| At January 1, 2019 Additions | and fixtures P515,335 - | equipment P421,099 | equipment P323,655 6,600 | improvements | | P10,620,781 |
| At January 1, 2019 Additions Reclassification | and fixtures P515,335 - 5 | equipment P421,099 | equipment P323,655 6,600 (5) | improvements P1,151,692 - - | | P10,620,781 17,864 |
| At January 1, 2019 Additions Reclassification Retirement | and fixtures P515,335 - 5 (5,109) | equipment P421,099 11,264 - - | equipment P323,655 6,600 (5) (12,650) | improvements P1,151,692 - - - (918,418) | P8,209,000 - - - | P10,620,781 17,864 - (936,177) |
| At January 1, 2019 Additions Reclassification Retirement | and fixtures P515,335 - 5 (5,109) 510,231 | equipment P421,099 11,264 - - 432,363 | equipment P323,655 6,600 (5) (12,650) | improvements P1,151,692 - - - (918,418) | P8,209,000 - - - | P10,620,781 17,864 - (936,177) |
| At January 1, 2019 Additions Reclassification Retirement At December 31, 2019 | and fixtures P515,335 - 5 (5,109) 510,231 | equipment P421,099 11,264 - - 432,363 | equipment P323,655 6,600 (5) (12,650) | improvements P1,151,692 - - - (918,418) | P8,209,000 - - - | P10,620,781 17,864 - (936,177) |
| At January 1, 2019 Additions Reclassification Retirement At December 31, 2019 Accumulated depreciatio | and fixtures P515,335 - 5 (5,109) 510,231 n and amortizat | equipment P421,099 11,264 - 432,363 | equipment P323,655 6,600 (5) (12,650) 317,600 | improvements P1,151,692 - - (918,418) 233,274 | P8,209,000 - - - | P10,620,781 17,864 - (936,177) 9,702,468 |
| At January 1, 2019 Additions Reclassification Retirement At December 31, 2019 Accumulated depreciatio At January 1, 2019 | and fixtures P515,335 - 5 (5,109) 510,231 n and amortizat 505,259 | equipment P421,099 11,264 - - 432,363 :ion 325,697 | equipment P323,655 6,600 (5) (12,650) 317,600 323,122 | improvements P1,151,692 - - (918,418) 233,274 | P8,209,000 - - - | P10,620,781 17,864 - (936,177) 9,702,468 2,305,769 |
| At January 1, 2019 Additions Reclassification Retirement At December 31, 2019 Accumulated depreciatio At January 1, 2019 Provisions (Note 16) | and fixtures P515,335 - 5 (5,109) 510,231 n and amortizat 505,259 9,251 | equipment P421,099 11,264 - - 432,363 :ion 325,697 | equipment P323,655 6,600 (5) (12,650) 317,600 323,122 1,902 | improvements P1,151,692 - (918,418) 233,274 1,151,691 - | P8,209,000 - - - | P10,620,781 17,864 - (936,177) 9,702,468 2,305,769 85,806 |
| At January 1, 2019 Additions Reclassification Retirement At December 31, 2019 Accumulated depreciatio At January 1, 2019 Provisions (Note 16) Retirement At December 31, 2019 | and fixtures P515,335 - 5 (5,109) 510,231 n and amortizat 505,259 9,251 (5,109) | equipment P421,099 11,264 - - 432,363 :ion 325,697 74,653 - | equipment P323,655 6,600 (5) (12,650) 317,600 323,122 1,902 (12,650) | improvements P1,151,692 - - (918,418) 233,274 1,151,691 - (918,418) | P8,209,000 - - - | P10,620,781 17,864 - (936,177) 9,702,468 2,305,769 85,806 (936,177) |
| At January 1, 2019 Additions Reclassification Retirement At December 31, 2019 Accumulated depreciatio At January 1, 2019 Provisions (Note 16) Retirement | and fixtures P515,335 - 5 (5,109) 510,231 n and amortizat 505,259 9,251 (5,109) | equipment P421,099 11,264 - - 432,363 :ion 325,697 74,653 - | equipment P323,655 6,600 (5) (12,650) 317,600 323,122 1,902 (12,650) | improvements P1,151,692 - - (918,418) 233,274 1,151,691 - (918,418) | P8,209,000 - - - | P10,620,781 17,864 - (936,177) 9,702,468 2,305,769 85,806 (936,177) |

The details and movements of the account are as follows:

The management assesses the bank premises, furniture, fixtures and equipment of the Bank for impairment at reporting date. As of December 31, 2020 and 2019, the management has seen no condition of impairment and that the net carrying amount of bank premises, furniture, fixtures and equipment can be recovered through use in operations.

The Bank sold fully-depreciated furniture and fixtures with cost of P9,495 for P500 resulting in a gain of P494. The gain is presented in the statements of comprehensive income under miscellaneous income.

NOTE 11 - INVESTMENT PROPERTIES

Investment properties include ROPAs obtained by the Bank in settlement of loans or dacion en pago.

As at December 31, 2020 and 2019, the investment properties, comprised of various lots, amounted to P24,821,930 and P24,871,330, respectively.

