



PHILIPPINE
BUSINESS BANK
a savings bank

Making Things Happen... Today!

25 Years Business Partnership with SMEs

2022 Annual Report





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Consumer Protection and Market Conduct Office
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a proud member of





25 Years Business Partnership with SMEs

2022 Annual Report



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Vision

By making things happen today, PBB will help build strong business communities where people can achieve their dreams.

Mission

The basis for Philippine Business Bank's growth shall be its commitment for higher standards every day, in everything we do in providing competitive products and services and through enthusiastic execution and teamwork in producing satisfaction – for our customers, our shareholders, our associates, and our communities.



About the Cover



BUSINESS PARTNERSHIP WITH SMEs

Since PBB's founding in 1997, the Bank is committed to serve small and medium businesses. As we celebrate 25 years, the Bank has helped numerous businesses with their financing needs. We also expanded our reach to remote areas to serve and support even more small and medium enterprises.

Today, small and medium businesses are the backbone of the Philippine economy, employing over 3 million Filipino workers. Yet, despite such remarkable contributions, there is still [Php] trillions of credit gap that has prevented these businesses from achieving their full potential. This is where PBB comes in.

PBB's thrust is to improve the accessibility and affordability of the working capital for small and medium businesses. Our vision "By making things happen today, PBB will help build strong business communities where people can achieve their dreams."



About Us



PBB was incorporated as a Philippine corporation and registered with the SEC on January 28, 1997 as “Total Savings Bank” and was granted the authority to operate as a thrift bank under the MB Resolution No. 29 dated January 8, 1997. The BSP issued a Certificate of Authority on February 6, 1997. On December 16, 1997, the SEC approved the change of corporate name of the Bank to “Philippine Business Bank, Inc. (A Savings Bank)” which the shareholders believe better reflects the Bank’s business thrust and focus.

The Bank’s focus is to become the bank of choice of the SME market segment. The BSP defines small and medium enterprises to be any business concern with assets between ₱3.0 million to ₱100.0 million, excluding the land value on which the entity’s office, plant and equipment are situated.

This focus on the SME market is driven by the size and potential of this particular market. According to recent data from the Department of Trade and Industry, SMEs account for 99.5% of total registered enterprises. The Bank believes that the SME segment is the major source of entrepreneurship and economic dynamism which provide trade, manufacturing and outsourcing and services and help contribute to community and local development. Lastly, the Bank believes that the SME segment is underserved with most financial institutions focusing on the banking requirements of large corporations.

To become the bank of choice of the SME market, PBB has increased its branch presence in several commercial and industrial centers of the country and recruited branch and account officers with extensive client networks in these specific communities. The Bank’s network grew from two (2) branches in 1997 to 157 branches as of December 31, 2022 with most branches located in areas with high concentration of small and medium businesses such as Caloocan, Malabon, Navotas, Valenzuela and Quezon City. PBB has also aggressively expanded its branch network in highly urbanized areas outside Mega Manila such as

Davao, General Santos, Bacolod, and Cebu. PBB believes that client proximity, understanding its targets’ banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are the key growth factors in the banking business.

PBB attributes its strong growth and attractive financial performance to the following competitive strengths:

1. Strong presence, reputation, and attention to its SME customers

The Bank believes that its deliberate focus on serving the banking needs of the SME market segment is a key factor for its successful growth over its history. Aside from potential size of this market segment, the Bank also believes that the SME segment is largely underserved by most financial institutions with their focus on large companies and the consumer market. PBB’s focus on the SME segment is manifested in its branch strategy, the recruitment of its officers, its business operations, and even its corporate culture.

Majority of PBB’s branches are located outside of typical commercial and business districts where most banks congregate and are situated in areas with significant SME concentration such as Caloocan, Malabon, Navotas, Valenzuela, Quezon City as well as highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. Aside from targeting such areas, PBB has also significantly increased the number of its branches over the past years.

The Bank believes the success of this branch strategy is shown in its increased business volume. PBB’s branches have increased over the past five (5) years from 142 in 2017 to 157 as of December 31, 2022. As a result, PBB’s deposit base and loan portfolio grew over the years.

About Us

in Php Millions	2017	2022	CAGR
Net loans and receivables	70,552.8	103,541.5	7.97%
Deposit liabilities	73,522.0	114,526.2	9.27%

Of equal importance to PBB's current and prospective growth is the staffing of these branches. The Bank aggressively recruits branch managers and account officers who have established good relationships and solid reputation within each branch's catchment area. Through this recruitment strategy, PBB has been able to accelerate its client acquisition.

In line with its view that most SME clients have unique banking requirements with respect to bank transactions that require specific attention, PBB has also deliberately focused on providing its banking services through its branch officers and staff. This contrasts significantly with the trend to automate banking transactions. PBB believes that customer interaction and service will remain key ingredients for its growth.

2. Effective capital utilization

Aside from interest income from its loan products, PBB is opportunistic with respect to earnings generation from its treasury operations especially during periods of weak loan demand or excess liquidity. PBB's Treasury Services Group, in coordination with the Bank's Asset and Liability Committee, ensures the Bank's liquidity, manages liquidity risk, manages the Bank's trading portfolio of domestic treasury debt, corporate bonds, foreign currency denominated bonds, and other financial instruments.

in Php Millions	2017	2022	CAGR
At fair value through profit or loss	-	2,222.0	34.7%
Available-for-sale	2,438.9	10,820.2	
Held-to-maturity	-	1,125.5	
Trading and investment securities	2,438.9	14,167.7	42.2%

3. Solid lending policies and practices

Despite the growth of PBB's loans and receivables, the Bank has successfully managed credit risk through its internal credit risk rating system, loan evaluation and approval practices, and other formal credit risk mitigating processes. Supplementing these formal processes is PBB's relationship and community-based approach to lending, which takes advantage of branch and account officers' position in their respective communities to analyze prospective borrowers' reputation, business performance and risks, and other credit evaluation factors.

The Bank believes that the advantages brought about by these processes have equal weight to its formal credit evaluation efforts, especially for prospective SME clients.

in %	2017	2018	2019	2020	2021	2022
Non-performing loans ratio	2.12%	1.75%	2.33%	4.07%	4.33%	5.37%

The Bank's NPL ratio stood at 5.37% as of 2022. The Bank performs regular portfolio management reviews to determine potentially problematic accounts and initiate corrective actions if needed.

4. Sound balance sheet well positioned for growth

PBB has consistently maintained a sound balance sheet which positions the Bank for future growth. Liquidity, as measured by the ratio of loans to deposit, was at 90.41% in 2022.

in %	2017	2018	2019	2020	2021	2022
Loans-to-deposit ratio	95.96%	97.77%	91.66%	88.93%	81.55%	90.41%

5. Strong capital base is the foundation to PBB's increasing size

in %	2017	2018	2019	2020	2021	2022
Equity, in Billions	10.2	11.4	12.9	13.9	14.5	14.6
Tier 1 CAR	13.09	14.01	12.80	13.27	11.08	13.06
CAR	14.00	14.99	13.70	14.15	11.82	13.85

PBB's CAR and Tier 1 CAR are consistently above the BSP thresholds of 10.0% and 7.5%, respectively. The Bank continues to monitor its capital levels relative to its business needs and requirements.

6. Highly competent and experienced management team

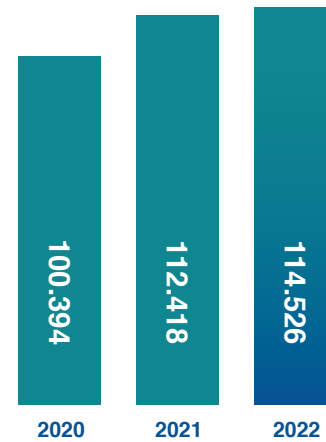
With significant oversight from the Board of Directors, PBB is managed and run by officers who have extensive experience in banking operations from leading universal and commercial banks in the country. With the experience and track record of officers, from the head office and throughout its branch network, the Bank is assured that it possesses extensive knowledge of all aspects of the banking industry, strong relationships with other banks and financial institutions, and familiarity with the Bank's target clients and their banking needs.

Financial Highlights

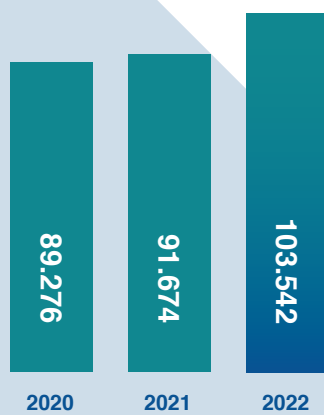
Total Resources (in billion Pesos)



Total Deposit Liabilities (in billion Pesos)



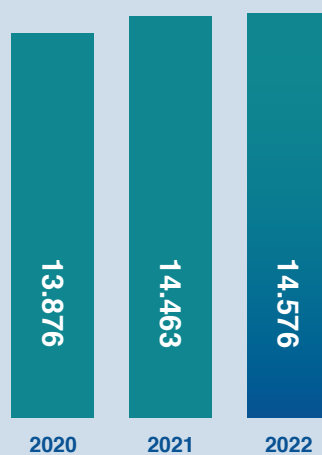
Total Loans (in billion Pesos)



Net Income (in million Pesos)



Capital Fund (in billion Pesos)



Financial Summary

in Php millions, except per share data	31-Dec-21	31-Dec-20	% growth
Profitability			
Net interest income	5,547	5,469	0.9
Non-interest income	544	312	74.4
Non-interest expenses	(3,408)	(3,268)	4.3
Core income	3,085	2,794	10.4
Pre-tax pre-provision profit	2,683	2,540	5.6
Allowance for credit losses	(821)	(747)	9.8
Net income	1,311	1,168	12.3
Selected balance sheet data			
Liquid assets	26,734	37,015	(27.8)
Gross loans	104,561	91,984	13.7
Assets	134,550	132,032	1.9
Deposits	114,526	112,418	1.9
Equity	14,576	14,463	0.8
Per common share data			
Net income per share:			
Basic	1.85	1.81	2.1
Diluted	1.85	1.81	2.1
Book value	21.68	21.50	0.8
Others			
Headcount	1,660	1,612	3.0
Officers	734	707	3.8
Staff	926	905	2.3
Selected Ratios			
Return on equity	9.03%	8.24%	
Return on assets	0.98%	0.93%	
Net Tier 1 CAR	13.06%	11.08%	
Capital adequacy ratio	13.85%	11.82%	



Letter to the Shareholders from the Chairman Emeritus

Ambassador Alfredo M. Yao
Chairman Emeritus

“We pride ourselves on our steadfast commitment to the financial well-being of our customers and stand ready to assist them in achieving their financial goals.”

Dear Fellow Shareholders,

2022 is the year we celebrate our 25th anniversary of banking services. I would like to thank our Board of Directors and the entire bank team whose dedication to our stakeholders and clients has allowed us to sustain the company’s growth. We are pleased to share an extraordinarily strong year of earnings for December 31, 2022. Net income for the year amounted to Php1.311 billion in 2022 compared to Php1.168 billion in 2021.

The solid financial result of the past year is a product of our disciplined and customer-centric approach. And as we continuously focus our support to our clients – the SMEs and the corporate, we commit to deliver increasing returns to our shareholders.

We have the ability to make decisions that allow us to react to customer needs in a timely fashion. We are keen and sensitive to the changing environment of our clients brought about by the pandemic and economic challenges. We are a resource to many, offering advice and support beyond the bank doors. We continue to be focused on improving, building relationships, and emphasizing our loyalty as our customers select PBB as their trusted financial partner.

We pride ourselves on our steadfast commitment to the financial well-being of our customers and stand ready to assist them in achieving their financial goals.

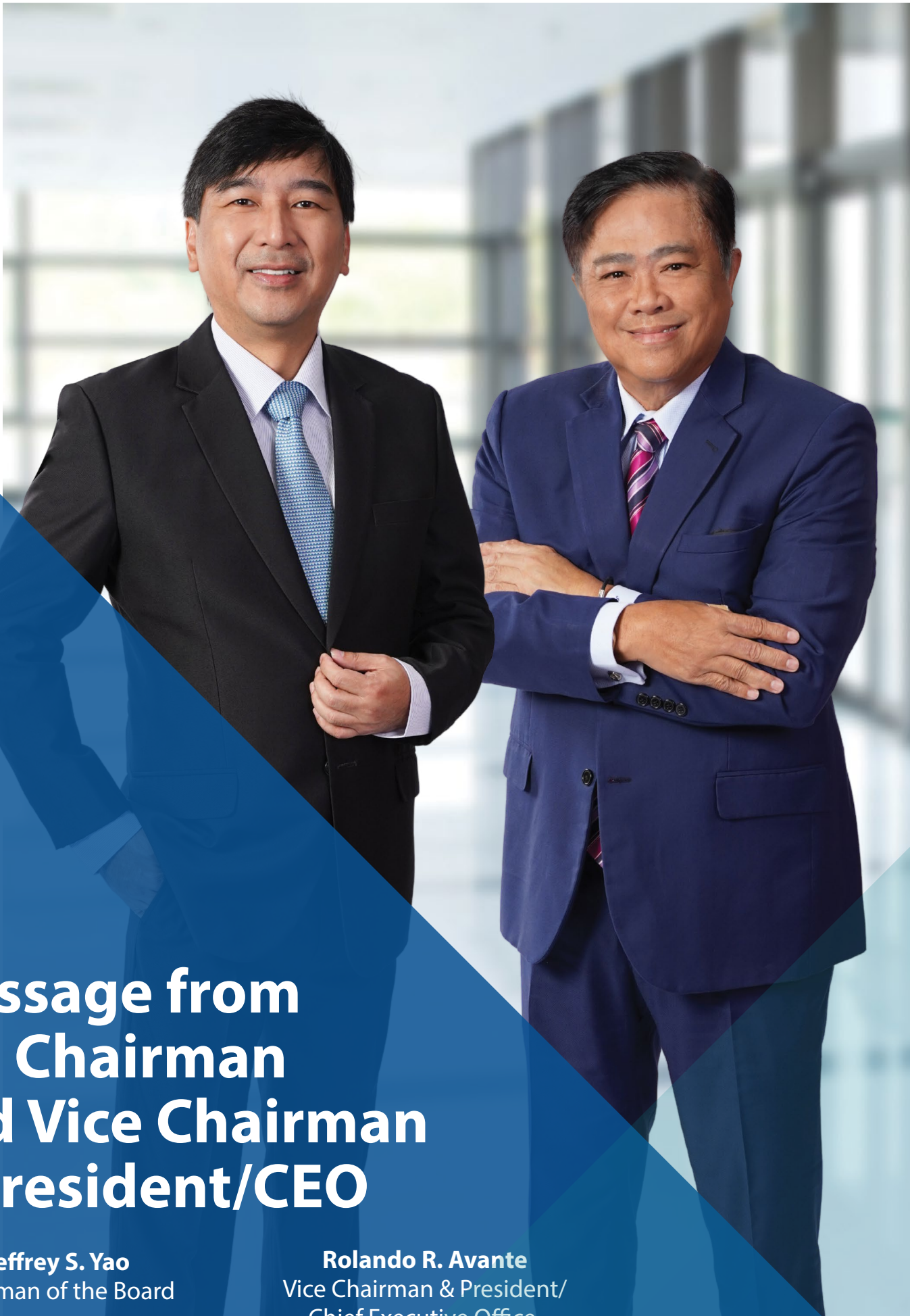
Thank you, most sincerely, for your continued business. I am extremely thankful for our dedicated team members, shareholders and customers who have placed their trust in us. As we look ahead to the coming year, our position as a savings bank continues to be strong. We will continue to honor the principles that have served us well over the years.

At PBB, Making Things Happen...Today!

Sincerely,



Ambassador Alfredo M. Yao
Chairman Emeritus



Message from the Chairman and Vice Chairman & President/CEO

Jeffrey S. Yao
Chairman of the Board

Rolando R. Avante
Vice Chairman & President/
Chief Executive Office

“Our lending business is strong, and we are proud to report continued success in this area. While many lenders cut back due to pandemic pressures, PBB posted record loan growth.”

Dear Shareholders,

2022 was the year Philippine Business Bank celebrated its 25th anniversary. We delivered an impressive net profit despite considerable global headwinds.

The global economy faced multiple threats in 2022 – escalating geopolitical tensions, high inflation, stalling growth and roiling financial markets. Supply chain disruptions – an issue amid the Covid pandemic of the last two years – were further exacerbated by the Ukraine war. This contributed to rising food, commodities and energy prices.

Against this backdrop, the Philippine economy has shown strong growth momentum during 2022, with GDP growth rising to 7.6% year-on-year in the third quarter of 2022. The easing of domestic COVID-19 restrictions during 2022 has allowed the rebound of household consumption spending, which helped to drive strong economic growth. Household consumption expenditure grew by 8.0% year-on-year in the third quarter of 2022, while gross capital formation rose by 21.7% year-on-year.

Yet, in a challenging year for the global economy, the Bank turned in a solid performance. Philippine Business Bank continues to be one of country’s leading savings banks. We are proud of our continued success, strength and long-standing stability. We remain passionate about serving our personal and business customers exceptionally well, offering them the best that savings banking has to offer – that’s high-quality personal and business banking products and services, combined with exceptional service.

Record Financial Performance

We achieved a strong net profit, improved return on equity, better efficiency ratios and increased shareholder returns, whilst we maintained our strong capital position. Our diversified income streams across business segments enabled us to deliver well-balanced growth. Our results reflect the foundations we have laid in the previous years to grow our franchise, optimize our balance sheet and prudently manage our portfolio.

PBB reported net interest income of ₱5,547.4million in 2022. Core income reached ₱3,085.3 million, up 10.4% from ₱2,794.2 million in 2021. Pre-tax pre-provision profit was at ₱2,683.1 million. Profit before tax rose to ₱1,862.5 million in 2022. Net income reached ₱1,311.4 million, 12.3% higher year-on-year.

Message From the Chairman and Vice Chairman & President/CEO

Our lending business is strong, and we are proud to report continued success in this area. While many lenders cut back due to pandemic pressures, PBB posted record loan growth. Total net loans and receivables stood at ₱103.5 billion as of end-Dec 2022 from ₱91.7 billion in the same period last year, increased by 12.9% year-on-year.

Our strong funding, liquidity and capital positions were maintained. On the funding side, deposit liabilities were at ₱114.5 billion as of YE2022. Low-cost deposits ("CASA") ended at ₱62.0 billion, while time deposits ("TD") reached ₱52.5 billion. Total resources totaled ₱134.6 billion as of December 2022. This provides us with continued flexibility to pursue growth opportunities and buffer for uncertainties.

Shareholders' equity was at ₱14.6 billion, equivalent to a book value per share of ₱21.68 net of preferred shares. Returns on assets and equity improved to 0.97% and 9.00% owing to net income growth. Net interest margin ("NIM") at 4.33%. The Bank's capital adequacy ratio ("CAR") was 13.85% and minimum liquidity ratio ("MLR") at 21.75% in December 2022, above the adjusted statutory requirement of 16.0% (from 20.0%). Over the last five years, the Bank's net book value per share net of preferred shares has grown 7.8% per year, from ₱14.92 in 2017 to ₱21.68 in 2022.

Making Bigger Steps In Our Sustainability Commitment

The firm commitment of the Board and Management to effective stewardship and corporate governance is the bedrock of our stakeholders' trust in us, and we continue to be recognized for our high standards of governance and responsible business practices.

Our ongoing efforts relating to sustainability have led us to earn an inaugural inclusion on the 2022 Golden Arrow Award. Philippine Business Bank was one of the 85 out of 264 publicly-listed firms awarded by the Institute of Corporate Directors (ICD), receiving the 1-Arrow recognition for its conformance to the highest standards of corporate governance.

The Golden Arrow is awarded to companies that achieved a score of at least 80 points in the ACGS Assessment.