The movements of the account are summarized below:

| | 2020 | 2019 |
|------------------------------------|-------------|-------------|
| Balance at January 1 | P24,871,330 | P33,888,617 |
| Provision for impairment loss | (49,400) | - |
| Additional charges to old accounts | - | 548,755 |
| Disposal | | (9,566,042) |
| Balance at December 31 | P24,821,930 | P24,871,330 |

The aggregate fair value of the investment properties of the Bank amounted to P108,501,823 and P108,403,773 as at December 31, 2020 and 2019, respectively.

The fair value of the investment properties has been determined by an in-house and independent appraiser on the basis of market value approach.

In 2019, the Bank sold ROPAs with total carrying value of P9,566,042 at a gain of P6,533,958. The gain is presented in the statements of comprehensive income under miscellaneous income.

The additional charges to old accounts in 2019 amounting to P548,755 are consolidation-related expenses capitalized by the Bank.

NOTE 12 - OTHER ASSETS

The account at December 31 consists of:

| | 2020 | 2019 |
|---------------------------------|----------|----------|
| Deferred charges | P363,515 | P363,515 |
| Intangible assets | 46,250 | 39,583 |
| Stationery and supplies on hand | 42,665 | 46,811 |
| Prepaid expenses | 20,798 | 9,020 |
| Petty cash fund | 5,000 | 5,000 |
| Deposit for safety deposit box | 1,000 | 1,000 |
| PLDT share | 375 | 375 |
| Miscellaneous | 18,236 | - |
| | P497,839 | P465,304 |

Movements of intangible assets are as follows:

| | 2020 | 2019 |
|--|----------|----------|
| Cost | | |
| Balance at January 1 | P340,000 | P340,000 |
| Addition | 40,000 | - |
| Balance at December 31 | 380,000 | 340,000 |
| Accumulated amortization Balance at January 1 | 300,417 | 210,417 |
| Amortization (Note 16) | 33,333 | 90,000 |
| Balance at December 31 | 333,750 | 300,417 |
| Net | P46,250 | P39,583 |
| | | |

NOTE 13 - DEPOSIT LIABILITIES

The breakdown of the account is as follows:

| | 2020 | 2019 |
|---------|-------------|-------------|
| Savings | P16,375,347 | P8,830,250 |
| Time | 12,590,120 | 11,416,236 |
| | P28,965,467 | P20,246,486 |

Regular savings deposits are subject to an annual interest rate of 0.5% since October 1, 2015.

Annual interest rates on time deposits as at December 31, 2020 and 2019 are as follows:

| Peso category | 90 days | 180 days | 360 days | 2 years and above |
|----------------------|---------|----------|----------|-------------------|
| 20,000 - 250,000 | 1.00% | 1.25% | 1.75% | 2.00% |
| 250,001 - 500,000 | 1.25% | 1.50% | 2.00% | 2.75% |
| 500,001 - 1,000,000 | 1.50% | 1.75% | 2.25% | 3.00% |
| 1,000,001- 1,500,000 | 1.75% | 2.00% | 2.50% | 3.25% |
| 1,500,001 - above | 2.00% | 2.25% | 2.75% | 3.50% |

Breakdown of interest expense on deposit liabilities is as follows:

| | 2020 | 2019 |
|--------------|----------|----------|
| Savings | P67,515 | P66,140 |
| Time deposit | 229,019 | 250,540 |
| | P296,534 | P316,680 |

Interest paid amounted to P266,256 and P452,500 in 2020 and 2019, respectively.

Under BSP Circular No. 1092 and 1063, the deposit liabilities of the Bank are subject to liquidity reserve computed at 3% and 4%, respectively, for demand, savings and time deposits amounting to P868,964 and P809,859 as at December 31, 2020 and 2019, respectively, which is maintained by the Bank in the reserve deposit account with the BSP (see Note 6).

NOTE 14 - ACCRUED EXPENSES AND OTHER LIABILITIES

The account at December 31 consists of:

| | 2020 | 2019 |
|---|------------|------------|
| Accounts payable | P1,063,000 | P1,123,500 |
| Accrued expenses | 748,956 | 651,213 |
| Statutory liabilities | 340,575 | 299,198 |
| Accrued interest payable | 83,013 | 52,735 |
| Due to the Treasurer of the Philippines | 10,681 | 10,681 |
| | P2,246,225 | P2,137,327 |

Accounts payable is comprised mainly of the P1 million deposit for the impending sale of ROPA.

Accrued expenses include accrual of gross receipts tax for the last quarter, professional fees and Naujan property sale-related expenses.

NOTE 15 - EQUITY

The Bank's share capital consists of:

| | 20 | 020 | 20 | 019 |
|--|-----------|--------------|-----------|--------------|
| | No. of | | No. of | |
| | shares | Amount | shares | Amount |
| Authorized common shares at P100 par value per share | 5,000,000 | P500,000,000 | 5,000,000 | P500,000,000 |
| Paid-up capital - at P100 par value per share | | | | |
| Subscribed share capital | | | | |
| Balance at January 1 | 2,000,000 | P200,000,000 | 724,890 | P72,489,000 |
| Issuance of shares through application of deposit for | | | | |
| future stock subscription | - | - | 275,110 | 27,511,000 |
| Subscriptions during the year | - | | 1,000,000 | 100,000,000 |
| Balance at December 31 | 2,000,000 | 200,000,000 | 2,000,000 | 200,000,000 |
| Subscriptions receivable | | (19,399,900) | | (19,399,900) |
| Paid-up capital | | P180,600,100 | | P180,600,100 |
| | | | | |

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's adjusted net worth reported to the BSP, determined based on existing BSP regulatory and accounting frameworks. The risk-based CAR of the Bank as reported to the BSP is 86.78% and 91.12% as of December 31, 2020 and 2019, respectively.