In addition, as part of the implementation programs, PBB will proactively partner our customers with advisory and financial solutions to accelerate their transition to a lower-carbon future. We are confident that many will be willing to come along with us on the journey. This confidence is borne out by our fast-growing sustainable finance book.

We partnered with CleanTech Global Renewables Inc. - an independent power producer and renewable electricity developer in the Philippines, and SunAsia Energy Inc., - a pioneer developer of clean, affordable and sustainable solar energy in the Philippines, in addition to two more solar energy-savings projects.

Our Strategic Priorities

Our optimism for PBB's future is driven by the many strengths we possess, which stem from our diversified regional presence, solid financial position and committed employees. Our unique and highly-interconnected branch network is generating good business momentum.

We have a robust balance sheet, strong capital base and high levels of liquidity, supported by a comprehensive risk management framework.

Our personalized customer service has sharpened our competitive position, driven meaningful insights and brought convenience for our customers.

Our Asset, Our Workforce

Our commitment to attracting, developing and retaining talent is key to achieving our long-term goals. We are intensifying our efforts in talent growth and development, upskilling our workforce and enhancing the overall employee experience.

We made significant investments in helping our employees develop to their greatest potential and be future-ready. PBB has designed in-house programs, the most recent of which is the Sales Officers' Development Program (SODP) to grow the local talent pool. We also enhanced the talents of the employees from the lending units to undergo the Relationship Manager Development Program (RMDP).

We provide regular communication with our colleagues. From holding regular mental wellness activities and providing extended care measures, through our regular webinars, we deepened the culture of care, growth and trust within PBB.

Moving Forward

The global economy is expected to face continued challenges in the year ahead as the near-term outlook remains uncertain. There is rising recession worries in major economies, which are expected to see slower growth from elevated inflation, rising interest rates, lower consumer spending and reduced industrial production.

Although we remain watchful, we take heart that our loan pipeline looks healthy. As we look ahead, we will continue to cement our thrift banking leadership, while strategically placing our bets in emerging technologies.

It is also imperative that we remain focused on advancing the sustainability agenda and executing on our service commitments.

PBB is a highly-trusted brand, strong business entity, and an established regional network. Our robust balance sheet, prudent risk management and talented workforce allow us to be well-poised to support our customers and pursue growth opportunities.

We enter the new year with confidence as we excel for sustainable growth and deliver enduring value to our stakeholders.

Acknowledgments

We would like to express our deep appreciation to our fellow Board members for their invaluable insights, vision and excellent counsel.

To the management team and all our employees, we are grateful for your dedication, hard work and teamwork in making 2022 a great year.

To our loyal customers, regulators and shareholders, thank you for your belief in PBB. Know that with PBB, you have a partner you can always count on.

We have demonstrated over the past decade a track record of solid performance. In an increasingly fractured and unpredictable world, PBB will continue to be a different kind of bank – one that is trusted, stable and purpose-driven so our customers can MAKE THINGS HAPPEN... TODAY!

Sincerely,



Jeffrey S. Yao
Chairman of the Board



Rolando R. Avante
Vice Chairman & President/
Chief Executive Officer

Principal Business Activities

PBB provides close to a full range of banking services and products, including cash management, retail and corporate lending, deposit products, international trade finance, treasury, and trust products.



Commercial Banking Group

The Commercial Banking Group services the SME and mid-market segments which are PBB's key clientele.

The group is divided into eight (8) business units geographically located from north to south of the Philippines. PBB believes that client proximity, understanding its targets' banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are among the key factors which have driven and will continue to drive its growth.

Combank will continue to develop a strong sales culture to attract the SME market as well as their network of suppliers and clients as part of its push for organic expansion. The group is also working on improving its turnaround time to address the requirements of the market.



Principal Business Activities

Corporate Banking Group

Corporate Banking Group provides wholesale banking products and services to large corporate accounts, the segment next to medium enterprises or middle commercial market. These include major businesses from publicly listed companies, large conglomerates, national and multinational, and other large corporate accounts on its various business projects and developmental loans.

Corpbank partners with its customers towards business success, commit to the country's economic developments, and contribute to the Bank's initiatives on sustainable developments and environmental protection programs through instilling a positive impact on climate change. Corpbank continues to manage its existing portfolio and adapts to the challenges of the new normal business environment. The group continues to provide financial services tailor-fitted to the financial requirement of customers in this changing market and business environment.



Consumer Banking Group

The Consumer Banking Group generally acts as support group to branches in customer acquisition and client maintenance and offers auto loan, housing loan, and corporate salary loan targeting its existing depositors, commercial loan customers, and partner developers. Quite recently, the group found an opportunity to venture outside its primary target market and offered loans to DepEd personnel using the license granted by the DepEd to the bank. The initial efforts in developing markets for DepEd loan were quite a success and as a result, this loan product was seen to be one of the main generators of loan portfolio for consumer loans in the future.

Relative to the events in 2020 and 2021, CBG rationalized its presence, operations, and product offering in the provinces. Provincial units shifted market and product focus from providing second-hand car loan to providing DepEd loan. The challenges brought by the pandemic were very hard to individual consumers in 2020 and were still prevalent in 2021 and 2022. The group still practices conservative lending policies while slowly easing restrictions in certain market niches and customer profile that are already showing signs of recovery and stability. Collections and recovery are also of prime importance to the group and with this balanced focus, the Bank attained NPL levels on its auto loan and housing loan better than industry levels since the pandemic.

The group is currently developing and investing in technology and resources for a full-scale nationwide business operation for this product.

Retail Banking Segment

The Retail Banking Segment is engaged in the Bank's core business such as deposit and loan generation. The group is responsible for providing marketing support to branches via lead referrals, cash incentive programs, and cross-sell

initiatives. It utilizes a decentralized sales strategy, allowing for tailor-fit tactical outreach initiatives within each locality. The Bank offers a comprehensive range of deposit products and services consisting of the following:

1. Regular Checking account
2. CA Flexi (checking & passbook savings in one account)
3. Regular Savings account
4. Trust services' products/investments
5. Payroll account
6. SSS pensioners account
7. Peso time deposit
8. Hi-5 time deposit
9. Dollar time deposit
10. Hi-Green deposit
11. Dollar savings
12. Chinese Yuan/ Renminbi Savings
13. Campus Savers
14. E-banking/Business Connect
15. Cross-selling of insurance business, FX buy and sell, and consumer products such as auto, housing, salary, and Makaguro loans

The group is composed of: (1) Branch Banking Group which grows deposit levels, generates and services loan referrals, and sells trust and treasury products; and (2) Branch Operations and Control Group which ensures the day-to-day operations in the branches are in order.

The Bank also offers foreign exchange transactions particularly in USD and RMB. PBB is one of the 14 banks authorized by the Bank of China (BOC) to convert Renminbi directly to Philippine peso. More importantly, the branches' focus revolves around building personal and professional ties in the community and fostering true business partnership relationships with the Bank's clients.

Principal Business Activities

Treasury Services Group

Treasury Services Group's main responsibility is to manage and balance the daily cash flow and liquidity of funds of the Bank. The group also handles the Bank's investments in securities and foreign exchange.

The general mission of TSG is to manage the liquidity of the Bank. This means that all current and projected cash inflows and outflows must be monitored to ensure that there is sufficient cash to fund company operations, as well as to ensure that the excess cash is properly managed and invested. TSG is divided into four sub-units namely:

1. **Assets & Liabilities Management:** manages the Bank's resources and identifies opportunities in the interest differential business;
2. **Fixed Income Desk:** monitors the daily movements of corporate bonds and US treasuries for investments and handles the trading of government securities and sovereign bonds;



3. Foreign Exchange Management Desk: oversees all foreign exchange transactions of PBB such as over-the-counter market for trading securities and interbank dealings; and,
4. Financial Market Sales and Distribution Unit: markets government securities and fixed income instruments to clients.

The group offers the following products and services:

- Philippine Domestic Dollar Transfer System – local transfer for US dollar;
- FX forward – hedging tools;
- Renminbi Transfer System - local transfer for Chinese Yuan;
- Auto FX services – against USD;
- Telegraphic transfer - international cable transfer;
- Renminbi / CNY deposits;
- All other foreign exchanges, trade or non-trade related, and over-the-counter (OTC) whether against USD or PHP; and,
- Euro deposit (currently in the pipeline).

As the Bank continues to grow its balance sheet, available liquid capital, as well as its customer base, Treasury continues to be opportunistic in contributing to the Bank's profitability. This will be achieved through a combination of client flows as well as proprietary trading using the Bank's available liquidity.

Trust and Investment Center

PBB's Trust and Investment Center (TIC) continues to build on its solid gains from the past five (5) years, with the trust and fiduciary business further growing its scale of operations in 2022. With its expanded product suite and sizeable distribution channels, TIC actively engages its clientele and provides investment solutions that ultimately aided them in achieving their financial goals and aspirations.

Through a wide array of products and services including escrows, insurance and pre-need trusts, unit investment trust funds (UITFs), the group contributes in deepening relationships with the bank's clientele. TIC likewise endeavors to help its corporate clients recognize the value of establishing their own employee benefit trusts as a tool for employee retention, a solution they could access via TIC's retirement fund management service.

With its array of business initiatives, TIC continues to establish itself in the local investment management industry as shown in its industry ranking. Despite challenging market conditions, TIC continues to add value to the bank's clientele by being cognizant of their evolving needs, along with targeted investments in systems and technology that are all in line with the Bank's digitization efforts.



Products and Services Offered

PBB is a thrift bank that offers a range of commercial and consumer or retail banking products, trust services, and other related financial services such as mail and telegraphic transfers, safety deposit facilities, payment services, among others.

Commercial banking services include term loans, working capital credit lines, bills purchase and discounting lines. PBB is the first thrift bank to be allowed by the BSP to issue foreign currency denominated letters of credit. The Bank also offers specialized loans for agriculture and programs of the Development Bank of the Philippines, the Social Security System, and other agencies.



Consumer banking loans include brand new auto financing, home financing, group salary or personal loans, and teacher's loan.

As part of its commercial and consumer banking activities, PBB offers various deposit products to both its commercial and individual clients. These products include Peso denominated current and savings accounts, foreign currency denominated savings accounts and both Peso and foreign currency time deposits.

The Bank's treasury manages the liquidity of PBB and is a key component in revenue and income generation through its investment and trading activities.

Products and services offered by PBB's trust operations include PBB's "Diamond Fund", a unit investment trust fund, investment management arrangements for both

individual and commercial clients, escrow agency, security, safekeeping and depository arrangements, a funds management of employee benefit and pre-need plans, among other standard trust products and services.



Operational Highlights



Internal Seminars/ Webinars Conducted in 2022

Ctr	Title of Seminar	No. of Runs	Description	Target Participants
1	Branch Officers' Development Program (BODP)	1	A developmental program consisting of several relevant modules conducted to train and prepare branch rank-and-file employees to assume the position of Branch Service Head	Identified branch rank-and-file employees who are being prepared for promotion to first-level officer position with the position of Branch Service Head
2	Branch Service Head Advancement & Re-Tooling Program (BSHARP)	1	a certification program aimed at further enhancing and deepening the competencies of our Branch Service Heads	Branch Service Heads
3	Sales Officers' Development Program (SODP)	1	A developmental program consisting of several relevant modules conducted to train and prepare identified rank-and-file employees to assume the position of Sales Officer	Identified rank-and-file employees who are being prepared for promotion to first-level officer positions
4	Accounting for Non-Accountants	2	A seminar that discusses basic accounting concepts and principles as applicable to the participants' work responsibilities	BODP/RMDP/SODP Trainees, rank-and-file employees whose function requires a working knowledge of basic accounting
5	AMLA for New Hires	17	An online training program that provides participants with a review and update on current Anti-Money Laundering policies and regulations through the Bank's E-Learning System	Newly-hired officers and staff
6	AMLA E-Learning Seminar / AMLA Orientation	25	An online training program that provides participants with a review and update on current Anti-Money Laundering policies and regulations through the Bank's E-Learning System	All incumbent employees scheduled/ due for AMLA refresher
7	AMLA Refresher Course	11	An online training program that provides participants with a review and update on current Anti-Money Laundering policies and regulations conducted via Zoom platform	All incumbent employees scheduled/ due for AMLA refresher

Operational Highlights

Ctr	Title of Seminar	No. of Runs	Description	Target Participants
8	Bank Products and Services	2	An online training program that discusses the features and characteristics of the Bank' various products and services	Branch staff
9	Bank Security Awareness	11	a seminar that discusses applicable branch/office security measures and procedures	Head Office and Branch officers and staff
10	Compliance Coordinator's Retooling Training	1	a seminar that reiterates and discusses the duties and responsibilities of a BSH in line with his/her role as the branch's Compliance Coordinator	Branch Service Heads
11	Counterfeit Detection Seminar	6	a seminar that provides participants with the knowledge and skills needed to identify counterfeit Philippine Peso/ US Dollar/Renminbi bills	Branch staff, Branch Service Heads
12	General Banking Laws	3	An online training course that discusses the pertinent laws, regulations, and policies that govern banking	Head Office and branch officers and staff
13	Information Security Awareness Orientation	10	An online seminar that educates participants on the key guidelines, policies and procedures pertaining to information security	Head Office and branch officers
14	Primewater Bills Payment Training	1	a seminar that provides participants with knowledge on the procedures and requirements in the billing of client Primewater Co.	Branch Service Heads, Customer Service Assistants
15	Root Cause Analysis	3	a seminar that provides simple and effective methods to identify and verify the true root causes of problems in order to come up with the right solutions to resolve and prevent recurrence of the same	Center/Unit Heads, Junior Officers
16	Signature Verification and Forgery Detection	9	a seminar that provides participants with the necessary knowledge and skills in detecting fraudulent signatures and forged documents	Branch staff, Branch Service Heads, Marketing Assistants
17	Supervision Strategies	8	a seminar that provides participants with the basic leadership principles and skills needed in supervising a team	Head Office and Branch rank-and-file employees who are being prepared for assumption of first-level officer rank

Ctr	Title of Seminar	No. of Runs	Description	Target Participants
18	Virtual Selling Workshop	5	a seminar that discusses selling techniques using on-line/virtual tools	Employees whose work responsibilities involve sales
19	Writing for Results	3	a seminar that provides participants with practical techniques in writing effective internal and external business correspondences that produce results	Officers and staff whose work responsibilities include writing and preparation of report and correspondences
20	Z.O.O.M. (Zone Orientation for New Employees)	10	An online onboarding program conducted to introduce new employees to the Bank, its relevant policies and procedures, and its various units and their respective functions	Newly-hired officers and staff

External Seminars in 2022

Ctr	Title	Date of Seminar	# of Pax	Provider
1	#AdvanceMagisip: The CIC Credit Report and Basics of Savings and Building your Wealth	July 21, 2022	1	CIC Academy
2	101st BAP Treasury Certification Program	November 21 - December 12, 2022	1	Ateneo Graduate School of Business - CCE
3	18th Hitting Targets through Innovative Collection and Receivable Strategies	August 31, 2022	7	Ariva Academy Philippines, Inc.
4	2nd PSOF Executive Series - People Analytics & Leadership Communication	June 15, 2022	1	PMAP
5	304th Basic Non-Life Insurance	June 6-24, 2022	3	Insurance Institute for Asia & the Pacific, Inc.
6	305th Basic Non-Life Insurance Course	July 4-21, 2022	3	Insurance Institute for Asia & the Pacific, Inc.
7	7 Steps to Build an Engaging Culture for Hybrid and Virtual Teams	July 6, 2022	1	Ariva Academy Philippines, Inc.
8	99th BAP Treasury Certification Program	July 19 - August 4, 2022	2	Ateneo Graduate School of Business - CCE

Operational Highlights

Ctr	Title	Date of Seminar	# of Pax	Provider
9	Achieve Zero Trust with intelligent End Point Security	August 25, 2022	1	IBM Events
10	Advanced Excel Training for Bankers	October 6-7, 2022	5	BAIPHIL
11	Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Fundamentals Webinar for Covered Persons	February 22, 2022	1	Anti-Money Laundering Council
12	Auditing Cyber Security Program	March 10-11, 2022	2	ISACA
13	Auditing Cyber Security Program	July 13-15, 2022	1	Institute of Internal Auditors Philippines, Inc.
14	BSP Briefing for Thrift Banks on BSP Circular #1085 (Sustainable Finance Framework) and #1128 (Environmental and Social Risk Management Framework)	May 27, 2022	10	Chamber of Thrift Banks
15	BSP Cir. #1086 & #1134	July 27, 2022	1	Money Market Association of the Philippines
16	BSP-CTB Training Program on AML/CTPF	August 4, 2022	39	Chamber of Thrift Banks
17	BSP-CTB: AML, TF, MRAS, IRA, and Progress on TFS Implementation	September 9, 2022	6	Chamber of Thrift Banks
18	Business Continuity Management Lead Implementer Certification Program	October 24-26, 2022	1	Environmental Compliance Consultants Intl. Corp.
19	CAATs: Data Analysis	July 30, 2022	1	Institute of Internal Auditors Philippines, Inc.
20	CISCO 2 V7: Switching, Routing, and Wireless Essentials (SRWE)	February 26 - June 18, 2022	4	Malayan Education System Inc. (MAPUA)
21	Cisco Certified Network Associate (CCNA 200-301)	Aug 14, 21, 28, Sept 4, 11, 2022	2	NexusCloud IT Solutions
22	CISCO Introduction to Cybersecurity	July 7-11, 2022	1	Mapua

Ctr	Title	Date of Seminar	# of Pax	Provider
23	Compliance with Operational Risk and Management Guidelines	March 25, 2022	1	BAIPHIL
24	Comptia Security +	August 27 - November 5, 2022	1	Mapua University
25	Conducting Interviews, Recruitment and Selection Process	June 25, 2022	2	Businesscoach Inc.
26	Corporate Governance	November 28, 2022	3	BAIPHIL
27	Corporate Governance	December 16, 2022	3	ROAM
28	Counterfeit Money Detection Seminar and Other Related Topics	May 21, 2022	5	Bohol Bankers Assoc. Inc. & BSP Region 7
29	Crash Course on Financial Instruments: Accounting, Valuation & Risk Management	June 21, 2022	5	BAIPHIL
30	Credit and Collection Management	June 23, 2022	3	Credit Management Association of the Philippines
31	Cybersecurity 101: Address Threats with Next Gen Security	May 19, 2022	1	PTNT Telco
32	Digital Recruitment Process, Tools, and Best Practices	June 18, 2022	3	Businesscoach Inc.
33	EdgeTalk: Modernizing your Network	May 19, 2022	1	Aruba
34	Enhanced Corporate Governance Guidelines	April 22, 2022	2	BAIPHIL
35	Essential Competencies for New Norm Human Resources Management	January 20, 2022	1	Ariva Academy Philippines, Inc.
36	Financial Instruments: Valuation	November 18, 2022	3	BAIPHIL
37	Fortinet Philippines 2022 Thanksgiving and 2023 Threat Prediction	December 6, 2022	1	Fortinet

Operational Highlights

Ctr	Title	Date of Seminar	# of Pax	Provider
38	Fundamentals of Business Continuity Management	October 15, 2022	2	BAIPHIL
39	Fundamentals of IS Audit	June 25, July 2 & 9, 2022	1	ISACA
40	Further Together: A Virtual Enterprise Forum	June 10, 2022	1	PLDT
41	Government Updates from BIR, DOLE, Pag-Ibig, Philhealth, and SSS	February 24, 2022	2	PMAP
42	Guerilla Selling Strategies in New Normal	June 29, 2022	5	Ariva Academy Philippines, Inc.
43	Handling Employee Grievance & Regulating Employee Conduct	March 3, 2022	3	Ariva Academy Philippines, Inc.
44	Intraday Liquidity Webinar	June 14, 2022	4	Money Market Association of the Philippines
45	Introducing a Sustainable Finance Skills Framework for Banks	July 21, 2022	2	Chamber of Thrift Banks
46	IT Audit 102: Upgrading IT Knowledge Base	July 9, 2022	1	Institute of Internal Auditors Philippines, Inc.
47	IT Security in Banking Operations	April 26-29, 2022	1	BAIPHIL
48	Lean Six Sigma Yellow Belt Training and Certification Plus Leadership Essentials	various dates in 2022 (self-paced)	27	Process Doctors Academy
49	MS Advanced Excel	October 17-18, 2022	2	SAS Management Inc.
50	MS VBA Excel	October 19-21, 2022	1	SAS Management Inc.
51	New: GTAG Auditing Mobile Computing	July 29, 2022	1	Institute of Internal Auditors Philippines, Inc.
52	Occupational First Aid and BLS-CPR with AED Training	May 26-27, 2022	1	Philippine Red Cross - Ilocos Sur Chapter

Ctr	Title	Date of Seminar	# of Pax	Provider
53	Paralegal: Business Contract Law for Non-Legal Professionals	January 27, 2022	2	Ariva Academy Philippines, Inc.
54	Related Party Transaction	June 23, 2022	4	BAIPHIL
55	Results Matter: Impactful Solutions to Propel Business Forward	April 6, 2022	1	Converge ICT Solutions Inc.
56	Risk Management in the Age of Covid-19	April 28, 2022	8	Institute of Corporate Directors
57	Root Cause Analysis: Drilling Down to Tru Causes to Solve and Prevent Problems	June 13-15, 2022	1	Ateneo Graduate School of Business - CCE
58	Secure your Digital Acceleration with Fortinet Security Fabric	February 16, 2022	1	Fortinet
59	Service Desk Analyst	November 14-16, 2022	1	SAS Management Inc.
60	Supervisory Assessment Framework	June 23, 2022	11	Chamber of Thrift Banks
61	Sustainable Finance Framework	March 23, 2022	31	Chamber of Thrift Banks
62	The Law and IRR of the Safe Spaces Act	December 2, 2022	2	Center for Global Best Practices
63	The Very Basics of Treasury in Banking	June 18, 2022	2	BAIPHIL
64	Training Design, Implementation and Evaluation	June 29-30, 2022	1	Velocity One Co.
65	Unix and Linux Essentials / Oracle Database 19C: SQL Workshop	November 2-4, 7-11, 2022	4	DBQuest Inc.
66	Webinar on the Power of Success Attitudes	August 2, 2022	2	Ariva Academy Philippines, Inc.