The BSP issued on October 23, 2018 a certificate of authority approving the increase of authorized capital stock of the Bank from P100,000,000 to P500,000,000, divided by 5,000,000 shares of common stock with voting rights at par value of P100 each. Thereafter, an application for the said increase of authorized capital stock was filed with the SEC on December 4, 2018. Additional subscription of P27,511,000 was received from the stockholders and was presented as "Deposit for future stock subscription" in the statement of financial position as at December 31, 2017. Following the aforesaid approval of the BSP and the submission of the application with the SEC, in 2018, the deposit for future stock subscription was recognized as part of the Bank's equity. On July 12, 2019, the SEC approved the said increase of authorized capital stock.

NOTE 16 - OTHER OPERATING EXPENSES

Details of the following accounts follow:

| | 2020 | 2019 |
|---|------------|------------|
| Compensation and other benefits | | |
| Salaries and wages | P3,059,479 | P2,986,873 |
| Employee benefits | 1,063,638 | 1,262,056 |
| SSS, Philhealth and HDMF contributions | 271,198 | 252,727 |
| Retirement benefit cost (Note 18) | 180,375 | 177,088 |
| | P4,574,690 | P4,678,744 |
| Other expenses | | |
| Management and professional fees | P659,611 | P665,429 |
| Rent (Note 17) | 541,000 | 540,250 |
| Directors' fees | 420,000 | 415,000 |
| Security, clerical and janitorial services | 183,858 | 192,373 |
| Power, light and water | 111,345 | 125,820 |
| Depreciation and amortization (Notes 10 and 12) | 107,245 | 175,806 |
| Insurance | 84,048 | 97,106 |
| Postage, telephone, cables and telegrams | 72,793 | 80,056 |
| Documentary stamps used | 70,082 | 1,100,463 |
| Representation and entertainment | 55,134 | 52,738 |
| Donations and charitable contributions | 55,000 | - |
| Supervision fees | 42,203 | 21,064 |
| Repairs and maintenance | 39,819 | 51,557 |
| Litigation/assets-acquired expenses | 32,342 | 31,730 |
| Advertising and publicity | 23,517 | 8,500 |
| Travelling | 22,669 | 34,757 |
| Stationery and supplies | 20,603 | 28,798 |
| Fuel and lubricants | 13,982 | 20,176 |
| Miscellaneous expenses | 398,067 | 303,420 |
| | P2,953,318 | P3,945,043 |
| | | |

Miscellaneous expenses include cash gift/assistance and meals provided to the employees, sanitation and other incidental business expenses of the Bank.

NOTE 17 - LEASES

The Bank leases its office space from a related party which started on February 1, 2016 at a monthly rental of P52,500, inclusive of Value-Added Tax (VAT).

On June 1, 2017, a new contract of lease was signed to effect the change of monthly rental of P45,000, inclusive of VAT, for the period June 1, 2017 to May 31, 2018. This contract was further renewed for another year. The latest renewal with the same terms and conditions is for a period of one year from June 1, 2020 to May 31, 2021.

Should the Bank desire to renew, extend and/or pre-terminate the lease agreement, written notice thereof must be given to the lessor at least sixty days prior to the expiration and/or pre-termination of the lease with terms and condition subject to mutual agreement.

Rent expense related to the above lease amounted to P540,000 in 2020 and 2019. The rent expense of P541,000 and P540,250 in 2020 and 2019, respectively, includes vault rental payments.

NOTE 18 - RETIREMENT BENEFIT COST

The Bank has a funded, non-contributory, defined benefit plan covering all of its regular officers and employees. The latest actuarial valuation performed by an independent actuarial consulting firm on the Bank's retirement benefit cost and DBO is as of December 31, 2020. The following data summarize the results of the said valuation:

Characteristics of the defined benefit plan and the associated risks

The plan provides a retirement benefit equivalent to two months' final salary for every year of service. The benefit is paid in lump sum upon retirement or separation in accordance with the terms of the plan.

In accordance with the provisions of the Bureau of Internal Revenue (BIR) Regulations No. 1-68 for formal, tax-qualified retirement plans, it is required, among others, that a formal retirement plan be administered by a trust (trusteed); that forfeitures arising for any reason shall not be applied to increase the benefits under the plan but shall instead be retained in the retirement fund and be used as soon as possible to reduce the Bank's future contribution; and that the corpus or income of the retirement fund must at no time be used for, or diverted to, any purpose other than for the exclusive benefit of the plan members (non-diversion of funds).

The retirement plan trustee, as appointed by the Bank in the trust agreement executed between the Bank and the duly-appointed retirement plan trustee, is responsible for the general administration of the retirement plan and the management of the retirement fund. The retirement plan trustee may seek the advice of counsel and appoint an investment manager or managers to manage the retirement fund, an independent accountant to audit the fund and an actuary to value the retirement fund. As the administrator of the retirement plan, the retirement plan trustee (rather than the Bank) is responsible for the ultimate control, disposition, or management of the money received or contributed.

There are no unusual or significant risks to which the plan exposes the Bank. However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Bank to the retirement fund.

There was no plan amendment, curtailment, or settlement recognized in 2020 and 2019.

Amounts recognized in the financial statements

The valuation results are based on the employee data as of the valuation dates as provided by the Bank.

The principal assumptions used in determining the retirement benefit obligations for the Bank's retirement benefit plan are shown below.

| | 2020 | 2019 | |
|----------------------|-----------------------------------|-------------------------|--|
| Discount rate | 3.69% | 5.03% | |
| Salary increase rate | 5% | 5% | |
| Mortality rate | The 2001 CSO Table - Generational | | |
| | (Scale AA, Society of | f Actuaries) | |
| Disability rate | The Disability Study, Period 2 | | |
| | Benefit 5 (Society of | [•] Actuaries) | |

The changes in the present value of the DBO are as follows:

| | 2020 | 2019 |
|---|------------|------------|
| Present value of DBO at January 1 | P2,364,793 | P2,299,623 |
| Interest cost | 118,949 | 131,079 |
| Current service cost | 221,261 | 212,009 |
| Actuarial loss - changes in financial assumptions | 291,649 | 115,530 |
| Actuarial gain - changes in demographic assumptions | - | (994,560) |
| Actuarial loss - experience | 36,984 | 601,112 |
| Present value of DBO at December 31 | P3,033,636 | P2,364,793 |

The changes in the fair value of plan assets are as follows:

| | 2020 | 2019 |
|--|------------|------------|
| Fair value of plan assets at January 1 | P3,282,596 | P2,637,788 |
| Interest income | 165,115 | 166,000 |
| Contributions | - | 549,000 |
| Remeasurement loss | (119,633) | (70,192) |
| Fair value of plan assets at December 31 | P3,328,078 | P3,282,596 |

Actual return on plan assets follows:

| | 2020 | 2019 |
|--------------------|-----------|----------|
| Interest income | P165,115 | P166,000 |
| Remeasurement loss | (119,633) | (70,192) |
| Actual return | P45,482 | P95,808 |

Asset ceiling follows:

| | 2020 | 2019 |
|---|----------|----------|
| Present value of reductions in future contributions | P282,822 | P812,829 |
| Asset ceiling limit | 282,822 | 812,829 |

Retirement asset recognized in the statements of financial position as at December 31 follows:

| | 2020 | 2019 |
|--|-------------|-------------|
| Present value of DBO at December 31 | P3,033,636 | P2,364,793 |
| Fair value of plan assets at December 31 | (3,328,078) | (3,282,596) |
| Funded status - surplus | (294,442) | (917,803) |
| Effect of the asset ceiling | 11,620 | 104,974 |
| Retirement asset | (P282,822) | (P812,829) |

Retirement benefit cost recognized in profit or loss is as follows:

| | 2020 | 2019 |
|---|-----------|-----------|
| Current service cost | P221,261 | P212,009 |
| Interest cost on DBO | 118,949 | 131,079 |
| Interest income on plan assets | (165,115) | (166,000) |
| Interest on the effect of the asset ceiling | 5,280 | - |
| Net interest on the defined benefit liability | (40,886) | (34,921) |
| Retirement benefit cost in profit or loss (Note 16) | P180,375 | P177,088 |

Defined benefit cost in OCI is as follows:

| | 2020 | 2019 |
|---|----------|-----------|
| Accumulated OCI at January 1 | P273,340 | P376,092 |
| Actuarial gains - DBO | 328,633 | (277,918) |
| Remeasurement loss - plan assets | 119,633 | 70,192 |
| Remeasurement (gain) loss - changes in the effect | | |
| of the asset ceiling | (98,634) | 104,974 |
| Defined benefit cost in OCI - expense (income) | 349,632 | (102,752) |
| Accumulated OCI at December 31 | P622,972 | P273,340 |

The defined benefit cost (income) in OCI, net of tax amounted to P244,742 and (P71,926) in 2020 and 2019, respectively. The accumulated other comprehensive loss, net of tax is P436,080 and P191,338 as at December 31, 2020 and 2019, respectively.