Corporate Social Responsibility



PBB Cares: Vaccination Program

Philippine Business Bank (PBB), in partnership with the Caloocan Health Department, has rolled out COVID-19 booster shots on September 19, 2022 at PBB's Main Office Building in Grace Park, Caloocan to shore up protection against more transmissible variants.

PBB employees are eligible to receive a third/fourth dose of the Pfizer vaccine months after receiving their last dose.

PBB launched the booster program to stay one step ahead of breakthrough infections among fully vaccinated people. It can be noted that COVID-19 vaccines are still highly effective, but their protection against infection appears to be waning.

Fortunately, the vast majority of [breakthrough infections] are quite mild and what “we” really want to prevent is that turning into people being sick enough to be in the hospital.

According to PBB's vice chairman and PCEO Rolando R. Avante, “We have a responsibility to give the maximum amount of protection.” He also noted that additional shots are “the best way to protect ourselves from new variants that could arise.”



PBB's V. Chairman & PCEO Rolando R. Avante getting his booster shot

Corporate Social Responsibility



(PBB's Talent Acquisition Officer Belle Cortes, consulting with Dr. Arlyn Gonzales of the Caloocan Health Dept.; Nurses Angel Peñones and Karen Booth orderly handling the vaccination program)



(It's Kuya Waldo Tutor's turn)



Caloocan Health Dept's healthcare professional administering the booster shots of: Sir Rey Boringot and Mam Arcie Baltazar



*(standing: PBB's Nurses Angel Peñones and Karen Booth spearheaded the vaccination program with the Caloocan Health Dept. Team
Seated: PBB's Head of Corp. Affairs Judith C. Songlingco & Dra. Arlyn Gonzales)*



I am a superhero. I can save a life. Can you?

THE AMY FOUNDATION YOUTH VOLUNTEERS INITIATIVE, IN COORDINATION WITH PBB HRG INVITES EVERYONE TO A BLOOD DRIVE.

Join us on Thursday, September 29, 2022 from 9am to 4pm in PBB Z Square Training Room to further the Red Cross' mission to provide medication without discrimination.

Non PBB employees are also welcome to donate!

Donors must be 16 or above, those under 18 need parental consent.

To register, you may email the undersigned @ penones_amf@pbb.com.ph or Ms. Ruth Tamayo @ tamayo_jra@pbb.com.ph

You are eligible to donate blood if you:

- are 16 - 65 years old
- are in good health
- weigh at least 110 pounds
- pass physical and history screenings

Can you donate blood?

Why you should donate blood?

Your blood could be the difference between someone living or dying. Donated blood are used in blood transfusions, treatments and therapies.



Be a Superhero!

Philippine Business Bank, in partnership with the AMY Foundation and the Philippine Red Cross (Caloocan City chapter) paid tribute to voluntary PBB employees and non PBB employees for their life-saving gift of blood that sought to inspire more people to follow their example.

This year's theme "Be a Superhero," highlights the underpinning role of voluntary blood donors in maintaining a safe and adequate blood supply.

Giving blood is a heroic life-saving act of solidarity to improve the quality of life for patients suffering from life-threatening conditions and to support medical and surgical procedures. PBB is grateful to all the 38 silent heroes who voluntarily donate blood. The one-day blood drive successfully collected 21 blood bags, held on September 29, 2023 at the PBB Office of the Z-Square Mall.

Corporate Social Responsibility

"I felt it's time my sister and I should do something, no matter how small, to help those who need helping, especially in the area of education which is very close to my family's heart"

*– Alexander Jacob T. Yao
Founder, Youth Volunteers Initiative*



*Clara Nicole T. Yao
Co-Founder, Youth Volunteers Initiative*

Youth Volunteers Initiative

Many of the nation's volunteers are young people. Most of the youth of today volunteer because of altruism and an interest in making in a difference in the lives of others.

On October 19, 2020 the Youth Volunteers Initiative, under the blanket of the Alfredo M. Yao (AMY) Foundation was founded by Alexander Jacob T. Yao. The grandson's deep involvement with the foundation is a testament of his commitment to continue the philanthropist's [Jacob's "ang kong"] legacy of supporting under-privileged children through education.

Together with his sister, Clara Nicole T. Yao, both worked hand in hand in organizing the different programs for the AMY Foundation. They started with the Pamaskong Handog sa Panahon ng Pandemya (Sharing the Gift of Christmas During the Pandemic), a partnership with the Sagrada Familia Parish where the foundation distributed Noche Buena packages to 110 families belonging to the parish.

The siblings also assisted in launching the foundation’s Balik Eskuwela (Back-to-School) Project. The Balik Eskuwela Project is a partnership with the local government units (LGUs) and non-governmental organizations (NGOs) which aims to provide school supplies to students in public schools in Metro Manila. Since its founding [Youth Volunteers Initiative], Jacob and Clara aim to develop more partnerships with other public schools not only in Metro Manila but in remote provinces of the country.



Busog-Dunong Feeding Program

The Youth Volunteers Initiative of the AMY Foundation held its very first face-to-face post-pandemic Busog Dunong feeding program on September 2, 2022 at the Sagrada Familia Parish in Caloocan City. The siblings expanded support for and access to the school meal programs, in collaboration with the Commission on Social Services and Development (CSSD) of Caloocan City, [parish priest] Fr. Ildefonso “Jun” de Guzman Jr. and the AMY Foundation staff to develop nutritious, appetizing school meals for kids.

120 children age six to twelve attended the feeding program, where soup “sopas” and Zest-O fruit juices were distributed. These forward-thinking, innovative actions were all highlighted by Jacob Yao during this event at Sagrada Familia Parish in Caloocan where he spoke with public school and district leaders about how these Youth Volunteers Initiative actions will benefit their communities.

Jacob believes that a healthier future for our country starts with our children. “Continuing to make school meals healthier and available to more students are some of the best ways we can help our children thrive early in life.”



Event Highlights



Making Things Happen... Today!



PBB: 25 Years

When Philippine Business Bank started its operations on February 12, 1997, Amb. Alfredo M. Yao envisioned a community bank presence that was committed to helping local entrepreneurs and small businesses grow in the CAMANAVA region. It was a market he felt was clearly underserved by other financial institutions. It was this vision and commitment that helped to establish PBB as a financial institution dedicated to the small business community. A bank built on trusted relationships that customers count on – from start-up entities to corporate accounts – to provide the financial support they need and help their businesses grow.

PBB continues to grow, topping more than Php120 billion in assets in 2020 and reaching more than 163 branch networks to support its mission and to help PBB achieve its thrust to be the bank of choice of the SMEs.

Keeping their focus on meeting the needs of small businesses, PBB continues to expand its portfolio of financial services to include personal, commercial, and corporate banking.



Event Highlights

“We continue to grow the Bank by raising new capital for the rebound of the economy brought about by the pandemic,” remarked Rolando R. Avante, Vice Chairman and PCEO of PBB. “We plan to expand in other regions stretching our reach in these different markets and helping resolve local issues of the SMEs - which are a nation’s assets,” Mr. Avante added.

As an established financial institution, the bank holds great significance to the trust and confidence of their clients, helping build strong business communities where people can achieve their visions and aspirations. Thus, amid the unprecedented conditions, the company has been dedicated to being agile and adaptive to continuously serve the changing needs of its customers.

At Philippine Business Bank, we Make Things Happen... Today!





Chairman Emeritus Amb. Alfredo M. Yao with Rev. Fr. Ponpon Vasquez, OMI – Shrine of Our Lady of Grace Rector



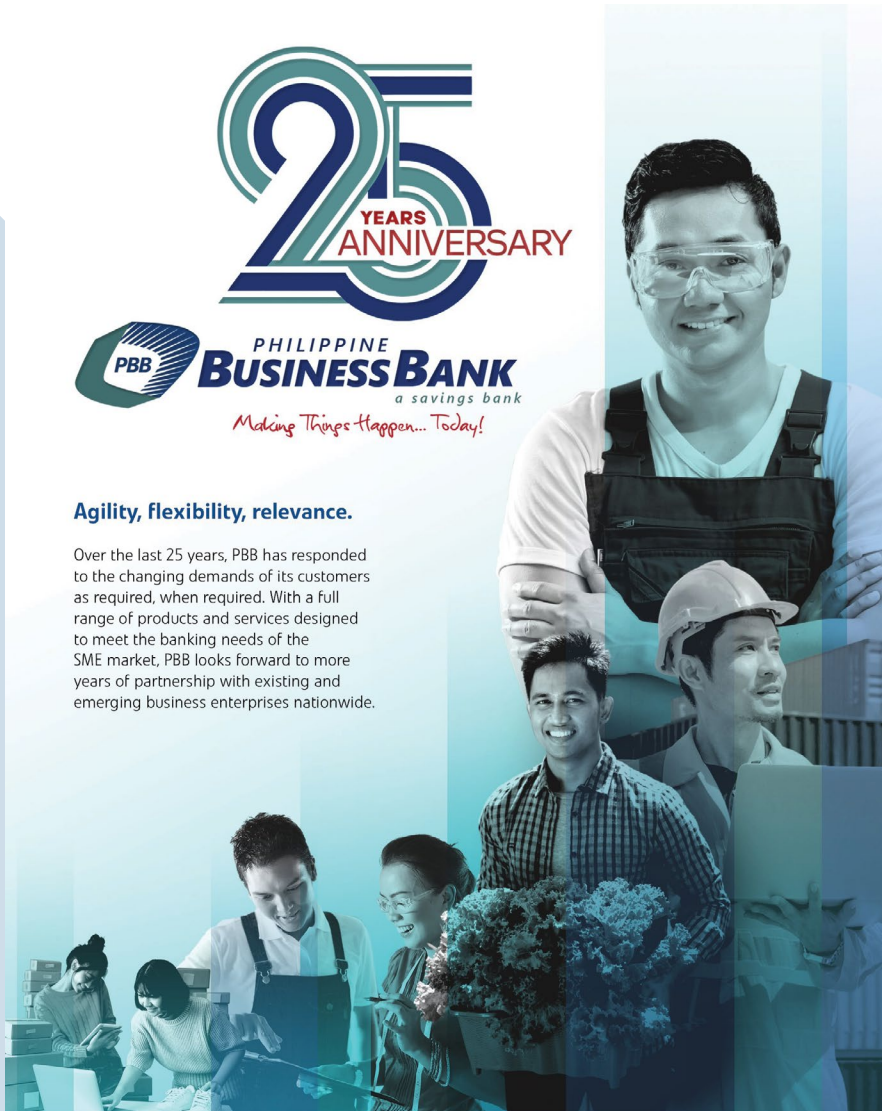
(L-R: FVP/ RBG Group Head Felipe V. Frigal, V. Chairman & PCEO Rolando R. Avante, Chairman Emeritus Alfredo M. Yao, Rev. Fr. Ponpon Vasquez, Chairman Jeffrey S. Yao

Event Highlights



Agility, flexibility, relevance.

Over the last 25 years, PBB has responded to the changing demands of its customers as required, when required. With a full range of products and services designed to meet the banking needs of the SME market, PBB looks forward to more years of partnership with existing and emerging business enterprises nationwide.





Rolando Avante
Philippine Business Bank

Philippine Business Bank's Unbreakable Commitment to accessible financial services

The Philippine banking industry was not spared from the onslaught of the COVID-19 pandemic. Banks incurred major losses due to the economic slump caused by the lockdown from suffering loan defaults, to interest rate cuts, and deficits, among others.

Despite these, the banking sector remained resilient and unwavering. The Philippine Business Bank (PBB) was one of the banking institutions in the country which proved that with their relentless resolve to provide financial services, all the difficulties are manageable. And through the support of a reliable partner, every obstacle and downturn are surmountable.

"The organization's vision is always to be able to serve our customers to the best of our ability," said Philippine Business Bank President and Chief Executive Officer Rolando R. Avante.

As an established financial institution, the bank holds great significance to the trust and confidence of their clients,

helping build strong business communities where people can achieve their visions and aspirations. Thus, amid the unprecedented conditions, the company has been dedicated to being agile and adaptive to continuously serve the changing needs of its customers.

"One of the important aspects of a bank's operation is what we call the BCP or the Business Continuity Plan or the DRP, the Disaster Recovery Plan. Both of these plans are very important because it ensures the bank's operations for the whole time that there is a problem happening," Avante furthered.

PLDT Enterprise has extended its support as PBB's partner in navigating the uncertainties of the new normal. The B2B arm of PLDT has supported the telecommunication needs of the institution, enabling them to give customers only the best service quality.

"One of the things that we have, I think, did properly was to partner with PLDT Enterprise. That partnership has ensured us as to the continuity, the connectivity, and most of all, the reliability in being able to comply with our BCP and DRP," the PBB executive shared.

Event Highlights



PLDT Enterprise recently launched its Unbreakable Commitment campaign to highlight its partnerships with several institutions in the country to exhibit how partnerships support companies to thrive despite the difficulties and in turn, contribute to the lives of Filipinos.

The campaign also strengthens PLDT Enterprise's unbreakable commitment to enabling organizations through digital transformation and groundbreaking technologies.

"PLDT Enterprise has been empowering industries to make them more resilient and agile in adapting to the challenges of the next normal. With our digital solutions and innovative technologies, we are delighted to support our partners in making their unbreakable commitment of serving their stakeholders across different business conditions," said Jojo Gendrano, FVP & Head for PLDT and Smart Enterprise.



"During this pivotal change, what is important is that the connectivity is being supplied to us on a higher percentage. From our experience, it has risen to as high as 95-97% and this is important for all our branches for the processing of the transactions. It enables our clients to avail the products and services of the bank on a regular basis," Avante noted.

The savings bank conducted the necessary steps to make their operations resilient against the crises. With its business continuity and recovery roadmap in place, the company was able to manage risks and weather the impacts of the pandemic.

Likewise, the company kept its unbreakable commitment to maintaining high standards in delivering competitive financial products and services. They strengthened their operations to constantly provide banking services while following health protocols and social distancing guidelines.

"Truly, PLDT Enterprise was able to give our connectivity a high level of standard... With the high reliability of the service that PLDT Enterprise has given, we have experienced that more customers are very happy with how we deliver the service to them," Avante said.

As the evolving business environment sparks uncertainties and challenges to organizations, it is imperative for enterprises to future-proof their operations while staying committed to their core. Carrying its vision and the unbreakable commitment to serve, the Philippine Business Bank continues its mission of helping its clients succeed and making things happen with the support of PLDT Enterprise.



The tech team with the Chairman

Philippine Business Bank's First Hybrid Annual Stockholders' Meeting

Philippine Business Bank Chairman, Mr. Jeffrey S. Yao called the meeting to order on Wednesday – July 27, 2022.

Speaking at PBB's first hybrid annual stockholders' meeting since 2019, Mr. Yao confirmed and ratified at least eleven items in the agenda.

PBB's Vice Chairman and President/CEO, Mr. Rolando R. Avante discussed the financial highlights of the Bank focusing on its generation of over ₱1.1 billion in net earnings for the year 2021, sustaining profit levels seen in 2020. "The Bank's full year net income was driven by an improving economy and slower build-up of loan loss reserves following the Bank's accelerated provisioning strategy in 2020. PBB kept expenses flat from 2020 owing to the continued success of its business process improvement program," Mr. Avante added.

Event Highlights

For 2022, PBB is seeing the resumption of commercial activities resulting in increased loan demand. The Bank is optimistic that economic recovery will continue to drive positive results. The Bank's processes and procedures evolve as it identifies emerging opportunities to improve the way they serve their customers. As part of its strategic initiatives, PBB is working to deepen the relationships it has built with the communities and clients they have served over the last 25 years. PBB's mission to be the Bank of Choice of SMEs maintains its importance as the economy returns to normalcy.



*(1st Row L-R: Dir. Benjamin R. Sta. Catalina, Jr., Dir. Honorio O. Reyes-Lao, Dir. Dra. Leticia M. Yao, Chairman Emeritus Amb. Alfredo M. Yao, Ret. Chief Justice Diosdado M. Peralta, Dir. Naciso DL. Eraña, Dir. Benel D. Laguna
2nd Row L-R: Dir. Atty. Roberto C. Uyquiengco, Dir. Asterio L. Favis, Jr., Chairman Jeffrey S. Yao, V. Chairman & PCEO Rolando R. Avante, Corporate Sec. Atty. Roberto S. Santos)*



PCCI's 48th PBC&E returns on-site, undertakes sustaining PHL's post-lockdown growth

One of the most-awaited gatherings of the Philippine business community has returned on October 19 and 20, 2022 with an agenda of pushing the country further forward as it opens for business and builds on the progress achieved in the past years amid the disruption brought by the COVID-19 pandemic.

Philippine Business Bank (PBB) – the financial arm of the Yao Group of Companies, together with Zest-O, Movenpick Resort & Spa Boracay and Asiawide Refreshments Corp. (RC Cola) participated in the 48th Philippine Business Conference and Expo of the Philippine Chamber of Commerce and Industry held at the Grand Ballroom, The Manila Hotel, with the government's top executives and economic managers, as well as business leaders from here and overseas came together to once again exchange ideas on current issues and business opportunities.

This year's conference carries the theme "The Philippines is ready and open for business," which PCCI finds a very timely theme befitting the chamber's vision to be the "Voice of Business."

With the said theme, the 48th PBC&E will be looking at how the new government will build on the previous administration's reform measures to make a real difference to the economy going forward.

A roster of highly renowned speakers and experts from both the government and business sectors shared insights and strategies on how the Philippines can sustain its growth momentum and, eventually, achieve the country's vision of Ambisyon 2040 where Filipinos enjoy a stable and comfortable life.

Event Highlights



Amb. Alfredo M. Yao receives the Gawad Parangal 2022 Award

On October 27, 2022, the Quezon City government honored nine individuals, a business establishment and a humanitarian organization for their “accomplishments, contributions, service and for being models” to their communities.

Started in 2002, the Quezon City government has conferred the Gawad Parangal Award to outstanding individuals and institutions that have not only brought honor and pride to Quezon City, but also to the entire nation.

“Nine individuals and two institutions will receive the highest and most prestigious award given by the Quezon City government to our citizens and organizations for their outstanding achievements, contribution to the community and exemplary service to the people.” Mayor Ma. Josefina “Joy” Belmonte said during her opening speech at the 20th Manuel Luis Quezon Gawad Parangal Award at the Eduardo V Manalo Convention Center. This year’s theme was “Sama-samang Pagbangon sa Bagong Panahon”.

The nine recipients in the Individual category are:

- Eduardo Año - former secretary of the Interior and Local Government from 2018 - 2022 under the Duterte administration.
- Ambassador Alfredo M. Yao -- a Filipino-Chinese and a rags-to-riches businessman who founded Zest-O Corp., and served as the special envoy to China for Tourism and Cooperation in 2009. He was also president of the Philippine Chamber of Commerce and Industry (PCCI).

- Dr. J. Prospero De Vera - currently holds the positions of Chairman of the Commission on Higher Education (CHED), Adviser of the Philippine Negotiating Panel with the National Democratic Front/Communist Party of the Philippines/New People's Army (NDF/CPP/NPA), and Commissioner of the United Nations Educational, Scientific and Cultural Organization (UNESCO).
- Ditta Sandico -- a Filipino designer, wrap artist and an advocate of fashion, promoting Filipino culture while helping poor communities by giving them a sustainable livelihood.
- Antonio Joselito Lambino II -- current Managing Director for Strategic Communication and Advocacy of the Bangko Sentral ng Pilipinas (BSP).
- Sonia Malasarte - Roco -- widow of Filipino senator Raul Roco and chairman of the Student Catholic Action of the Philippines.
- Therese Clarence Fernandez-Ruiz -- president and founding partner of Rags2Riches Inc. (renamed as Intentionality, Inc.), an eco-ethical lifestyle brand based in the Philippines that creates urban artisanal home and fashion masterpieces.
- Ani Rosa Almario -- vice president of Adarna House, the country's first children's publishing company.
- Danny Buenafe -- television broadcaster for nearly four decades.

The two awardees for the Institution category are:

- World Vision -- global Christian humanitarian organization devoted to improving the lives of children, their families, and their communities.
- Estrel's Caramel Cake -- bakeshop that has shown an unwavering dedication to tradition and has the "most identifiable form of Filipino artisanship."

PBB's very own Chairman Emeritus, Amb. Alfredo M. Yao, a recipient of the award under the Business and Entrepreneur category expressed his sincere gratitude and acknowledged the honors by delivering his acceptance speech on behalf of all the awardees.



Amb. Yao with Mr. Sonny Belmonte, the former the Speaker of the House of Representatives of the Philippines



Amb. Yao with the award presenter, Councilor Aiko Melendez

Event Highlights

PBB is BEP Basketball League's CHAMPION!

CONGRATULATIONS!

Kudos to our basketball team for being the champion in the Bank Employees of the Philippines (BEP) Basketball League. PBB defeated Land Bank ballers with an impressive 18-point lead, 107-89. PBB was the only undefeated team that entered the quarterfinals.

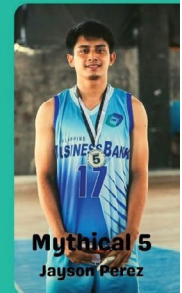
The Basketball Tournament is joined by Land Bank, PSBank, China Bank, City Savings and the United Bankers with players coming from BDO, Security Bank, and Bank of Makati. The tournament ran from June 8 to August 6, 2022.

The winning team is composed of RBS Philip Frigal, BM Mike Dingle, BM JP Sison, BM Luel Arcaba, BM Al Simbulan, BM Raymond Calsado, RM Jayson Santiago, OIC Wilmer Sebastian, OIC JR Pigao, SO Jeg Abad, BSH Harvey Jimenez, BSH RR Tibayan, Atty. Arvy Agorilla, Treasury's Francis Beltran and JB Marabe, Calamba's Marvin Pamplona, Navotas' Paulo Duenas, Balayan's Jayson Perez, and HR's Six Ortega.

Another achievement to be proud of! Congratulations to PBB Team!



A special dinner celebration was hosted on August 19 and present during the said occasion were Chairman Emeritus Amb. Alfredo M. Yao, Chairman Jeffrey S. Yao, and VC, Pres. & CEO Rolando R. Avante.





Jayson Perez

A graphic celebrating Gerald Abad as the Finals MVP. It features two images of him: one holding a trophy and another in a blue basketball uniform (number 24) holding a basketball. The text "FINALS MVP" is prominently displayed. Logos for "Gerald ABAD" and "PBB" are at the top. A circular logo at the bottom right reads "EMPLOYEES OF THE PHILIPPINE BUSINESS BANK BEP LEAGUE".

Gerald
ABAD

PBB

FINALS MVP

EMPLOYEES OF THE PHILIPPINE BUSINESS BANK
BEP LEAGUE

26 PTS
03 REB
03 AST
01 STL

Gerald Abad

Sustainability

Philippine Business Bank: The Power to Make Positive Change

During the switch-on ceremony on June 28, 2022, the partnership of CleanTech Global Renewables Inc. and SunAsia Energy Inc. have switched on a 20-megawatt peak (MWp) solar farm that will power up parts of Pangasinan with clean power. Located in a 28-hectare property in Sta. Barbara in Pangasinan, One Manaoag Solar Corp., the partnership between Cleantech and SunAsia, has energized the 20-MWp solar power project after full-swing construction began last February. According to Cleantech PCEO Salvador Antonio "Aboy" Castro, Jr. "The completion of this project will have the capacity to generate 32.5 gigawatt-hours (GWh) annually, displacing 19,500 more tons of CO2 emissions while powering around 16,000 households per year."

"This project will not be possible if not for our partnership with Philippine Business Bank," he added.

SunAsia Energy president Theresa "Tetchi" Capellan remarked: "Pangasinan is that part of the country that enjoys very high irradiation compared to the rest of the country so it made commercial sense to build a project in Pangasinan, particularly in Dagupan. This project will turn into kilowatt-hours and will turn into revenues for Cleantech."

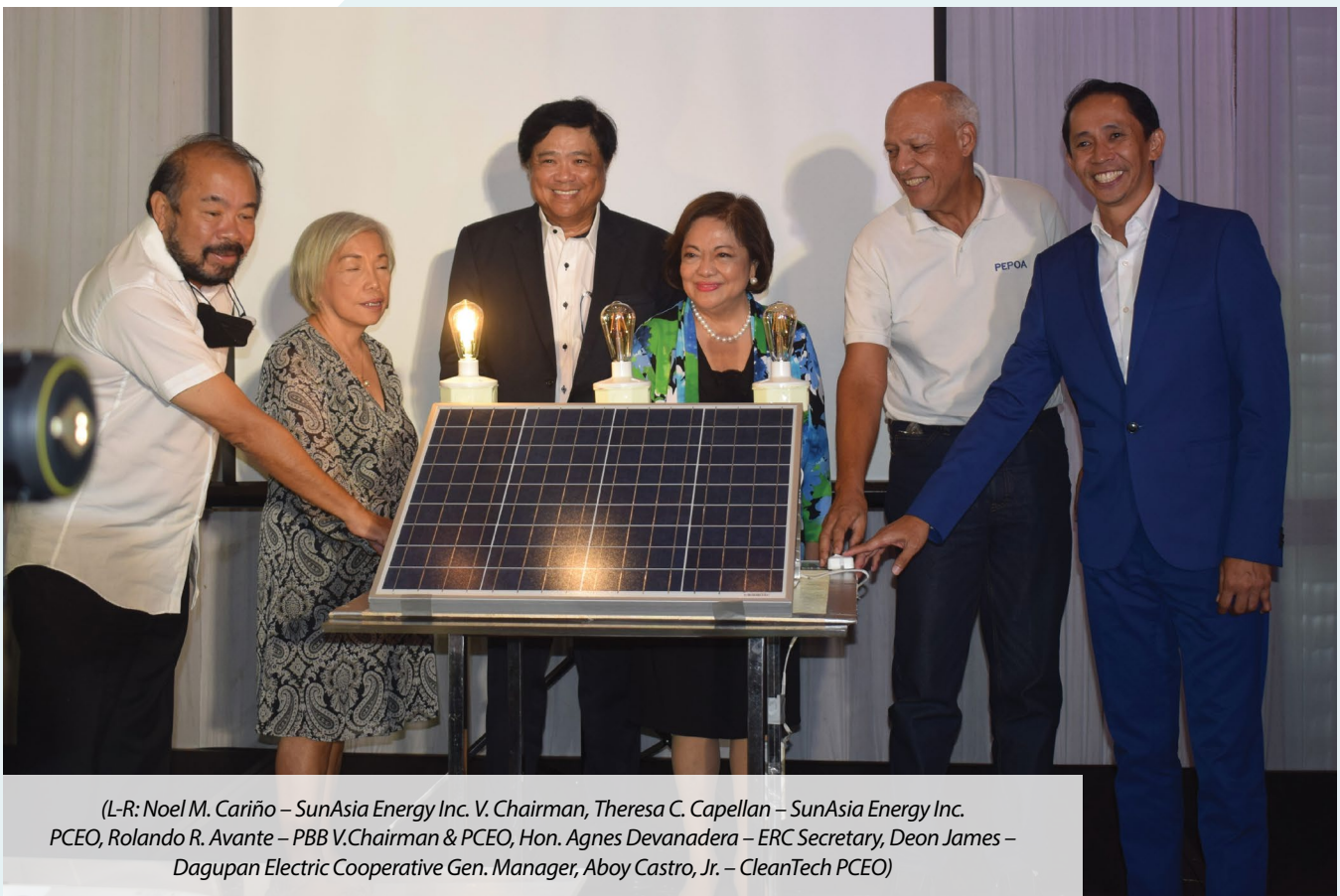
She also said, "After two years into the pandemic, the energization of this project has finally happened. Thank you PBB for financing this project."

The right lender can be integral to the success of an energy-saving project. Securing financing from a bank with ESG financing priorities and knowledge of the environmental landscape can provide real advantages over the life of the loan.

“PBB is a financial institution that aspires to become carbon neutral, and we’ve financed two more solar energy-savings projects,” PBB’s Vice Chairman and PCEO Rolando R. Avante said. “We’re proud to play a role in helping corporations reach their goals while improving the environment.”

As more corporations concentrate on ESG issues and make sustained efforts to conserve energy, they can light the way to a brighter future for everyone.

PBB is proud to be part of this environmental revolution.



(L-R: Noel M. Cariño – SunAsia Energy Inc. V. Chairman, Theresa C. Capellan – SunAsia Energy Inc. PCEO, Rolando R. Avante – PBB V.Chairman & PCEO, Hon. Agnes Devanadera – ERC Secretary, Deon James – Dagupan Electric Cooperative Gen. Manager, Aboy Castro, Jr. – CleanTech PCEO)

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Senior Management





Risk Management



Financial Risk Management Objectives and Policies

PBB, as a financial institution, is in the business of taking risks. Its activities expose the Bank to various risks. The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders. The Bank continually advances on its risk management techniques and integrate this into the overall strategic business objectives to support the growth objectives of the Bank.

Objective: To achieve a corporate risk culture, processes, and structures that are directed towards the effective management of potential opportunities and adverse effects to the Bank's business as well as optimization of capital in terms of risk-taking activities.

Risk management fundamentals:

1. Portfolio management by designated and accountable risk personnel
2. Allocation of capital based on associated risks for each business unit
3. Denotation of processes and output into quantifiable measurements
4. Transparency and meritocracy

Enterprise Risk Management Framework

The Bank's Enterprise Risk Management (ERM) Framework is an integrated approach to the identification, measurement, control, and disclosure of risks. Capital allocation and preservation through prudent limits and stringent controls which are integral part of the governance structure. PBB's Board of Directors formulates the corporate risk policy, sets risk tolerances and appetite and provide risk oversight function through the Risk Oversight Committee, which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework encompasses corporate governance and covers the risk spectrum of strategic, compliance, reputational, operational, market, liquidity, and credit. The ERM process flow is integrated in all stakeholders of the organization and deploying three (3) stages of defense to ensure that the risk management objectives are achieved.

Risk Management Process

The Bank envisions to achieve risk and return consciousness among employees, anchored on streamline processes, reliable Management Information System, conversant, competent and accountable risk takers/constituents and good internal control, monitoring and escalation system as well as reward system to meritocracy. ERMG is tasked to institutionalize an effective risk management framework that will encompass the foregoing risk management process.

1. Identify – key risk exposures
2. Assess – measure extent of exposure and impact to earnings, capital, and liquidity; prioritize risk exposures
3. Control – implement the risk appetite of the Board through risk policies
4. Monitor and report – monitor effectiveness of controls

The Risk Oversight Committee, supported by ERMG and in constant coordination with executive and other board-level committees, oversees the risk profile and risk management framework/processes of PBB. This ensures that risks arising from the Bank's business activities are properly managed, integrated into and used as basis for overall governance, strategy and planning, decision making and accountability purposes at all relevant levels of the organization.

ERMG, headed by the Chief Risk Officer, develops and reviews risk policies, and raises to management the various aspects of risk facing PBB. In addition, it also performs an oversight and monitors the performance of the different Business Units.

The Bank's philosophy is that responsibility for risk management resides at all levels in the organization. The Bank's corporate governance aims to achieve corporate culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. ERMG shall continue to improve the framework in support of the Bank's strategic plans in order to achieve its mission, vision and objectives.

Every organization's optimal efficiency depends heavily on the effectiveness of its risk management processes, thus, PBB's day-to-day activities are undertaken under the integrated risk management approach.

Risk Management

Further, the Bank incorporates the essential components of Model Risk Management framework as an integral process in risk management.

1st Line of Defense - Model Ownership (Modeler / User)	2nd Line of Defense - Model Control (Model Reviewer / Checker)	3rd Line of Defense - Model Validation (Model Validator)
<p>The role lies with the end-user which is primarily responsible for ensuring that the model is properly used as well as for reporting any errors and inconsistencies. Role specifically includes:</p> <ul style="list-style-type: none"> • More rigorous model testing during implementation phase. • Ongoing monitoring of model performance • Post implementation and testing. • Introducing an IT infrastructure allowing for model user feedback. 	<p>Conducts thorough inspection of model's quality by capturing potential operational errors and lapses. Adverse results should be coordinated with the modeler for correction and improvement or to the model validator for a more extensive review.</p>	<p>Function that oversees compliance with policies by the other two roles. The role is usually conducted by Compliance or Internal Audit Center. Role is:</p> <ul style="list-style-type: none"> • More focused on process and controls rather than model-level content. • Focused on assessment of the process for establishing and monitoring limits on model use. • Should conduct clear documentation of findings noted and reported to senior management and Board.

Risk Management Policies and Objectives

Credit Risk Management

Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures.

The Bank's Credit Risk Management Framework seek to fundamentally strengthen credit risk management practices and provide minimum set of operating standards that are consistent with BSP regulations and the Basel standards. PBB is committed to adopt sound policies and practices and institutionalize these within the organization:

- Establish an appropriate credit risk environment
- Operate under a sound credit granting process
- Maintain an appropriate credit administration, measurement and monitoring process
- Maintain an appropriate control process

The Bank has instituted improvements on its credit policies, which includes large exposure and credit concentration. Credit process streamlining has also been initiated to ensure that commensurate controls are in place while the Bank continues to device ways to improve on its credit process.

The initial recognition of credit risk by individual or group of related counterparties is done via its internal credit risk rating system (ICRRS). The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is established by the Bank in congruence with and with reference to the credit risk rating methodology used by an established rating agency in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between risk ratings). Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans and the loan loss provision of which are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

- (i) **Retail or Consumer Loans**
Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. At the initial adoption of PFRS 9, the ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.
- (ii) **Corporate and Commercial Loans**
For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This will determine the internal credit rating and the PD.
- (iii) **Debt Securities at Amortized Cost and at FVOCI**
For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage
Strong	Borrower normally has a comfortable degree of stability, substance and diversity
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market
Satisfactory	Borrowers where clear risk elements exist and the probability of default is somewhat greater
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern.

Risk Management

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable
Loss	Loans considered absolutely uncollectible or worthless

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal loan loss methodology described herein.

Loan Loss Methodology (LLM)

This is a methodology for calculating expected credit loss of each exposure. The internal LLM consists broadly of three (3) major components of which one emanates from the ICCRS and the other is based on historical recovery rate on credit facilities while the last is the credit exposure at any given time. The probability of default (PD) depends on the risk rating of the borrower while the other components

are the loss given default on facilities and the exposure at default. There are three stages of impairment recognition pursuant to IFRS 9/PFRS 9 as follows:

Stage 1 – at the origination stage
 Stage 2 – performing but there is occurrence of loss event
 Stage 3 – financial assets considered credit impaired.

Under Stage 2, the lifetime probability of default is used instead of the regular PD.

For Stage 3 accounts the Bank has a supplementary policy for Remedial and Timeline Recovery Program. Accounts beyond recovery period will merit 100% loan loss provisioning

For purposes of Expected Credit Loss (ECL), forward-looking information mainly economic indicators such as unemployment rate, inflation, interest rate, GDP and other macro-economic variables from BSP are incorporated into both assessments of whether the credit risk of loan exposure has increased significantly since its initial recognition and its measurement. Due to the limitation in which the models may not be able to capture relevant information, an overlay in the form of weights assigned to worst, likely and best are used in the final ECL factor.

Market and Liquidity Risk Management

Market risks are risk to earnings and capital arising from market-making, dealing, and position taking in interest rate and foreign exchange markets (both for on and off-balance sheet). Liquidity risk on the other hand, is the inability of the Bank to fund increases in assets, or liquidate assets and meet obligations as they fall due (funding liquidity risk and market liquidity risk).

To measure market and liquidity risk exposure, the PBB utilizes the following metrics:

<i>Metrics</i>	<i>Risk Area</i>	<i>Description</i>
VaR	Market risk	Expected loss on a position from an adverse movement in identified market risk parameter(s) with a specified probability over a nominated period of time.
Earnings-at-Risk	IRBB	Measures the amount of potential loss to net interest income as a result of projected change in interest rates over the next 12 months. This involves balance sheet items that are classified according to their repricing characteristic/behavior as bucketed in the Interest Rate Gap report
Economic Value of Equity (EVE)	IRBB	The EVE measure gauges the potential impact of change in interest rate on the Fair value of the Bank's asset and liabilities
Maximum Cumulative Outflow	Liquidity risk	The Maximum Cumulative Outflow (MCO) measures the amount of prospective funding that the Bank would require at assumed future movements of on and off-balance sheet assets and liabilities taking into consideration the behavior of accounts as to roll-over, pre-termination, as well as the core deposits. This shall be prepared separately for the Peso, Dollar, and Consolidated Books.
Stress testing	All risk areas	To measure the impact of abnormal and extreme events on the Bank's market risk exposures. Also includes statutory requirements for Universal Banks in terms of liquidity (i.e. LCR, NSFR)

Starting January 1, 2018, PBB has adapted PFRS 9 (as replacement for PAS 39). Pursuant to PFRS 9 in managing financial assets, the Bank adopts the following business model:

Business Model	Key Features	Measurement Category
Hold to Collect (HTC)	The objective of the business model is to hold the assets to collect contractual cash flows	Amortized Cost
Fair Value Through Other Comprehensive Income (FVOCI)	The objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and The asset's contractual cash flows represent Strictly Payment of Principal plus interest (SPPI)	Fair Value with Unrealized Gain/Loss as Other Comprehensive Income (Capital Account)
Fair Value through Profit and Loss (FVPL)	This is the residual category. Financial assets should be classified as FVPL if they do not meet the criteria of FVOCI or amortized cost (HTC)	Fair Value

Risk Management

Of the total funds allotted to Treasury, the following would be the distribution:

- a. Resources for its trading activities will be allocated and classified as Financial Assets measured at Fair Value through Profit and Loss (FVPL).
- b. Resources for interest income generating activity that will include interbank call loans and reserve eligible financial instruments will be allocated and classified as Financial Assets measured at Amortized Cost (HTC).
- c. While the primary purpose of FVOCI securities is for interest accrual, securities under this category will also be used in case of liquidity needs.