Movements in retirement asset as at December 31 are as follows:

| | 2020 | 2019 |
|---|------------|------------|
| Retirement asset at January 1 | (P812,829) | (P338,165) |
| Defined benefit cost recognized in profit or loss | 180,375 | 177,088 |
| Defined benefit cost (income) recognized in OCI | 349,632 | (102,752) |
| Contributions | - | (549,000) |
| Retirement asset at December 31 | (P282,822) | (P812,829) |

The sensitivity of the DBO to changes in the principal actuarial assumptions, assuming all other assumptions were held constant follows:

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Decrease in DBO due to 100 bps increase in discount rate | (P222,386); (7.3%) | (P168,978); (7.1%) |
| Increase in DBO due to 100 bps decrease in discount rate | 254,605; 8.4% | 192,105; 8.1% |
| Increase in DBO due to 100 bps increase in salary rate | 248,671; 8.2% | 190,228; 8.0% |
| Decrease in DBO due to 100 bps decrease in salary rate | (221,764); (7.3%) | (170,548); (7.2%) |
| Increase in DBO if no attrition rates | 1,694,948; 55.9% | 1,161,142; 49.1% |

The allocation of plan assets is 100% cash and cash equivalents. These plan assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the retirement plan trustee may make changes at any time.

| | 2020 | 2019 |
|--|-----------|-----------|
| Weighted average duration of the DBO | 7.9 years | 7.6 years |
| Expected future benefit payments are as follows: | | |
| Financial year | 2020 | 2019 |
| Year 1 | P255,601 | P208,574 |
| Year 2 | 259,761 | 226,370 |
| Year 3 | 500,771 | 230,346 |
| Year 4 | 213,680 | 453,694 |
| Year 5 | 234,665 | 191,087 |
| Year 6-10 | 2,398,403 | 2,269,083 |

The expected future contribution as at December 31, 2020 and 2019 is nil and P50,000, respectively.

NOTE 19 - INCOME TAXES

Provision for income tax consists of the following:

| | 2020 | 2019 |
|----------|------------|----------|
| Current | P758,559 | P172,905 |
| Deferred | 494,240 | 751,552 |
| | P1,252,799 | P924,457 |

A reconciliation of provision for income tax computed at the statutory income tax rate to effective income tax as shown in profit or loss is as follows:

| | 2020 | 2019 |
|---|------------|------------|
| Income before income tax | P5,434,664 | P3,819,084 |
| Income tax at statutory income tax rate of 30% Adjust for tax effect of: | P1,630,399 | P1,145,725 |
| Non-deductible expenses | 96,581 | 95,005 |
| Income subject to final tax | (474,181) | (376,420) |
| Expired MCIT | <u> </u> | 60,147 |
| Effective income tax | P1,252,799 | P924,457 |

Domestic corporations are subject to RCIT of 30% pursuant to Republic Act (RA) No. 9337. The regulations also provide for MCIT of 2% on modified gross income and allow a NOLCO. MCIT is recognized when it is higher than the RCIT. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, for the three immediately succeeding taxable years.

Effective July 2008, RA No. 9504 was approved giving corporate taxpayers an option to claim itemized deductions or optional standard deduction equivalent to 40% of gross income. Once the option is made, it shall be irrevocable for the taxable year for which the option was made. The Bank opted to continue claiming itemized deductions for the years ended December 31, 2020 and 2019.

Current tax regulations also provide for the ceiling on the amount of Entertainment, Amusement and Recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense for taxpayers engaged in sale of services like the Bank is limited to the actual EAR paid or incurred but not to exceed 1% of net revenue. Representation and entertainment expense incurred amounted to P55,134 and P52,738 in 2020 and 2019, respectively (see Note 16).

The components of deferred tax assets at December 31 follow:

| | Allowance for impairment | Retirement liability (asset) | Excess of MCIT over RCIT | NOLCO | Total |
|--------------------------------------|--------------------------------|------------------------------------|--------------------------------|--------------------|------------|
| At January 1, 2019 | P2,850,794 | P36,178 | P159,544 | P1,430,847 | P4,477,363 |
| Credited (Charged) to profit or loss | 6,652 | (111,574) | 112,758 | (759 <i>,</i> 388) | (751,552) |
| Charged to OCI | - | (30,826) | - | - | (30,826) |
| At December 31, 2019 | 2,857,446 | (106,222) | 272,302 | 671,459 | 3,694,985 |
| Credited (Charged) to profit or loss | 395,408 | 54,113 | (272,302) | (671,459) | (494,240) |
| Credited to OCI | - | 104,890 | - | - | 104,890 |
| Balance at December 31, 2020 | P3,252,854 | P52,781 | P- | P- | P3,305,635 |

The Bank's carryforward benefit of MCIT that can be claimed as tax credit against RCIT is as follows:

| Year incurred | Amount | Applied | Expired | Balance | Expiry year |
|---------------|----------|------------|-----------|---------|-------------|
| 2019 | P172,905 | (P172,905) | P- | P- | 2022 |
| 2018 | 91,673 | (91,673) | - | - | 2021 |
| 2017 | 7,724 | (7,724) | - | - | 2020 |
| 2016 | 60,147 | - | (60,147) | | 2019 |
| | P332,449 | (P272,302) | (P60,147) | P- | |

The details of the Bank's NOLCO which can be applied against future taxable income are as follows:

| | _ | Арр | lied | | |
|---------------|------------|------|--------------|---------|-------------|
| Year incurred | Amount | Year | Amount | Balance | Expiry year |
| 2017 | P4,341,366 | 2020 | (P2,238,195) | P- | 2020 |
| | | 2019 | (2,103,171) | | |
| 2016 | 1,090,660 | 2019 | (428,121) | - | 2019 |
| | | 2018 | (662,539) | | |
| | P5,432,026 | | (P5,432,026) | P- | |
| | | | | | |

Movements in income tax payable (overpayment) are as follows:

| | 2020 | 2019 |
|--|------------|------------|
| Balance at January 1 | (P195,495) | (P368,400) |
| Charged to profit or loss (income tax due during the year) | 758,559 | 172,905 |
| Income tax paid during the year | (219,155) | |
| Balance at December 31 | P343,909 | (P195,495) |

Provision for income tax in 2020 is net of applied MCIT of P272,302.