The **Risk Appetite Framework (RAF)** is the overall approach through which risk appetite in Philippine Business Bank (PBB) is established, communicated and monitored. This includes an established risk appetite statement, set of risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

PBB believes that at the highest level, the Board and the senior management need to have an understanding of the risks that the Bank is taking. Looking at the past financial crises, a key weakness is the gap between the risks that a bank takes and those that its Board and senior management perceives the bank to be taking. It is critical that the Board and senior management understand and consider the risk appetite and the risks being taken in assessing major business decisions.

The Bank's Board and senior management assess beforehand PBB's capacity for risk-taking, the amount of different risks they want PBB to take, and the current and targeted risk profile in evaluating and making decisions. This is the main purpose of the PBB Risk Appetite Framework.

PBB also believes that no business can thrive without taking on risks. Under the PBB Risk Appetite Framework, these risks are identified and quantified in a structured way that relates them to the Bank's business targets, objectives and strategy. In the process, PBB risk-taking is specific, measured, and consistent within established limits.

The PBB Risk Appetite Framework also provides depth to risk management activities. It is the collective impact of risk-taking across the Bank that needs to be managed.

The PBB Risk Appetite Framework facilitates top-down direction from the Board through the Risk Appetite Statements, including their continuous monitoring and control. It also covers bottom-up information and insight from the different business and control functions through the periodic calibration of risk appetite limits and thresholds, as well as the regular reporting of risk profile vis-a-vis risk appetite.

In order to have an effective Risk Appetite Framework, PBB believes that the following must be present:

- Support from the executive level in making risk appetite the way PBB approaches risk.
- Independent risk function that will reach out to their colleagues in the business lines and advocate the risk appetite perspective
- Robust risk-aggregation process where risk definitions are uniformly understood across the bank
- Establishment of risk adjusted metrics (with the active buy-in of all business units) so that the risk appetite perspective takes root even outside of ERMG
- Change management as embedding risk appetite requires some deep-seated changes to be made to the way people do their jobs
- Risk culture within PBB that enables free flow of information up and down the hierarchy
- Risk culture that includes risk considerations into the crafting of business strategy, capital planning, day-to-day risk-taking by the business, governance and the design of remuneration plans.

Roles and Responsibilities

GROUP	RESPONSIBILITIES
Board of Directors	<ul style="list-style-type: none"> The board of Directors is primarily responsible for approving the organization's risk appetite framework. It is also responsible for holding Senior Management accountable for the integrity of the risk appetite framework. The Board should conduct periodic high-level review of actual versus approved limits. Any breach should be dealt with accordingly.
President/Chief Executive Officer	<ul style="list-style-type: none"> The President/Chief Executive Officer (CEO) is responsible for establishing the risk appetite for PBB. He is also responsible for translating the risk appetite into risk limits for business lines and subsidiaries. The President/ CEO, together with the rest of the Senior Management team, should ensure that the risk appetite framework is implemented throughout the organization.
Chief Risk Officer	<ul style="list-style-type: none"> The Chief Risk Officer (CRO) provides relevant inputs to the President/CEO and the ROC in developing PBB's risk appetite. He is responsible for actively monitoring PBB's risk profile relative to its risk appetite, strategy, business and capital plans, risk capacity, and compensating program. The CRO is responsible for independently monitoring the business line and subsidiary risk limits against PBB's aggregate risk profile to ensure that it is aligned with the Bank's risk appetite. The CRO is also responsible for establishing a process for reporting on risk and on alignment of risk appetite and risk profile with the Bank's business culture.
Business Line Heads	<ul style="list-style-type: none"> Business line heads cascade the risk appetite statement and risk limits into their activities. They should establish and ensure adherence to approved risk limits. They are also responsible for implementing controls to effectively monitor and report risk limits adherence.
Internal Audit Center	<ul style="list-style-type: none"> Internal Audit is responsible for independently assessing the integrity, design, and effectiveness of PBB's risk appetite framework.

Risk Appetite Statement of PBB

Risk appetite is the amount of risk PBB is willing to take in pursuit of its strategic objectives, reflecting the Bank's capacity to sustain losses and continue to meet its obligations under normal as well as adverse circumstances. PBB's risk appetite statement is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including risk management policies, and limits.

PBB recognizes that risk is an inherent part of its activities, and that banking is essentially a business of managing risks. PBB aims to achieve sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

PBB shall take on risk prudently and manage exposures proactively for the purpose of sustainable growth, capital adequacy, and profitability. It shall be aligned

with internationally accepted standards, practices, and regulations in the day to day conduct of risk and performance management.

The Board and Senior Management are committed to developing risk awareness across the Bank, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

The Bank sets risk limits to constrain risk-taking within its risk appetite, taking into account the interest of customers and shareholders, as well as capital and other regulatory requirements.

The Risk Oversight Committee shall oversee compliance to the established risk appetite, risk management policies, and limits.

Risk Management

PBB has an established Enterprise Risk Appetite statement in the form of a matrix that articulates the level of risk that it is willing to accept in pursuit of a certain level of return.

Risk Appetite Parameter	Risk Appetite Threshold
Earnings Volatility	Maximum deviation of annualized net income vs. target
Regulatory and Credit Standing	Minimum Supervisory Assessment Framework (SAFr) and external rating
Capital Adequacy	CET1 and Total Capital Adequacy Ratio Targets and Floor Ratios
Trading Risk	Acceptable Trading Book VaR
Balance Sheet Risk	Maximum percentage of Net Interest Income-at-risk and Capital-at-risk
Liquidity Risk	Maximum tolerable outflows; Liquidity Coverage, Minimum Liquidity, and Net Stable Funding ratios
Asset Quality	Maximum NPL ratio; Real Estate Loan Limit; REST CAR
Zero-tolerance risks	Zero incidences of specific risk events (e.g., Reputational risk events)
ML/TF Risk	Minimum prescribed ML/TF Risk Assessment System (MRAS) Rating (BSP)
AML Reports	AML reports submitted within timeframe

The Bank articulates its appetite for specific risk types.

RISK TYPE	DEFINITION	RISK APPETITE
Credit Risk	Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed.	PBB shall only engage with counterparties that are foreseen to be able to meet the terms of the contract or perform as agreed. The Bank shall manage credit risk in its portfolio and activities to ensure that credit risk losses do not cause material damage to the Bank's liquidity and capital position.
Credit Concentration Risk	Risk of loss arising from overexposure to specific industries, borrower, Counterparty, or Bank.	PBB shall not be overexposed to specific industries, borrowers, counterparties, or Banks, where the risk of loss has not been considered and/or mitigated. The Bank shall manage credit concentration risk in its portfolio to ensure that credit risk losses do not cause material damage to the Bank's liquidity and capital position.
Market Risk	Risk of loss arising from movements in market prices.	PBB shall manage market risk in its portfolio and activities to ensure that losses arising from movements in market prices do not cause material damage to the Bank's liquidity and capital position.

RISK TYPE	DEFINITION	RISK APPETITE
Interest Rate Risk	Risk of loss arising from movements in interest rates.	PBB shall manage interest rate risk in its portfolio and activities to ensure that losses arising from movements in interest rates do not cause material damage to the Bank's liquidity and capital position.
Liquidity Risk	Risk of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses.	PBB shall be able to meet its obligations when they come due, under normal as well as adverse circumstances, while ensuring compliance with regulatory requirements. The Bank shall manage its liquidity position under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support.
Operational Risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	PBB shall control operational risks to ensure that operational losses do not cause material damage to the Bank's liquidity and capital position, and reputation.
IT Risk	Risk of loss resulting from failure of computer hardware, software, devices, systems, applications, and networks.	PBB shall manage its computer hardware, software, devices, systems, applications, and networks to ensure that losses resulting from their failure do not cause material damage to the Bank's liquidity and capital position, and reputation.
Information Security Risk	Risk of loss resulting from information security / cyber security breaches.	PBB has zero tolerance for information security/cyber security breaches. The Bank shall protect its information assets to ensure that breaches do not cause material damage to the Bank's liquidity and capital position, and reputation.
Business Continuity Risk	Risk of loss resulting from the prospective inability to resume operations in the event of a disaster.	PBB shall be able to resume operations in the event of a disaster, in a timely manner.
Regulatory Risk	Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy.	PBB shall be prepared for any changes in regulations affecting its current position and/or strategy.
Compliance Risk	Risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.	PBB shall comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. The Bank has no appetite for deliberately or knowingly incurring a breach of the letter or spirit of regulatory requirements.
Money Laundering/ Terrorist Financing (ML/TF) Risk	Risk of loss resulting from the involvement in money laundering and terrorist financing activities.	PBB has zero tolerance for any involvement in money laundering and terrorist financing activities. The Bank shall manage ML/TF risk to avoid any involvement in money laundering and terrorist financing activities.

Risk Management

RISK TYPE	DEFINITION	RISK APPETITE
Fraud Risk (Internal & External)	Risk of loss resulting from falling victim to activities involving internal and/or external fraud.	PBB shall manage fraud risk to ensure that losses resulting from activities involving internal and/or external fraud do not cause material damage to the Bank's liquidity and capital position, and reputation. The Bank has zero tolerance for any incident involving internal fraud, or any inappropriate conduct by an officer or a member of staff.
Legal Risk	Risk of loss resulting from uncertainty of legal proceedings that we are currently or expected to be involved in.	PBB shall manage legal risk to ensure that losses arising from legal proceedings do not cause material damage to the Bank's liquidity and capital position, and reputation.
Strategic Risk	Risk of loss arising from adverse business decisions or lack of responsiveness to industry changes.	PBB shall only pursue strategies whose foreseeable risks have been considered and/or mitigated. The Bank shall manage strategic risk to ensure that there is no material damage to the Bank's liquidity and capital position, and reputation.
Reputation Risk	Risk of loss arising from negative public opinion.	PBB has zero tolerance for knowingly engaging in any business activity where foreseeable reputational risk or damage has not been considered and/or mitigated. The Bank shall protect its reputation to ensure that there is no material damage to the Bank.

Market and Liquidity Risk Management Center: The Market and Liquidity Risk Management Center is responsible for the development and implementation of market and liquidity risk policies and measurement methodologies, including the management of interest rate risk (IRRBB), recommending and monitoring compliance to market and liquidity risk limits, and reporting the same to the Senior Management, the Asset & Liability Committee Management (ALCO), the Risk Oversight Committee (ROC), and the Board of Directors.

Trust Risk Center: The Trust Risk Center is responsible for the identification, measurement, control, and monitoring of trust-related risks. This includes the periodic review of risk policies, establishment of prudent limits, risk measurement methodologies and assumptions, and reporting the same to the Trust Committee and Risk Oversight Committee, for endorsement to the Board for approval.

The Information Technology and Operational Risk Management (ITORM) Center: The ITORM Center is responsible for implementing the IT and Operational Risk Management Framework across PBB. As part of the IT and ORM structure, Risk Coordinators are appointed and deputized by Group Heads to assist in the implementation of IT and ORM Tools in the business lines. The ITORM Center also manages the Risk Management Framework for the adoption, use and operation of Technology within the

Bank, and is responsible for ensuring the Bank's capability to plan and respond to incidents and business disruptions to enable the continuity of key business operations at predefined acceptable levels.

Information Security Center: The ISC headed by designated Chief Information Security Officer (CISO) is responsible for implementing Information Security Framework of the bank thru collaboration with various stakeholders to ensure that controls are implemented and complied with in accordance with the bank's Information Security Policy. The ISC is also tasked to provide the processes and methodologies designed to protect the bank's information assets from unauthorized access, use, misuse, disclosure, destruction, modification, or disruption in order to preserve the Confidentiality, Integrity and Availability of Information Assets.

Credit Risk Management Center: The Credit Risk Management Center is responsible for credit risk analytics and credit portfolio risk function. It handles independent credit review, credit stress testing, and the assessment of the overall portfolio quality of the bank, with a view to enhancing the credit review framework covering credit review procedures, policy formulation, and action plan monitoring. Credit Risk analytics and Portfolio reviews reported periodically to the ROC.

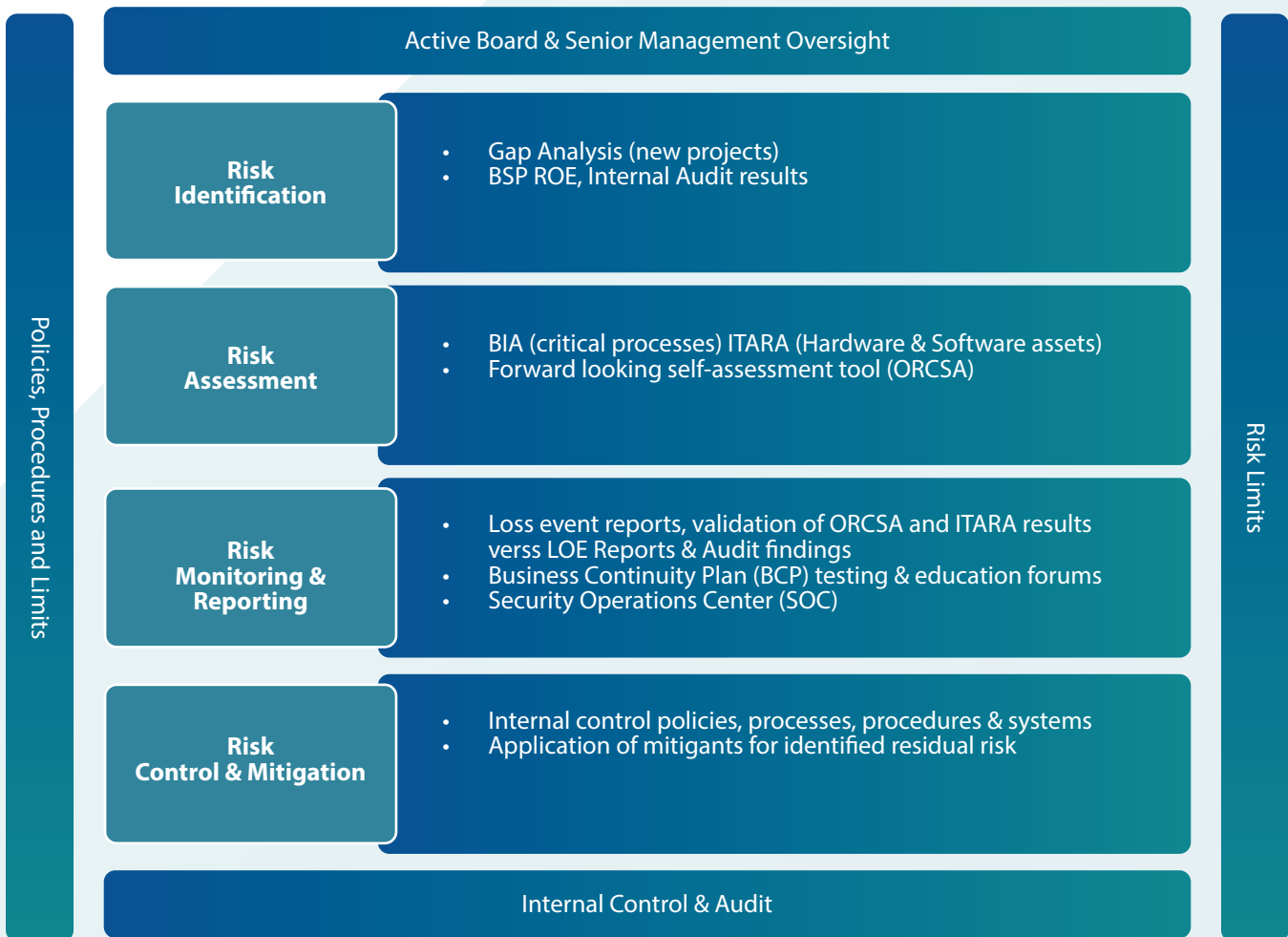
Operational Risk Management

Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology and external events

The Bank has partially automated the front-office, back office, and middle office operations as part of streamlining operations procedures to mitigate operational risks. For treasury operations, this includes the integration of pre-deal limit checking, on-demand position monitoring,

automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover risk exposures.

In strengthening the risk assessment and implementation of controls in the operations of Philippine Business Bank, the following were implemented:



Risk Management

Enhanced IT and Operational Risk Management Framework

In terms of IT Enabled solutions, an enterprise-wide *Operations Gap Analysis* was conducted to identify the solutions that can narrow the gaps that expose the bank operations to risks. The end result is a Risk-Based Roadmap that enables a strategic and deliberate development and implementation of automated solutions for the operating units of the bank.

The institutionalized *Operational Risk and Control Self-Assessment (ORCSA)* was enhanced in alignment with the objectives of achieving a more reliable and representative assessment results.

To appropriately support the *Business Continuity Plan (BCP)* of the bank, a *Business Impact Analysis (BIA)* methodology was developed and implemented to accurately identify critical processes and logistical requirements to manage business disruptions. More importantly, the BIA exercise aims to revisit the critical activities' *Recovery Point Objective (RPO)* that will dictate the data recovery strategy of the bank.

Finally, the automated *Loss Event Reporting* was expanded to cover other critical groups.

For *Information Security Risk Management*, baseline information security policies were developed and implemented in the areas of User Access Management and monitoring.

As support to understanding deeper the necessity of Information Security Risk Management, the bank joined a collaborative project with five (5) other Financial Institutions to explore the setting up of *Shared Security Operations Center (SOC)* with the goal of establishing a much sought-after cyber security management system not to mention compliance to regulatory requirements.

A working IT Steering Committee is dedicated to oversee the automation program of the Bank to ensure that operating environment becomes competitive, advanced and up to the global standards and ready to digital communication challenges.

Capital Adequacy Management

The Bank's ability to sustain operations and engage in various risk-taking activities within the capital adequacy framework is the foremost risk management objective. PBB aims to sustain capital adequacy beyond what's prescribed by the BSP and the Basel standards. Towards this goal, capital charge allocation is part of the risk and reward metrics. The risk weighted assets must be supported by ample risk capital at all times

Risk-Based Capital Adequacy Ratio

	2022	2021	2020
Capital Stock	7,370	7,057	7,057
Additional Paid-in Capital	1,998	1,998	1,998
Surplus	6,812	5,669	4,958
Total Tier 1 Capital	16,180	14,724	14,013
Less:	1,349	1,349	952
Deferred tax assets net of deferred tax liability Goodwill	122	122	122
	1,471	1,471	1,074
Net Tier 1 Capital	14,709	13,253	12,939
Tier 2 Capital			
General loan loss provision, limited to a maximum of 1% of Credit risk-weighted assets	893	893	858
Total Qualifying Capital	15,602	14,146	13,797
Risk Weighted Assets			
Credit Risk Weighted Assets	101,812	109,690	85,745
Operational Risk Wighted Assets	8,793	7,927	6,375
Market Risk Wighted Assets	2,015	2,055	5,379
Total risk-Weighted Assets	112,620	119,672	97,499
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	13.9	11.8	14.2
Net Tier 1 capital expressed as percentage of total risk-weighted assets	13.1	11.1	13.3

Risk Management

Comparative risk-weighted assets by type of exposure as of December 31, 2022, 2021 and 2020

	2022			2021			2020		
	Credit Risk	Market Risk	Operational Risk	Credit Risk	Market Risk	Operational Risk	Credit Risk	Market Risk	Operational Risk
On-Balance Sheet	101,621			109,459			85,396		
Off-Balance Sheet	191			231			384		
Counterparty									
Interest Rate Exposure		1,330			1,575			4,855	
Equity Exposure									
Foreign Exchange Exposures		684			480			523	
Operational			8,793			7,927			6,375
Total	101,812	2,014	8,793	109,690	2,055	7,927	85,780	5,378	6,375
Capital requirement	10,181	201	879	10,969	206	793	8,578	538	638

Segment Reporting

The Bank's main operating businesses are organized and managed separately according to the nature of services and products and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Bank in reporting to its chief operation decision-maker for its strategic decision-making activities. Management currently identifies the Bank's service lines as primary operating segments:

- (a) Consumer Banking – includes auto financing, home financing, and salary or personal loans;
- (b) Corporate Banking – includes term loans, working capital credit lines, bills purchase and discounting lines;
- (c) Treasury Operations – manage liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities;
- (d) Retail Banking – includes the branch banking operations.

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

2022 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	501	5,157	918	4	6,580
Interest expenses	78	810	144		1,032
Net interest income	423	4,347	774	4	5,548
Non-interest income	64	664	99	-	827
	487	5,011	873	4	6,375
Expenses					
Operating expenses excluding depreciation and amortization	185	1,401	692	1,127	3,405
Impairment losses	73	748			821
Depreciation and amortization	17	199	66	46	328
	275	2,348	758	1,173	4,554
Segment operating income (loss)	212	2,663	115	(1,169)	1,821
Total resources and liabilities					
Total resources	7,242	97,821	27,063	945	133,071
Total liabilities	6,441	87,321	25,681	531	119,974

2021 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	132	5,440	748	14	6,334
Interest expenses	17	721	100		838
Net interest income	115	4,719	648	14	5,496
Non-interest income	-	242	(363)	304	183
	115	4,961	285	318	5,679
Expenses					
Operating expenses excluding depreciation and amortization	54	1,780	301	1,575	3,710
Depreciation and amortization	14	152	88	52	306
	68	1,932	389	1,627	4,016
Segment operating income (loss)	47	3,029	(104)	(1,309)	1,663
Total resources and liabilities					
Total resources	6,107	86,242	38,216	1,467	132,032
Total liabilities	5,473	75,957	34,240	1,899	117,569

Risk Management

2020 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	646	5,863	586	8	7,103
Interest expenses	134	1,220	122		1,476
Net interest income	512	4,643	464	8	5,627
Non-interest income	-	296	746	125	1,167
	512	4,939	1,210	133	6,794
Expenses					
Operating expenses excluding depreciation and amortization	318	3,899	214	925	5,356
Depreciation and amortization	15	147	55	63	280
	333	4,046	269	988	5,636
Segment operating income (loss)	179	893	941	(855)	1,158
Total resources and liabilities					
Total resources	5,862	83,223	29,185	1,497	119,767
Total liabilities	5,537	78,847	20,754	753	105,891

Anti-Money Laundering and Combating Terrorists Financing (AML/CTF) Risk Management

PBB ensures that risks associated with money laundering and terrorists financing such as reputational, operational and compliance risks are identified, assessed, monitored, mitigated and controlled, to the end that the Bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism. In accordance with R.A. 9160, as amended, the AMLC Revised Implementing Rules and Regulations, and BSP Circular 706, as amended by R. A. Nos. 9194, 10167 and 10365, and by BSP Circular Nos. 950 and 1022, PBB ensures that the four (4) areas of sound risk management practices are in place as follows:

- GOVERNANCE.** This refers to board oversight, senior management oversight, and operational management, detailed as follows:

The Board Oversight. It shall be the ultimate responsibility of the Board of Directors to fully comply with the provisions of the BSP-issued AML/CFT rules and regulations, the AMLA, as amended, and its RIRR. It shall set tone of good governance and culture to ensure that ML/TF risks are effectively managed and this shall form part of the Enterprise Risk Management System. The Board shall formulate and adopt a money laundering and terrorist financing prevention program that identifies, assesses, monitor and control money laundering and terrorist financing-related risks.

Senior Management Oversight. It shall oversee the day-to-day management of the Bank, ensure effective implementation of its AML/CFT policies as embodied in the Board-approved MTPP and alignment of activities with the strategic objectives, risk profile and corporate values set by the board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.

Operational Management. It shall help the senior management with its day-to-day management of AML risks. Thus, the Bank has established three (3) lines of defense, as follows:

- a. The Branches and business units are the first line of defense against ML/TF. They own and manage the AML/CTF risk and are responsible for implementing corrective actions to address any policy and control gaps.
 - b. The Compliance Management being the second line of defense, it shall be the primary task of the Anti-Money Laundering (AML) unit of the Bank to manage the implementation of the MTPP. To ensure the independence of the Compliance Center, it shall have a direct reporting line to the AML Committee of the Bank, to the Corporate Governance Committee and to the Board of Directors.
 - c. The Internal Audit is the third line of defense which shall independently evaluate the risk management and controls. The internal audit function associated with money laundering and terrorist financing should be conducted by qualified personnel who are independent of the office being audited. It must have the support of the Board of Directors and Senior Management and have a direct reporting line to the Board or a Board Level Audit Committee.
2. **Money Laundering and Terrorism Financing Prevention Program (MTPP).** The Bank shall adopt a comprehensive and risk-based MTPP geared towards the promotion of high ethical and professional standards and the prevention of the Bank being used, intentionally or unintentionally, for money laundering and terrorism financing. The MTPP shall include policies, controls and procedures to enable the covered persons to manage and mitigate the risks that have been identified in their risk assessment, including taking enhanced measures for those classified as posing higher risks. The MTPP shall be consistent with the AMLA, as amended, the TFPSA, their respective RIRR and the provisions set out in BSP-issued AML
- Rules and Regulations and designed according to the Bank's corporate structure and risk profile. It shall be in writing, approved by the Board of Directors and well disseminated to all officers and staff who, under the law and the Bank's compliance program, are obligated to implement the same. The Bank shall have a consolidated/single ML/TF risk management system for all its branches wherever they may be located to ensure the coordination and implementation of policies and procedures on a group-wide basis.
3. **Monitoring and reporting tools.** The Bank shall adopt an AML/CFT monitoring system that is appropriate for its risk-profile and business complexity and in accordance with these Rules. The system should be capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks, and to regularly apprise the Board of Directors and senior management on AML/CFT compliance.
 4. **Risk assessment.** Consistent with risk-based approach, covered persons are required to identify, understand and assess their ML/TF risks, arising from customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels. The assessment methodology shall be appropriate to the nature of operations and complexity of the business of the Bank.

Corporate Governance



A. Corporate Governance

The Board of Directors, management, staff, and shareholders of Philippine Business Bank believe that corporate governance is an indispensable component of what constitutes sound strategic business management and commits to the best practices contained in the board approved Corporate Governance Manual that institutionalize the principles of good corporate governance in the entire organization.

PBB is committed to conform to the highest standards of ethics and corporate governance and to comply with all governing laws, rules, and regulations and with established corporate policies and procedures, thereby maintaining excellence in all aspects of its operations.

PBB believes that corporate governance is a system of rules, practices and process by which the Bank is directed and controlled. The Board of Directors sets the tone at the top through directives and policies that is being communication to its employees.

As part of the review process adopted by the Board to ensure the effectiveness and adequacy of the internal control system, the risk, compliance, and internal audit departments of the Bank are mandated thru their respective charters to monitor, review and report the risk issues noted by their respective units. Hence, they are required to regularly report and escalate to their overseeing Board level-committees the risk issues noted in the operations of the Bank. Generally, the control departments are required to report during the monthly meeting of the Risk Oversight Committee, Corporate Governance Committee as well as the Audit Committee. Other Board-level committees are also in place for delegated board oversight to the other banking functions such as but not limited to Trust and Investment Committee (Trust Operations), Executive Committee (for other banking operations), and Related Party Transactions Committee (Transactions with related parties).

The said Board-level committees shall thoroughly discuss the actions to be taken for the reported issues. Further, the matters discussed by the board-level committees are then endorsed and reported by the respective committees to the Board during their monthly meeting. Hence, ensuring that the internal control system is being adequately monitored and reviewed.

The Bank, as a publicly listed institution, is being regulated and supervised by the Bangko Sentral ng Pilipinas and Securities and Exchange Commission. Hence, activities of the Bank are subject to the following relevant laws and regulations such as but not limited to: General Banking Law of 2000 (RA No.8791), Manual of Regulations for Banks, Revised Corporation Code of the Philippines, and anti-money laundering rules and regulations.

The Bank as an Operator of Payment System (OPS) also adheres to the BSP Corporate Governance Framework for OPS.

Further, the Bank is also bound to follow the Sustainability Finance Framework implemented by SEC and BSP. Details of which are shown separately in the Sustainability Report of the Bank.

As a testament to the Bank's success in its untiring quest to institutionalize good corporate governance practices, it was bestowed "**1 Golden Arrow Award**" recognition from the 2022 ASEAN Corporate Governance Scorecard (ACGS) by Ms. Ma. Victoria C. España, Chairperson and CEO of P&A Grant Thornton Philippines on January 27, 2023

B. Selection Process For the Board and Senior Management

Philippine Business Bank believes in selecting the right candidates based on two (2) criteria: (1) the qualifications of the candidates, and (2) the hiring standards of the Bank. There shall be no discrimination as to sex, religion, creed, race, or natural origin. It shall be the policy of the Bank to offer employment strictly on the basis of the results of the Bank's qualification standards, personal interviews, and other standard requirements of the position being applied for. The Bank does not hire personnel simply on the basis of referral by an employee, any influential party, or valued client.

The candidate shall be hired with the end view of a fruitful and mutually beneficial working relationship with Philippine Business Bank and subject to performance and operational requirements. The Human Resources Group (HRG) shall be responsible for the efficient implementation of this function. All Group/Branch Heads shall coordinate and course their staffing requirements with HRG.

Corporate Governance

The recruitment process generally begins when HRG receives the duly approved Personnel Requisition Form (PRF).

The following lead times shall be given to HRG to be able to source applicants:

- a. For rank-and-file positions – 10 to 15 banking days
- b. For Junior Officer positions – 30 to 45 banking days
- c. For Senior Officer positions – 45 to 90 banking days

The above lead times would include testing, interviewing with concerned officers, and endorsement of the approval for hiring sheet up to the highest approving officer.

For positions that are classified as difficult to fill below senior officer levels, the lead time for HRG to fill in the vacancy is between 45 to 60 banking days. However, the indicated HR response time is also dependent on the response of the recipient Centers/Units in assessing and deciding on the hiring of the candidate that has been endorse by HRG.

Candidates are obtained from three (3) sources, namely:

1. Promotion of a qualified identified successor through the bank's Succession Planning
2. Internal Recruitment – where sourcing is done using job postings in the company bulletin board and via intranet e-mail announcements released by HRG.

Candidates may come from:

- a. Within the Group/Region/Branch;
 - b. Another Group/Region/Branch; or
 - c. Contractual/project staff.
3. External Recruitment – where candidates are sourced from the outside through the use of various channels such as the Bank's website, ad placements in newspapers, walk-ins, campus recruitment, referrals from internal/external parties or placement agencies. This is resorted to when internal sourcing has been exhausted.

HRG shall endeavor to fill up vacancies as they occur, giving priority to qualified internal candidates (employees). External hiring shall be considered when none of the present employees are qualified or have applied for the vacancy.

The applicant's file shall be forwarded to the requisitioning unit prior to the interview schedule. The file should contain the following documents:

- a. Duly accomplished Application Form
- b. Applicant's resume
- c. Interview Evaluation Sheet containing the evaluation and recommendation made by the interviewers.

Applicants for senior officer positions (AVP and up) should be interviewed by the following:

- Human Resources Group Head;
- The concerned Group Head as applicable;
- President & CEO for his direct reports;
- Vice-Chairman; and
- Chairman of the Board.

Note: The Vice Chairman may or may not interview candidates for selection. In cases where the Vice Chairman does not interview, the interview results of the President and CEO or Group Head (as applicable) and the Chairman will suffice.

The Corporate Governance Committee shall review and evaluate the qualifications of all officers hired as or promoted to the rank of Assistant Vice President and up. After the vetting of the Corporate Governance Committee, the same candidates are endorsed to the Board of Directors for approval. The same committee will also review and evaluate candidates nominated to the Board of Directors as well as those nominated to other positions requiring appointments by the Board of Directors. For sourcing of candidates for the Board, the Bank may request for referrals from its existing network, or consider recommendations from professional firms such as the Institute of Corporate Directors.

C. Board's Overall Responsibility

The Board of Directors is primarily responsible for defining the bank's vision and mission. The Board of Directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders.

It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework.

D. Major role and contribution of the Chairman of the Board

The Chairman of the Board shall provide leadership and ensure effective functioning of the Board of Directors, including maintaining a relationship of trust with the members. He shall:

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

Role and Contribution of Executive, Non-Executive and Independent Directors

PBB's Executive Director has the responsibility of day-to-day operations of the Bank while Non-executive Directors are PBB's Director who is not part of the day to day management operations and includes the independent directors. PBB's board composed of eleven (11) members, majority of whom is Non-Executive Directors (NED). Bank's NED promotes independent oversight function over management through committees such as Audit, Risk Oversight, Corporate Governance and Related Party Transactions.

E. Board Composition

The following are the names of the incumbent Directors of the Bank as of December 31, 2022:

Incumbent	Age	Nationality	Present Position	Directorship	Year of election	No. of shares	%	Class
Jeffrey S. Yao	54	Filipino	Chairman	Non-Executive	2019	1,620,536	0.25%	Common
Rolando R. Avante	64	Filipino	Vice Chairman and President / CEO	Executive	2019	2,240,822	0.35%	Common
Leticia M. Yao	69	Filipino	Director	Non-Executive	2009	1,620,536	0.25%	Common
Roberto A. Atendido	75	Filipino	Director	Non-Executive	2012	108,750	0.02%	Common
Honorio O. Reyes-Lao	78	Filipino	Director	Non-Executive	2010	254,998	0.04%	Common
Benjamin R. Sta. Catalina, Jr.	75	Filipino	Director	Non-Executive	2012	56,358	0.01%	Common
Narciso D.L. Eraña	69	Filipino	Independent Director	Independent Director	2018	100	0.00%	Common
Atty. Roberto C. Uyquiengco	74	Filipino	Independent Director	Independent Director	2018	1,000	0.00%	Common
Benel D. Lagua	66	Filipino	Independent Director	Independent Director	2021	1,100	0.00%	Common
Asterio L. Favis, Jr.	70	Filipino	Independent Director	Independent Director	2021	100	0.00%	Common
Diosdado M. Peralta	71	Filipino	Independent Director	Independent Director	2022	100	0.00%	Common

Corporate Governance

F. Board Qualification

The Board is composed of at least five (5), but not more than (15), members who are elected by the stockholders, a majority of whom are non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. The board of directors determines the appropriate number of its members to ensure that the number thereof is commensurate to the size and complexity of the Bank's operations. To the extent practicable, the members of the board of directors are selected from a broad pool of qualified candidates. Non-executive directors, including the independent directors, comprises majority of the board of directors to promote the independent oversight of management by the board directors. Currently, there are four (4) members of the board of directors who are independent directors which in turn makes the bank compliant to the minimum requirement that at least one-third (1/3) of the total membership of the board of directors are independent directors.

The following is a brief description of the business experience of each of the Directors of the Bank:

Alfredo M. Yao (Filipino, 79 years old)

Mr. Alfredo M. Yao is the Chairman Emeritus of PBB. He is concurrently the Chairman of Zest-O Corporation, Semexco Marketing Corp., Macay Holdings Inc., and Asiawide Refreshments Corp. He is the President of Solmac Marketing Inc., Harman Foods (Phil.) Inc., and Amchem Marketing, Inc. Mr. Yao has participated in the following seminars: Corporate Governance; AML and Risk Management, all conducted by the Pacific Management Forum and PBB; CISA for the Credit Bureau; SME Related Issues; and other CTB Related seminars. He has also attended several Philippine Chambers of Commerce & Industry (PCCI) Business Fora given by PCCI, the International Trade Organization, and the Department of Trade and Industry.

Jeffrey S. Yao (Filipino, 54 years old)

Mr. Jeffrey S. Yao was appointed as the Chairman of the Board in November 2019.

He is currently the Chief Executive Officer of Zest-O Corporation, Vice President of Macay Holdings Inc., Corporate Secretary of Mega Asia Bottling Corp, and the President of Bev-Pack Inc. He is also a Director at Zemar Development Inc., Onnea Holdings Inc., Mazy's Capital Inc., AMY Holdings Inc., Semexco Marketing Corp., Asiawide Refreshments Corp., and ARC Holdings Inc. Mr. Yao started his career in the food and beverage industry when he was appointed as Plant Manager at Harman Food Philippines from 1990 to 1995. He has attended the following training programs: Basics of Trust at the Trust Institute of the Philippines in 2002; Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002; Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014; Distinguished Corporate Governance Speaker Series on August 24, 2015; AMLA Seminar by BSP and PBB in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act in 2017; Best Practices Guide to Compliance with the Anti-Money laundering Law and its IRR in 2018; and Corporate Governance Seminar in November 2018.

Mr. Yao graduated from the Ateneo De Manila University with Bachelor of Science in Management Engineering degree.

Committee(s): Executive Committee

Rolando R. Avante (Filipino, 63 years old)

Mr. Rolando R. Avante was appointed as Vice Chairman, President, and Chief Executive Officer on November 2019.

His banking career includes stints as Vice President for Local Currency Desk at City Trust Banking Corp. from 1988 to 1994; Senior Vice President & Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Fund Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President & Treasurer at China Trust (Philippines) from 1999 to 2009; Executive Vice President & Treasurer at Sterling Bank of Asia from 2009 to 2011. He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999. He was elected the same position at ACI Philippines in 2011.

His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987 both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset & Liability Management in 1995 both conducted by Euro money; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX & SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook 2012 in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutsche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar in 2012 at the Bangko Sentral ng Pilipinas; CEO Business Forum in 2012 at Punongbayan & Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce & Industry; Annual Investment Outlook 2013 in 2013 at ANZ Private Bank; Philippine Investment Summit 2013 in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Corporate Governance Seminar for Board of Directors on December 10, 2015; AMLA for Board of Directors and Senior Officers in 2016; SEC-PSE Corporate Governance Forum in 2016; IFRS 9 in 2017; Seminar on Data Privacy Act in 2017; Best Practices Guide to Compliance with the Anti-Money Laundering Law and Its IRR by Center for Global Best Practices in 2018; and Corporate Governance Seminar for Directors and Senior Officers in 2018.

Mr. Avante graduated from the De La Salle University with the degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units from DLSU.

Committee(s): Anti-Money Laundering, Asset and Liability Management, Capital Planning, Credit, Executive, Management, Remedial and Special Assets Management, and Trust

Leticia M. Yao (Filipino, 69 years old)

Dra. Leticia M. Yao was appointed to the Board in 1998 and last re-elected as Director on July 27, 2022.

A well-respected figure in the healthcare industry, Dra. Yao was appointed at the United Doctors Medical Center (UDMC) and Providence Hospital Inc. as a Consultant at the Department of Medicine since 1991 and 2014. She is currently a Director at Mega Asia Bottling Corporation, Zest-O Corporation, Uni-Ipel Industries Inc., Harman Foods Phils Inc., and Solmac Marketing Inc.