NOTE 20 - RELATED PARTY TRANSACTIONS

The related parties of the Bank are as follows:

| Name of related party | Related party relationship |
|---|--|
| Abacus Global Technovisions, Inc. | Under common management |
| Hedge Issues Management and Leverage Advisors, Inc. | Under common management |
| Monica Maria Barcelona - Bejasa | Close family member of key management personnel of stockholder |
| Lorenzo Miguel E. Centeno | Close family member of key management personnel of stockholder |

In the ordinary conduct of business, the Bank has transactions with its related parties which are as follows:

Related party transactions

| Name of related party | Nature of transaction | 2020 | 2019 |
|---------------------------------|------------------------|----------|----------|
| Abacus Global | | | |
| Technovisions, Inc. | Rent expense (Note 17) | P540,000 | P540,000 |
| Monica Maria Barcelona - Bejasa | Interest income | 174,409 | 218,718 |
| Lorenzo Miguel E. Centeno | Interest income | 67,537 | - |

Transactions with related parties are secured. The Bank has neither given nor received any guarantees for these related party transactions.

Related party balance

| Name of related party | Nature of balance | Nature of the consideration to be provided in settlement | 2020 | 2019 |
|-----------------------|-------------------|--|------------|------------|
| Monica Maria | Loans receivable | | | |
| Barcelona - Bejasa | (Note 9) | Cash | P2,131,745 | P2,788,996 |
| Lorenzo Miguel E. | Loans receivable | | | |
| Centeno | (Note 9) | Cash | 1,858,682 | - |
| | | | P3.990.427 | P2.788.996 |

The Bank has loan transactions with its officers, employees and other related parties. Under the current banking regulations, the total outstanding loans of each DOSRI (or Directors, Officers, Stockholders and Related Interests) shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank, provided unsecured loans shall not exceed 30% of their respective total loans (individual ceiling). As regards the aggregated ceiling, the amount of aggregate loans to DOSRI, of which 70% must be secured, should not exceed the Bank's net worth or 15% of the Bank's total loan portfolio, whichever is lower. These limits/ceilings do not apply to loans secured by assets considered as non-risk as defined in the regulations.

The Bank has loans receivable from its employees amounting to P77,207 and P175,729 as at December 31, 2020 and 2019, respectively. These loans are unsecured and classified as loans to individual primarily for personal use purpose - salary with applicable interest rate of 7.5% in 2020 and 2019.

During the year, the Bank neither has any DOSRI loans nor any unsecured and non-performing DOSRI loans. Information on related party loans is broken down as follows:

| | | | Related pa | rty loans |
|--|-------------|-------|----------------------------|------------|
| | DOSRI loans | | (inclusive of DOSRI loans) | |
| Particulars | 2020 | 2019 | 2020 | 2019 |
| Outstanding loans | P- | P- | P3,990,427 | P2,788,996 |
| Percent of DOSRI/Related party loans to total loan | | | | |
| portfolio | 0.00% | 0.00% | 2.27% | 2.87% |
| Percent of unsecured DOSRI/Related party loans | | | | |
| to total DOSRI/Related party loans | 0.00% | 0.00% | 0.00% | 0.00% |
| Percent of past due DOSRI/Related party loans to | | | | |
| total DOSRI/Related party loans | 0.00% | 0.00% | 0.00% | 0.00% |
| Percent of non-performing DOSRI/Related party | | | | |
| loans to total DOSRI/Related party loans | 0.00% | 0.00% | 0.00% | 0.00% |
| Key management personnel | | | | |

The remuneration of key management personnel consists of:

| | 2020 | 2019 |
|------------------------------|------------|------------|
| Short-term employee benefits | P1,836,632 | P1,882,717 |
| Long-term employee benefits | - | - |

Retirement cost

The Bank has a funded, non-contributory, defined benefit plan covering all of its regular officers and employees. The retirement fund is administered by Eastwest Asset Management and placed into a time deposit account. See Note 18 for the additional information on the Bank's retirement plan.

NOTE 21 - KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators are as follows:

| | 2020 | 2019 |
|------------------------------|--------|--------|
| Return on average equity | 1.96% | 1.71% |
| Return on average assets | 1.74% | 1.47% |
| Net interest margin | 6.84% | 4.64% |
| Capital to risk assets ratio | 89.68% | 93.10% |

NOTE 22 - OTHER MATTERS

a. COVID-19 outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine throughout the Island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and then further extended to May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on business continue to evolve.