She participated in training sessions for Corporate Governance & Risk Management for Banks' Board of Directors by Development Finance Institute in 2002 and further taken the Risk Awareness Seminar by Pacific Management Forum in 2009. In 2014, she attended the AMLA Seminar by the Bangko Sentral ng Pilipinas and Corporate Governance Seminar by the Ateneo de Manila University. She also attended the Distinguished Corporate Governance Speaker Series and Corporate Governance Seminar for Directors and Senior Officers by ROAM Inc. in 2015; AMLA Seminar by BSP and PBB in 2016; Corporate Governance: Fraud Awareness by Center for Training and Development Inc. in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Dra. Yao graduated from the University of Sto. Tomas with a Bachelor of Science degree in Medical Technology then pursued her post graduate degree in Medicine from the same university.

Committee(s): IT Steering and Trust

Corporate Governance

Roberto A. Atendido (Filipino, 75 years old)

Mr. Roberto A. Atendido was appointed to the Board in 2006 and was last re-elected as Director on July 27, 2022.

He is a seasoned investment banker and a recognized expert in the field with over 40 years of investment banking and consulting experience in the Philippines and in the ASEAN region. Mr. Atendido started his career in consulting with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines. He began his investment banking career in Bancom Development Corporation, the leading investment house in the Philippines during the late 60's and 70's. He was later posted as Vice President of Bancom International Ltd in HK from 1980 to 1982. He then moved to PCI Capital Asia, Ltd. (HK) as Vice President from 1982 to 1983. The PCI Group posted him in Indonesia as Managing Director of PT Duta Perkasa Chandra Inti Leasing, a joint venture between the PCI Group of the Philippines and Bank Duta and Gunung Agung Group of Indonesia, from 1983 to 1988. Mr. Atendido moved back to the Philippines in 1988 as President of Asian Oceanic Investment House, Inc., a fully owned subsidiary of the Asian Oceanic Group of HK. The company was later bought by the Insular Life Group and renamed Insular Investment & Trust Corporation. In 1996, Mr. Atendido together with several investors organized Asian Alliance Holdings & Development Corporation (AAHDC) and later established Asian Alliance Investment Corp. (AAIC) as a wholly owned investment banking subsidiary. He is currently President and Director of AAHDC and Vice Chairman and Director of AAIC.

Currently, Mr. Atendido is a member of the Board of Directors of Paxys Inc., Pharmarex, Inc., Macay Holdings Inc., and Gyant Food Corporation. He is also the Vice Chairman and Director of Sinag Energy Philippines, Inc. since 2008, and Chairman and President of Myka Advisory and Consulting Services Inc. since 2010. He has also held directorships in the Philippine Stock Exchange from 2005 to 2009, Securities Clearing Corporation from 2006 to 2010, Marcventures Holdings, Inc. from 2010 to 2013, Carac-An Development Corp. as Chairman from 2010 to 2013, and Beneficial Life Insurance Corp. from 2008 to 2014. Apart from his business activities, Mr. Atendido is also active in the Brotherhood of Christian Businessmen and Professionals, a nationwide Christian community where he served as Chairman from 2009 to 2011.

He has attended trainings in Corporate Governance & Risk Management for the Bank's Board of Directors at the Development Finance Institute in 2003; Basel 2 and Risk Management Course by Export & Industry Bank in 2007. In 2014, he attended the Anti-Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas, Distinguished Corporate Governance Speaker Series in 2015. He also attended AMLA for Board of Directors and Senior Officers by PBB and the 3rd Annual SEC-PSE Corporate Governance Forum in 2016; IFRS 9 by Punongbayan and Araullo in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Mr. Atendido is a graduate of the Asian Institute of Management with a Masters Degree in Business Management in 1973. He completed his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

Committee(s): Corporate Governance and Trust

Honorio O. Reyes- Lao (Filipino, 78 years old)

Mr. Honorio O. Reyes-Lao was appointed as Director of the Bank in 2010.

A seasoned banker, he has more than 40 years of experience in corporate and investment banking, branch banking, and credit management. Mr. Reyes-Lao started his banking career at China Banking Corporation in 1973 to 2004. He served as Senior Management Consultant from 2005 to 2006 at East West Banking Corporation. He was a consultant at Antel Group of Companies from 2007 to 2009 and was appointed President at Gold Venture Lease and Management Services, Inc. from 2008 to 2009. Currently, he is an independent director at the DMCI Holdings Corporation, DMCI Project Development Inc., Semirara Mining and Power Corporation, Sem-Calaca Power Corporation, and Southwest Luzon Power Generation Corporation and is the Chairman of Space 2 Place Inc. He is also a Member of the Society of Institute of Corporate Directors (ICD) Fellows since 2004.

His background and trainings include Overall Banking Operations by Philippine Institute of Banking in 1971 to 1972; Director Certification Program at the Institute of Corporate Directors (ICD) in 2004; Trust and Governance Rating Systems by BAIPHIL in 2013; AMLA Seminar by BSP and Corporate Governance Seminar by Ateneo de Manila University in 2014; Corporate Governance Forum by SEC in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; Guide to Compliance with Anti-Money Laundering Law and its IRR by Center for Global Practices and Corporate Governance Seminar by ROAM Inc. in 2018; and ASEAN Corporate Governance Conferences and Awards 2016 and Distinguished Corporate Governance Speaker Series since 2015.

Mr. Lao holds a post-graduate degree, Masters in Business Management, from the Asian Institute of Management and graduated with a double degree in Bachelor of Science in Business Administration major in Economics and Bachelor of Science in Commerce major in Accountancy from the De La Salle University.

Committee(s): Audit, Executive, and Risk Oversight

Benjamin R. Sta. Catalina, Jr. (Filipino, 74 years old)

Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board on 2012 and last re-elected as Director on July 27, 2022. He first assumed his independent directorship at PBB from 2003 to 2005.

During his early professional years, Mr. Sta. Catalina was the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He later joined Citibank N.A. from 1981 to 1995 where he has served as Asst. Vice President & Division Head for the Public Sector Division, then became the Vice President and Asst. Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and Associate Director, and handled the World Corporation Group for Middle East Africa, Division Training Center as Regional Administrator. He was appointed as General Manager from 1988 to 1992 handling the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina was appointed Vice President and Chief of Staff of the Global Finance Marketing, then rose to Group Head where he handled the Pan Asian Corporate Team in 1994 to 1995.

In the academic sphere, he was the Executive Director of the Center for Banking and Financial Management of the Asian Institute of Management in 1996.

In addition to holding a number of executive positions, he attended training seminars such as the Makati CAD in 1974, Philippine Core Credit in 1976, Intermediate Credit Seminar in 1977, Exceptional Sales Performance in 1978, Bourse Game in 1979, Asset Based Finance Seminar in 1980, Electronic Banking Seminar in 1981, Selling Skills Train the Trainer Program in 1982, Advanced Lending Strategy in 1982, Technology for Senior Management in 1983 from the Asia Pacific Training Center. He attended Multinational Business Course in 1980 at Citibank New York, Face to Face Selling Skills in 1986 by the Boston Consulting Group. In 1987, he attended the MAC Approach Course and Alcar Valuation Seminar at MEAD Training Center in Greece. He attended the Corporate Finance II in 1988 by the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management III – Corporate Finance in 1991. From 1993 to 1995, Mr. Sta. Catalina attended the Strengthening Organizational Capabilities, Service Quality Management, Technology Solutions for the Business, Marketing Derivatives Ideas, Standards Workshop, and Marketing Financing Ideas to Issuers at Citibank Training Center.

He attended the Corporate Governance & Risk Management for Bank's Board of Directors by the Development Finance Institute in 2003, Anti Money Laundering Act Seminar in 2014, Distinguished Corporate Governance Speaker Series in 2015, Corporate Governance Forum in 2016, IFRS 9 by Punongbayan and Araullo and Data Privacy Act Seminary in 2017, and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminar by ROAM Inc. in 2018.

Mr. Sta. Catalina is a graduate of the Asian Institute of Management with a post graduate degree of Masters in Business Management. He finished his Bachelor of Science in Management Engineering from the Ateneo De Manila University.

Committee(s): Audit, Related Party Transactions, and Risk Oversight

Corporate Governance

Narciso DL. Eraña (Filipino, 69 years old)

Mr. Narciso DL. Eraña was appointed Independent Director to the Board in 2018.

Mr. Eraña has an extensive career spanning over 30 years, about 23 of which were spent in the Philippine finance industry. This included about 16 years in various banks, and seven (7) years as President of a multinational brokering company. He also spent many years as an entrepreneur in the family business.

He started his career with Bank of America-Manila handling credit and trade finance for the mining industry, pharmaceuticals, and small medium scale businesses. He moved into the bank's Treasury Department and eventually became Bank of America's youngest Country Treasurer, handling the overall Treasury Trading and Management functions. This served as the foundation for the rest of his Finance career which focused on Treasury management in multinational and local institutions, from savings banks and unibanks.

His banking experience involved managing the banks' liquidity in all currencies, and FX and Government Securities trading as well as investments in Structured Products and derivatives.

His last position was President of ICAP Philippines for seven (7) years, a subsidiary of ICAP Plc., a London based FTSE company and the world's largest Interdealer broker, with average volumes in excess of USD 1 trillion daily.

Active in financial market associations, Mr. Eraña was a Director of the Money Market Association of the Philippines for four (4) years and a Director of the ACI Financial Markets Association for another four (4) years. Activities included the formulation of policies and procedures for the operation of the Banking as well as brokering industries. These activities entailed frequent interaction with associations and regulators, including the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and the Banker's Association of the Philippines. During this time, he was also a member of Financial Executive Institute of the Philippines (FINEX).

Mr. Eraña is a graduate of Business Management at Schiller College in Heidelberg, Germany and obtained his MBA from the Thunderbird School of Global Management in Glendale, Arizona.

Committee(s): Corporate Governance, Related Party Transactions, Risk Oversight, and Trust

Roberto C. Uyquiengco (Filipino, 74 years old)

Mr. Roberto C. Uyquiengco was appointed to the Board as Independent Director in 2018.

He has been in the banking and finance industry for almost 50 years. He started with Sycip Gorres Velayo & Co. (SGV) from 1970 to 1974 and later with North Negros Loggers Corporation until 1976. His stint in the banking industry started with Allied Banking Corporation from 1977 to 1980 and later with State Investment House (Bacolod Branch) from 1980 to 1984. He was last connected with China Banking Corporation as First Vice President and Region Head for North Luzon from 1984 until his retirement in 2011. He took up and passed the Trust Officers' Training Program (TOTP) given by the Philippine Trust Institute in 1991. Further, Mr. Uyquiengco attended some international and local conferences related to the banking and finance industry, among of which is the Bankers' of America Institute Conference in November 2007, held in Las Vegas, Nevada, USA and the Asian Bankers Conference in 1996 which was held in Singapore.

Currently, he is affiliated with the following private institutions: (a) Emmanuel Multi-purpose Cooperative, Inc., in Cuenca, Batangas as Director since 2011; (b) Green Leaf Foreign Exchange Corporation as its Chairman and CEO since its incorporation in 2012; and (c) Manulife as a Financial Adviser since 2017.

Mr. Uyquiengco is also a known advocate of education, being a part-time faculty of the College of Business and Accountancy of National University since 2012 and as a part-time training consultant of the Chinabank Academy since 2013.

Mr. Uyquiengco is both a lawyer and a Certified Public Accountant by profession. He obtained his undergraduate degree from La Salle College, Bacolod City in 1970 with a degree in BS in Commerce Major in Accounting (graduating cum laude) and passed the CPA board in the same year. Thereafter, in 1975, he took up his Bachelor of Laws degree from the University of Negros Occidental-Recoletos, Bacolod City, graduating in 1980 and passing the bar examinations also in the same year. He also took up the advance Bank Management Program of the Asian Institute of Management from August to October 1993 and was awarded with the Highest Honor for superior performance among the forty (40) participants from various international banks.

Committee(s): Audit, Corporate Governance, and Risk Oversight

Benel D. Lagua (Filipino, 66 years old)

Mr. “Benel” D. Lagua is a seasoned professional in the banking and finance industry for the last thirty-two (32) years, having been with both government and private financial institutions. He was last connected with the Development Bank of the Philippines (DBP) from March 2013 until February 2020, where he assumed roles such as Executive Vice President and Chief Development Officer (2013-2017) and Executive Vice President and Head of Corporate Services Sector (2018-2020). While with DBP, he was seconded as a Director of the following: DBP Data Center Inc. (DCI) from June 2017 to August 2018, Small Business Corporation (SBC) from 2013 to 2020, and LGU Guarantee Corporation (LGUCC) from 2013 to 2020. He was also the concurrent CEO of the Industrial Guarantee Loan Fund which was being managed by the DBP for the national government until its full transition to Philippine Guarantee Corporation in 2019. Prior to this, he had extensive career from various companies in the banking, finance and consumer industry, as well as being a Consultant of the Economic Research Group in Malacañang in 1982.

He is a graduate of Management Engineering at the Ateneo de Manila University (Dean’s lister). He also holds a Master in Business Management from the Asian Institute of Management, completed the course requirements for Doctor in Business Administration at the University of the Philippines, a Master in Public Administration from the Harvard University’s John F. Kennedy School of Government, and further completing the course requirements for Doctor in Business Administration at the De la Salle University in Manila. He also took up the Career Executive Service Development Program XXI at the Development Academy of the Philippines. As an expert in the field of management and finance, Director Lagua teaches part-time at the Ateneo de Manila University and the De La Salle University in Manila.

Mr. Lagua is also affiliated with the Philippine Institute of Pure and Applied Chemistry (PIPAC) as a member of its Board of Directors. He is presently an Independent Director of Bangko ng Kabuhayan Inc. (A Rural Bank) (formerly Rodriguez Rural Bank, Inc.) and a known columnist for The Manila Times, Manila Bulletin, and Business World. He is a Fellow of the Institute of Corporate Directors (ICD).

Committee(s): Audit, Corporate Governance, and Risk Oversight

Asterio L. Favis, Jr. (Filipino, 70 years old)

Mr. Asterio “Boy” L. Favis, Jr. has been in the finance industry for about thirty (30) years, particularly in treasury banking.

Presently, he is an Independent Director of Makati Finance Corporation, as a Consultant of Amalgamated Investment Bancorporation and the Ateneo-BAP Institute of Banking and a Director/Vice President of Aspirations International, Inc. (a Toby’s Sports franchise). He started his treasury banking career with PCI Bank, first as Assistant Vice President and Head of Foreign Exchange, then as Vice President and Head of Domestic Money Market (from 1986 to 1989), and lastly as Vice President under the Office of the President (seconded to PCI Capital in charge of fixed income securities, from 1989 to 1990). From 1990 to 1999, he headed the Treasury Division of Asianbank Corporation then moved to AB Capital & Investment Corporation from 1999 to 2002, leading the Financial Markets Division as Senior Vice President. Later on, he headed the Treasury Division of Philippine National Bank as Executive Vice President, from 2002 to 2007. His last stint with the banking industry was with Sterling Bank of Asia as Executive Vice President & Head of Treasury Group from 2007 to 2009 and lastly as Executive Vice President under the Office of the President from 2009 to 2013 (including one-year as OIC of Consumer Lending Group).

Director Favis, Jr. is a true-blue eagle from elementary to college. He was Salutatorian in elementary, Salutatorian in High School (with awards in Math, Sciences and Latin) and cum laude in College, graduating with a degree of Bachelor of Science in Management Engineering.

He is presently a member of the Institute of Corporate Directors (ICD), past member of the Chamber of Thrift Banks (2007-2009), with Money Market Association of the Philippines (from being Secretary, Vice-President and lastly as President, 1988-2004), past President of the Foreign Exchange Association of the Philippines (1988-1989), past member of the Bankers Association of the Philippines – Open Market Committee (1991-1999) and past Captain of the Ateneo NCCA High School Basketball Team (1970-1971).

Committee(s): Audit, Related Party Transaction, and Risk Oversight

Corporate Governance

Diosdado M. Peralta (Filipino, 70 years old)

Mr. Peralta was appointed as the 26th Chief Justice of the Supreme Court of the Philippines from October 23, 2019 until his retirement on March 27, 2021.

Mr. Peralta started his career in government service in 1987 when he was appointed Third Assistant Fiscal of Laoag City. In 1988, he was assigned to the Prosecutor's Office in the City of Manila. He later became the assistant chief of the Investigation Division of the Office of the City Prosecutor in the first months of 1994.

In September 1994, Chief Justice Peralta was appointed as Presiding Judge of Branch 95 of the Regional Trial Court (RTC) of Quezon City, which was designated as a Special Criminal Court on Heinous Crimes and, later, Drugs Cases. He was promoted to the Sandiganbayan in 2002 and became its Presiding Justice in 2008. On January 13, 2009, he was named as the 162nd Associate Justice of the Supreme Court. He was the third Presiding Justice of the anti-graft court to be appointed to the High Court. On October 23, 2019, he was then appointed as the 26th Chief Justice of the Philippines.

He is an alumnus of the University of Santo Tomas Faculty of Civil Law where he was as a working student and graduated in 1979. He obtained his undergraduate degree in Economics from the Colegio de San Juan de Letran in October 1974, and started working at the age of twenty (20) on November 2, 1974 as a production analyst of Cosmos Bottling Corporation (CBC). In January 1975, he became the operating supervisor of CBC's sister company, Wisdom Management, Inc., a management firm. He later became a general manager of Ace Agro Development Corp. and vice president of Cypress Agricultural Development Corp, both sister companies of CBC.

During his corporate stint and while taking up law from 1975 to 1979, he supervised the operation of three fish pens owned by the said three companies, and would join Bountee Fishery Corp.'s (a sister company of CBC) fishing vessels in the high seas to oversee its operations during summer time. In January 1980, while waiting for the results of the Bar exams, he returned to the mother company, CBC, as assistant personnel manager. When he passed the Bar that year, he was appointed as head of personnel department of CBC, while maintaining his positions as general manager of Ace Agro Development Corp. and vice president of Cypress Corp., and handling labor, criminal and

civil cases of the company. At the same time, he was elected Barangay Councilman of Fairview, Quezon City, and served as barangay officer until the end of 1986. He only resigned from CBC when he accepted the invitation to become a prosecutor in Laoag City in January 1987.

Prior to becoming a member of the Supreme Court, he was a professor, lecturer, resource person, and Bar reviewer in Criminal Law, Criminal Procedure, Remedial Law, and Trial Techniques at the UST Faculty of Civil Law, the Ateneo de Manila University, San Beda College of Law, the University of the East, and the University of the Philippines Law Center, among others. He has been a member of the Corps of Professors under the Department of Criminal Law of the PhilJA and remains to be an active lecturer thereof on its Orientation Program for Newly appointed Judges, Pre-judicature Program and other training seminars.

Committee(s): Corporate Governance and Related Party Transaction

G. Board-Level Committees

To aid the Bank in complying with the principles of good governance, the Board constitutes the following Committees:

1. Audit Committee

The Audit Committee provides oversight of the Bank's internal and external auditor. It is responsible for the setting-up of the internal audit department and the appointment of the internal auditor.

It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the bank. The Audit Committee assists the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, and audit and financial reporting practices. The Audit Committee has explicit authority to investigate any matters within its terms of reference, full access to and cooperation by Management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

The committee is composed of six (4) members of the board of directors, who are all non-executive directors, majority of whom are independent directors. The Chairman of the audit committee is not the Chairman of the Board of Directors or any of the other board-level committees.

2. **Corporate Governance/ Nomination Committee**

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities by reviewing and evaluating the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It also ensures compliance with and proper observance of corporate governance principles and practices as required by the regulatory bodies. It also enhances the corporate governance standards of the Bank by identifying, addressing and working towards its ASEAN Corporate Governance scorecard (ACGS). The committee is composed of four (4) members of the Board of Directors who shall all be non-executive directors, majority of whom are independent directors, including the chairman.