The outbreak caused the Bank delayed collections in compliance with the Implementing Rules and Regulations of Section 4(aa) of RA No. 11469, otherwise known as the "Bayanihan to Heal as One Act" which mandates all covered institutions to implement a 30-day grace period for all loans with principal and/or interest, penalties, fees and other charges during the imposed enhanced community quarantine and shall automatically be extended if the enhance community quarantine period is extended. In addition, the Bank applied remedial management policy, to the extent necessary, to sympathize with its customers with regard to the adverse impact of the said pandemic to its valued customers.

The Bank is closely monitoring the current economic condition to assess the adequacy of its cash flows. Though the Bank does not have any current issues concerning the sufficiency of its funds to finance its resumed operation, the BOD approved the Bank to apply on BSP provided regulatory relief.

b. Events after reporting period

On March 26, 2021, President Rodrigo Duterte signed into law RA No. 11534, also known as "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Act which reduced the corporate income tax rates and rationalized the current tax incentives system by making it time bound, targeted and performance based. CREATE Act introduces reforms in the areas of corporate income tax, Value-Added Tax and tax incentives, aside from providing COVID-19 reliefs to taxpayers.

Effective July 1, 2020, domestic corporations with total assets not exceeding P100 million and taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% income tax rate.

The effects of the changes computed without regard to the specific date when specific revenue, expenses and other transactions occur as provided for under Section 27 (A) of the CREATE Act are as follows:

| | December 31, 2020 | Under CREATE Act | Impact |
|--------------------------|-------------------|------------------|-----------|
| Provision for income tax | P1,252,799 | P1,700,351 | P447,552 |
| Income tax payable | 343,909 | 258,004 | (85,905) |
| Deferred tax assets | 3,305,635 | 2,754,696 | (550,939) |
| Accumulated other | (436,080) | (453,562) | (17,482) |
| comprehensive loss, net | | | |

NOTE 23 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the BIR under its existing Revenue Regulations (RR) to be disclosed as part of the notes to financial statements in addition to the disclosures mandated under PFRSs.

A. REVENUE REGULATIONS NO. 15-2010

In compliance with the requirements of RR No. 15-2010 issued on November 25, 2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended December 31, 2020:

1) The amount of gross receipts tax (GRT) paid and accrued during the year

The Bank is a non-VAT registered entity engaged in development banking business. It paid an amount of P486,304 as percentage tax based on the gross income received amounting to P9,726,080 and accrued additional GRT amounting to P216,561 for the gross income received amounting to P4,331,218.

2) Documentary stamp tax (DST)

| Transaction | Amount | DST thereon |
|-----------------------------|--------------|-------------|
| Loans | P175,515,000 | P1,033,415 |
| Certificate of time deposit | 9,344,211 | 70,082 |
| | P184,859,211 | P1,103,497 |

3) Withholding taxes

The amounts of withholding taxes paid or accrued during the year are as follows:

| | Paid | Accrued | Total |
|--|----------|---------|----------|
| Withholding taxes on compensation | P115,189 | P12,050 | P127,239 |
| Expanded withholding tax | 88,599 | 24,247 | 112,846 |
| Final withholding taxes on dividend payments | | | |
| and interest | 46,739 | 6,512 | 53,251 |
| | P250,527 | P42,809 | P293,336 |

4) The schedule of taxes and licenses paid/accrued during the year

| <u>Local</u> | |
|-------------------------|----------|
| Mayor's permit | P114,461 |
| Real property tax | 46,566 |
| Others | 3,800 |
| | 164,827 |
| National | |
| Gross receipt tax | 702,865 |
| BIR annual registration | 500 |
| | 703,365 |
| | P868,192 |

5) Deficiency tax assessments and tax cases

As of December 31, 2020, the Bank has no pending tax cases and has not received any tax assessment notices from the BIR.

B. REVENUE REGULATIONS NO. 19-2011

RR No. 19-2011 issued on December 9, 2011 requires the disclosure of the schedules of taxable revenues, cost of sales/services, non-operating and taxable other income, itemized deductions, taxes and licenses and other significant tax information in the notes to financial statements.

The Bank's transactions are subject only to regular/normal tax rate. It does not have transactions exempt from tax or subject to special rate.

Following are the required schedules in compliance with the aforesaid revenue issuances:

1) Revenues

| Interest income - loans and receivables Service fees | P12,375,754 1,483,627 |
|---|--------------------------|
| Sale of services | P13,859,381 |
| 2) Cost of services | |
| Direct charges - salaries, wages and benefits | P4,123,117 |
| Direct charges - others | 367,276 |
| | P4,490,393 |
| 3) Other taxable income not subjected to final tax | |
| Miscellaneous income | P5,442 |

4) Ordinary allowable itemized deductions

| Taxes and licenses | P938,274 |
|--|------------|
| Rental | 541,000 |
| Depreciation | 58,979 |
| Representation and entertainment | 55,134 |
| Charitable contributions | 55,000 |
| Amortization - intangible assets | 33,333 |
| Transportation and travel | 22,669 |
| Amortization - leasehold improvements | 14,933 |
| Others: | |
| Professional fees | 659,611 |
| Directors' fees | 420,000 |
| Communication, light and water | 184,138 |
| Security services | 183,858 |
| Repairs and maintenance - labor or labor and materials | 39,819 |
| Insurance | 30,173 |
| Advertising and promotions | 23,517 |
| Miscellaneous | 439,594 |
| | P3,700,032 |
| | |
| 5) NOLCO applied | P2,238,195 |

6) Taxes and licenses

The details of taxes and licenses are disclosed in section A of this note.

C. REVENUE REGULATIONS NO. 34-2020

RR No. 34-2020 issued on December 18, 2020 requires taxpayers to submit to the BIR Form No. 1709 (RPT Form) to allow it to verify that taxpayers are reporting their related party transactions at arm's length prices.

The Bank is not covered by the requirements and procedures for related party transactions provided under this RR.

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED OF ASSIGNMENT is made, executed and entered into by:

SQUIDPAY TECHNOLOGY INC., a corporation duly organized and existing under the laws of the Philippines and with address at 2402D West Tower, Philippine Stock Exchange Centre, San Antonio, Pasig, Metro Manila, represented herein by its Chief Executive Officer, Marvin C. Dela Cruz and its President, Elisa May Arboleda-Cuevas (hereinafter referred to as "ASSIGNOR" or "SPT");

-and-

PREMIERE HORIZON ALLIANCE CORPORATION, a corporation duly organized and existing under the laws of the Philippines and with address at Unit E-1705, 17th Floor, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City represented herein by its Group CFO, Roberto B. Ortiz, (hereinafter referred to as "ASSIGNEE" or "PHA");

(the ASSIGNOR and the ASSIGNEE are hereinafter collectively referred to as "Parties", and each, a "Party")

WITNESSETH;

WHEREAS, the ASSIGNOR, entered into a Memorandum of Agreement (the "MOA") with Phil Star Development Bank, Inc. (hereinafter referred to as "Bank") and Philippine Regional Investment Development Corporation dated April 8, 2021, wherein the ASSIGNOR shall invest up to Nine Hundred Million Pesos (Php900,000,000.00) in order to acquire sixty percent (60%) interest in the Bank;

WHEREAS, the MOA recognizes that such investment and acquisition of interest in the Bank is subject to limits of voting stock ownership in a thrift/digital bank;

WHEREAS, there is a forty percent (40%) ceiling for the ownership of voting shares in a thrift/digital bank provided for under the Manual of Regulations for Banks (MORB);

WHEREAS, in accordance with Section 2.1 and 9.3 of the MOA, the right to invest or a portion thereof, is assignable to third parties following such limitations;

WHERAS, the ASSIGNOR has offered to assign a portion of its rights to the proposed investment under the MOA to the extent of forty percent (40%) out of the previously intended sixty percent (60%) to the ASSIGNEE and the ASSIGNEE has accepted such assignment, and subject to the conformity of the other Parties to the MOA;

NOW THEREFORE, the Parties hereby agree as follows:

- The ASSIGNOR hereby assigns, transfers and conveys to the ASSIGNEE a portion of its rights, interests and obligations to the investment contemplated in the MOA to the extent of forty percent (40%) out of the previously contemplated investment by the ASSIGNOR of sixty percent (60%) interest in the Bank;
- 2. In return for such assignment, the ASSIGNEE shall abide and bind himself to the terms and conditions in the MOA and invest in the Bank the amount in proportion to the amount of interest assigned to him by the ASSIGNOR, or up to Six Hundred Million Pesos (Php600,000,000.00).
 AUG 3 1 2021

IN WITNESS WHEREOF, the Parties have hereunto set their hand this ____ day of _____ at ________at ________

ASSIGNOR

SQUIDPAY TECHNOLOGY INC.

Bv: MARVIN C. DELA CRUZ

Chief Executive Officer

ELISA MAY ARBOLEDA-CUEVAS

Conforme:

Phil Star Development Bank Inc.

By:

RAUL B. DE MESA

ASSIGNEE

PREMIERE HORIZON ALLIANCE CORPORATION

Bv:

ROBERTO B. ORTIZ Group CFO

Philippine Regional Investment Development Corporation

By:

ANTONIO V.F. GREGORIO III President

| xX | |
|--|--|
| | |
| ACKNOWLI | EDCEMENT |
| PASIC (| CITY AUG 3 1 2021 |
| BEFORE ME, a Notary Public for and in appeared: | |
| Name | Competent Evidence of Identity |
| Marvin C. Dela Cruz | |
| Elisa May Arboleda-Cuevas | |
| Roberto B. Ortiz | |
| Raul B. De Mesa | |
| Antonio V.F. Gregorio III | · · · • |
| | I see the second s |

1 S.S.

Known to me and to me known to be the same persons who executed the foregoing instrument they acknowledged to me that the same is their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, at the date and place first above written.

Doc No. 24/. Page No. 50; Book No. 70; Series of 20 1].

REPUBLIC OF THE PHILIPPINES

PASIG CITY

ATTY. FERDINANY D. AYAHAO Notary Public Until December 31, 2021 Appointment No. 184 (2020-2021) For Pasig City Pateros and San Juan City Roll No. 46377 MCLE VI-0025705; 04-02-19 JBP LRN 02459; O.R. No. 535886; 06-21-2001 TIN 123-011-785; PTR 7206699; 01-06-21, Pasis Usur 5, West Fatter PSE, Exchange Road Omigas Center, Pasis City Tel.+632-86314000