3. **Executive Committee**

This Committee has been delegated by the Board of Directors with some of its powers and responsibilities as provided for in the by-laws, including but not limited to the supervision of other board committees and subject to the limitations and restrictions as may be imposed by the Board of Directors. The Executive Committee is composed of three (3) members from the Board of Directors.

4. **Related Party Transaction Committee**

The Related Party Transaction (RPT) Committee evaluates on an on-going basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified. It is composed of three (3) members of the Board of Directors, two (2) of whom are independent directors including the chairman. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.

5. **Risk Oversight Committee**

The Risk Oversight Committee (ROC) is responsible for the development and oversight of the risk management framework for the bank and its trust unit. The committee is composed of seven (7) members of the Board of Directors of which the majority shall be independent directors. The chairperson is a non-executive director and not the chairman of the board of directors, or any other board level-committee. The members of the ROC possess range of expertise as well as adequate knowledge of the Bank's risk exposures to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It oversees the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

6. **Trust Committee**

The Trust Committee is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank. The Trust Committee is composed of five (5) members including the president or any senior officer of Bank and the trust officer.

Corporate Governance

Committee Members

Executive Committee		
Chairman	Jeffrey S. Yao	Chairman
Members	Rolando R. Avante	Vice-Chairman & President /CEO
	Honorio O. Reyes-Lao	Director

Audit Committee		
Chairman	Benel D. Laguna	Independent Director
Members	Roberto C. Uyquiengco	Independent Director
	Asterio L. Favis, Jr.	Independent Director
	Benjamin R. Sta. Catalina, Jr.	Director
	Honorio O. Reyes-Lao	Director

Risk Oversight Committee		
Chairman	Narciso DL. Eraña	Independent Director
Members	Asterio L. Favis, Jr.	Independent Director
	Benel D. Laguna	Independent Director
	Roberto C. Uyquiengco	Independent Director
	Roberto A. Atendido	Director
	Benjamin R. Sta. Catalina, Jr.	Director
	Honorio O. Reyes-Lao	Director

Corporate Governance/ Nomination Committee		
Chairman	Roberto C. Uyquiengco	Independent Director
Members	Benel D. Laguna	Independent Director
	Narciso DL. Eraña	Independent Director
	Diosdado M. Peralta	Independent Director
	Roberto A. Atendido	Director

Related Party Transactions Committee		
Chairman	Asterio L. Favis, Jr.	Independent Director
Members	Narciso DL. Eraña	Independent Director
	Diosdado M. Peralta	Independent Director
	Benjamin R. Sta. Catalina, Jr.	Director

Trust Committee		
Chairman	Roberto A. Atendido	Director
Members	Rolando R. Avante	Vice-Chairman and President/CEO
	Narciso DL. Eraña	Independent Director
	Dr. Leticia M. Yao	Director
	Angelo Miguel M. Calabio	Trust Officer

H. Directors' Attendance

Name of Directors	Board		Executive		Audit		Corporate Governance	
	Attended	%	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao	14	93%	12	100%				
Rolando R. Avante	15	100%	12	100%				
Roberto A. Atendido	13	87%					11	92%
Honorio O. Reyes-Lao ¹	15	100%	12	100%	3	100%		
Benjamin R. Sta. Catalina, Jr.	14	93%			12	92%		
Leticia M. Yao	15	100%						
Narciso DL. Eraña	14	93%					12	100%
Atty. Roberto C. Uyquiengco	14	93%			13	100%	12	100%
Asterio L. Favis, Jr.	14	93%			12	92%		
Benel D. Laguna	14	93%			12	92%	12	100%
Diosdado M. Peralta ²	13	100%					11	100%
Total number of meetings held during the year 2022	15³		12		13⁴		12	

Corporate Governance

Name of Directors	Related Party Transactions		Risk Oversight		Trust	
	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao						
Rolando R. Avante					6	100%
Roberto A. Atendido			11	92%	5	83%
Honorio O. Reyes-Lao			11	100%	1	100%
Benjamin R. Sta. Catalina, Jr.	11	92%	11	92%		
Leticia M. Yao					6	100%
Narciso DL. Eraña ⁵	12	100%	12	100%	5	100%
Atty. Roberto C. Uyquiengco			12	100%		
Asterio L. Favis, Jr.	12	100%	11	92%		
Benel D. Laguna			12	100%		
Diosdado M. Peralta	11	100%				
Total number of meetings held during the year 2022	12		12		6	

1. Stepped down as Trust Committee Chairman and Member last 20 April 2022 Regular Board Meeting and Appointed as Audit Committee Member last 21 September 2022

2. Elected last 19 January 2023 Regular Board Meeting

3. 12 Regular Board Meeting and 3 Special Board Meeting Held

4. 12 Regular Audit Committee Meeting and 1 Special Audit Committee Meeting

5. Appointed as Trust Committee Member last 20 April 2022 Regular Board Meeting

I. Changes in the Board of Directors

PBB has been approved by the SEC in January 11, 2019, to have eleven (11) elected directors, per its Amended Articles of Incorporation dated May 25, 2018 subject to the requirement mentioned in the Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB) that at least one-third (1/3) but not less than two (2) members of the board of directors shall be independent directors.

During the Bank's annual stockholder's meeting on July 27, 2022 the stockholders approved the re-appointment of the Directors shown in the table in Section H. Notable additional Director was Former Chief Justice Diosdado M. Peralta who assumed position as an Independent Director last January 19, 2022 to serve the unexpired term of Former Director Danilo A. Alcosoba who passed away last 11 November 2021. Currently, the directors are composed of six (6) regular directors and five (5) independent directors in compliance with the various regulations and for good governance practice.

The said appointments and movements were duly reported to the BSP, the SEC and published on the Philippine Stocks Exchange (PSE).

J. Executive Officers/Senior Management

The following are the Executive Officers of the Bank, and their respective age, citizenship and position as of December 31, 2022:

Rolando R. Avante (Filipino, 63 years old)

(Please refer to the Director's Qualification section for Mr. Avante's professional experience).

Joseph Edwin S. Cabalde (Filipino, 53 years old)

Mr. Joseph Edwin S. Cabalde is the PBB's Treasurer and Head of the Treasury Services Group with the rank of Executive Vice President. His work experiences include: Accounting Assistant of China Banking Corporation from 1991 to 1994; Treasury Officer of Urban Bank Inc. from 1994 to 1995; Manager and Chief Dealer of Bangkok Bank Manila from 1995 to 2000; Manager at Mondex Philippines Inc. from 2000 to 2001; Manager and Chief Dealer at Bank of Tokyo Mitsubishi from 2001 to 2005; Treasury Head of Oilink International from 2005 to 2007; and Assistant Vice President and Treasurer of EEI Corporation from 2007 to 2008. Mr. Cabalde attended the Corporate Good Governance and AML Seminars sponsored by PBB.

Mr. Cabalde graduated from the University of Sto. Tomas and holds a Bachelor of Science Major in Accountancy degree.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Arlon B. Reyes (Filipino, 48 years old)

Mr. Reyes is Head of Commercial Banking Group. He has over 20 years of professional experience gained from international and local financial institutions. He is proficient in global capital financing, mergers and acquisitions, loan syndication, structured finance, derivatives and treasury products, trade finance, credit & lending, and traditional commercial banking products. He is adept at financial crime management and anti-money laundering having attended intensive training and workshops on this field in an international bank setting.

His employment background includes a stint as Global Relationship Banker for Global Banking & Markets, with the rank of Senior Vice President with The Hongkong and Shanghai Banking Corporation Limited; Head of Rizal Commercial Banking Corporation's (RCBC) National Corporate Banking Group's Large Corporate Segment. He was the Head for China Desk and Foreign Branches Business Development serving concurrently as Team Leader and Relationship Manager for the Conglomerates Division of the Metropolitan Bank and Trust Co. Aside from banking, Mr. Reyes worked for the Philippine Stock Exchange's Business Development Group where he was instrumental in the creation and establishment of the Small and Medium Enterprise (SME) Capital Market or SME Board.

Mr. Reyes graduated from the University of the Philippines – Diliman in 1994 with a degree in BS Economics. He secured his Masters of Business Administration from the same university in 2001.

Committee(s): Asset and Liability Management, Capital Planning, Employee Discipline, and Management

Cynthia A. Almirez (Filipino, 56 years old)

Ms. Almirez has 30 years of experience from a universal bank and a commercial bank in the fields of finance and accounting, operations and control and internal audit. She started her banking career with UCPB as Branch Operations Bookkeeper in August 1991 and became the Chief Finance Officer (CFO) of the bank last 01 January 2017. As CFO, she was responsible for the financial accounting, management, and control functions of the Bank. She supervised bank wide compliance to accounting standards, government rules on accounting and disbursements as well as audit of financial statements, and was the Lead Person who oversaw the merger of UCPB and Landbank. Prior to being CFO, Ms. Almirez served as the bank's Controller where she handled the general accounting and financial reporting (bank & subsidiaries), and provided overall guidance on accounting practices consistent with applicable accounting standard for banks, subsidiaries and associates. She was also in-charge of the regulatory reports to Bangko Sentral ng Pilipinas (BSP), Philippine Deposit Insurance Corporation (PDIC) and Securities and Exchange Commission (SEC).

Apart from Ms. Almirez's service at UCPB, she also had stints with GE Money Bank, Phil. as Internal Audit Manager (2006-2008), Majid Futtam Group (MAF Group), a retail group based in Dubai with operations in the Middle East, and as an Internal Audit Manager (2008-2010).

Ms. Almirez has a Bachelor of Science degree in Business Administration, major in Accounting from the Pamantasan ng Lungsod ng Maynila in 1986. She took her MBA units from Ateneo Graduate School of Business. Additionally, she is a Certified Public Accountant (CPA), Certified Management Accountant (CMA), and a Certified Financial Services Auditor (CFSA), a global audit certification for Internal Auditors administered by the Institute of Internal Auditors.

Committee(s): Anti-Money Laundering, Asset & Liability Management, Bid, Employee Discipline, IT Steering, and Management

Corporate Governance

Reynaldo T. Boringot (Filipino, 64 years old)

Mr. Reynaldo T. Boringot joined Philippine Business Bank in 2016. He was appointed as the Head of Luzon and NCR Area of Retail Sales Group with the rank of Senior Vice President.

He has almost 40 solid years of experience as a banker. He began his career as a New Account under Business Development in Pacific Banking Corporation from 1981 to 1985. He transferred to Metropolitan Bank & Trust Company from 1986 to 2003 as one of the youngest Branch Heads at the age of 30. Moreover, he was able to open a new branch in Tugatog, Malabon. He was later then transferred to EDSA-Caloocan as one of the youngest Center Heads. Finally, he transferred to Asia United Bank, his last employer prior to PBB where he started as Assistant Vice President in 2003 and became a Vice President concurrent as Area Head in Quezon City and north provincial branches until 2016.

Mr. Boringot graduated from the University of the East in 1980 with a degree in Bachelor of Science in Commerce major in Management. He took his MBA units from the Philippine School of Business Administration in 1982 to 1983.

Committee(s): Management

Consuelo V. Dantes (Filipino, 60 years old)

Ms. Consuelo V. Dantes was appointed as the Human Resources Group Head with the rank of Senior Vice-President in 2017. She brings with her over 30 years of expertise in the field of Human Resources Management, Corporate Support Services Group, and Business Unit Management. She was recently employed with EastWest Bank as Human Resources Group Head from 2013 to 2016. Apart from being the Head of HRG, she was also the Chief of Staff from 2012 to 2013 under the Office of the President where she worked with 12 units - Credit, Human Resources, Collection and Asset Recovery, Legal Services, Customer Service, Consumer Lending, Corporate Banking, and Administrative Services.

Prior to her stint with EWB, she was with Planters Development Bank (now China Bank Savings) for 22 years from 1990 to 2012 where she held various lead positions in Human Resources, Corporate Communications, Corporate Planning, and Collection and Asset Recovery. She was an international consultant for Human Resource Management under ShoreCap Exchange, the training arm of ShoreCap

International, and worked as consultant with Cambodia Entrepreneur Building Co., Ltd. in Cambodia. She was also a speaker/facilitator in seminar-workshops conducted by ShoreCap Exchange in Chennai, India, and Luxembourg. During her stint with Planters Development Bank, she was also at one point appointed as the President and Chief Operating Officer of PDB-FMO Development Center (PDCenter).

In addition, Ms. Dantes' other banking experience also include stints with the following banks: Boston Bank of the Philippines (now Bank of Commerce - Branch Marketing and Development Group / Manager); Asiatrust Bank - Manager of Market Planning Group; and Security Bank Corporation as Branch Manager of Buendia, Makati Branch.

A Cum Laude graduate from the University of the Philippines - Diliman with a degree in Bachelor of Arts in Economics, she took her MBA units with De La Salle University. Ms. Dantes is a Professional Executive Coach certified in the US-based International Coach Federation (ICF) way, by Benchmark Consulting.

Committee(s): Employee Discipline and Management

Rosendo G. Sia (Filipino, 66 years old)

Mr. Rosendo Sia joined Philippine Business Bank in 2016. He is the Senior Vice President/Group Head of the Retail Sales Group for Visayas and Mindanao.

In 1977, he began his career as an Assistant Chief Accountant of Rizal Securities Corp., then on the same year he joined Guzman, Bocaling & Co., CPAs, an auditing firm as an Auditor and became a Senior Auditor before moving to the Central Bank of the Philippines, now BSP, as a Non-Bank and Bank Examiner from 1981 to 1988. He joined Land Bank of the Philippines as a Branch Manager from 1988 to 1993 where he was assigned in the provincial branches of Tuguegarao City, Cebu City and Dumaguete City, among others, and held various key positions and committee membership in the association of local government controlled and owned corporations, regional development councils and represented the bank in the Board of Danao Development Bank and Rural Bank of Madridejos. He joined Metrobank in 1993 up to 2012 as Branch Head in Metro Manila area where he rose from the ranks from Senior Manager to Senior Vice President and held various key positions and committee memberships in the bank and its subsidiaries. Before joining PBB he was connected with Asia United Bank from 2012 to 2016 as Senior Vice President / Branch Banking Head

for Visayas and Mindanao in concurrent capacity as Branch Lending Group Head and held various key positions and committee memberships.

Mr. Sia is a graduate of the University of the East and is a Certified Public Accountant and Masters in Business Administration from De La Salle Graduate School Academic Courses and Asian Institute of Management.

Committee(s): Management

Maria Lourdes G. Trinidad (Filipino, 55 years old)

Ms. Trinidad was appointed as Chief Risk Officer and Head of Enterprise Risk Management Group with the rank of Senior Vice President.

She has her 30 years of banking experience handling various functions such as Credit Review, Treasury Trading and Liquidity and Reserve Management, Correspondent Banking, Corporate Planning, Investor Relations, and Special Projects under Strategic Planning. She started her banking career with RCBC Unibank and was seconded to RCBC Savings as CRO in September 2007 up to 2019 when the merger of the savings and unibank happened. Her last post is as Head of Special Initiatives under the unibank's ERMG.

As the CRO, and together with the bank's Risk Oversight Committee of the Board, she built RCBC Savings' risk and control infrastructure. She was the overall lead in identifying and measuring risks inherent in the bank's portfolio, and made sure that provisioning is kept to a minimum level by proactively working on the portfolio credit review, credit scoring and other initiatives to manage the bank's portfolio quality. She defined and disseminated the bank's risk philosophy and policies, and assisted risk-taking business and operating units in understanding, measuring and mitigating risk points. She put in place the bank's Risk Management Framework and Manual, Treasury Manual, Liquidity Contingency Funding Plan, and various risk operating policies and procedures. She also developed the strategic and operational framework for Business Continuity, including the enterprise Business Continuity Plan, Business Impact Analysis, Crisis Communication Plan, Pandemic Plan, Call Tree Testing, Table Top Discussion, and Disaster Recovery Plan testing.

Ms. Trinidad has a Bachelor of Science degree in Mathematics from the University of the Philippines – Diliman in 1988. She also earned academic credits for a Master of Science degree in Mathematics from the same school.

Committee(s): Capital Planning and Management

Liza Jane T. Yao (Filipino, 52 years old)

Ms. Liza Jane Yao is the Bank's General Services Head with a rank of Senior Vice President.

She has attended various trainings/seminars which include: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Corporate Governance Seminar, AMLA Seminar for Board of Directors and Senior Officers, Corporate Governance Seminar for Directors and Senior Officers, Credit Analysis and Writing Seminar, Thinking Strategically in Business Game Theory for Managers, Market Reading Seminar, Risk Awareness Seminar, Basic Financial Math Seminar, Loans Packaging and Processing Seminar, and Diploma Program in Banking.

Ms. Yao finished her BS Accountancy degree at the De La Salle University.

Committee(s): Asset and Liability Management, Bid, Credit, and Management

Angelo Miguel M. Calabio (Filipino, 33 years old)

Mr. Angelo Miguel M. Calabio is PBB's Trust Officer and leads the Trust and Investment Center.

Prior to joining PBB, he was connected with Security Bank Corporation as Assistant Vice President and Head of Institutional and Personal Trust under Trust and Asset Management Group. He headed a team of six (6) account officers, providing coverage to the group's institutional and personal trust accounts which include employee benefit plans, corporate and personal investment management accounts, personal management trusts, pre-need trusts and other fiduciary arrangements. He also managed and administered a specific set of assigned trust and fiduciary accounts, i.e. retirement funds, corporate IMAs, personal management trust, pre-need trust.

He started his banking career with RCBC as a Management Trainee under the Officers' Development Program (ODP) where he successfully completed a rigorous one-year training program covering all aspects of banking. After passing the ODP, he was assigned with Trust and Investment Group as Assistant Portfolio Manager. It was during this stint that he grew his knowledge in Trust and fiduciary accounts. He has experience in retirement funds, corporate IMAs, living trust accounts, etc. He also performed diverse trustee roles in project finance deals i.e. facility agency, security trusteeship, paying agency,

Corporate Governance

and mortgage trust indenture, mainly focused on loan syndication for top-tier power projects such as coal, geothermal, wind, solar.

After his six-year stint with RCBC, he had a short stint with Maybank Philippines as Trust Investment Officer under Global Banking Group. He was the line manager for the investment activities of the group's Trust/Asset Management Department. He also performed credit and financial analysis of the group's corporate borrowers and/or debt issuers.

Gelo graduated with honors (Cum Laude) from the University of the Philippines – Diliman, with a Bachelor of Science in Economics degree. He is a Chartered Financial Analyst (CFA) Charterholder and a Certified Treasury Professional. He is an active member of the Trust Officers Association of the Philippines (TOAP).

Committee(s): Management and Trust

Atty. Sergio M. Ceniza (Filipino, 56 years old)

Atty. Serge joined PBB as Chief Compliance Officer with the rank of First Vice President. He has over 30 years of experience from the financial industry where he worked with insurance companies and banks, starting with Great Pacific Life Assurance Corporation, Philam Plans Inc, and then with BDO Universal Bank where he was also seconded to BDO Leasing & Finance Inc. as Head of Legal, Compliance & AML Compliance with the rank of Assistant Vice President.

Atty. Serge moved to First Metro Investment Corporation (part of Metrobank Group) in September 2012 as Deputy Chief Compliance Officer with the rank of Assistant Vice President. In June 2016, he was promoted to Vice President and was designated as Chief Compliance Officer, Chief AML Officer, and Data Privacy Officer. As CCO, he was over-all in-charge of formulating and implementing policies and procedures for the general operations of the company's Compliance Program, including those in subsidiary units. He regularly reported to the Board, through the Corporate Governance Committee, the level of regulatory compliance of the organization and its subsidiaries. He also monitored and coordinated compliance activities of other companies within the group.

Atty. Serge is a Law professor at De La Salle University, Far Eastern University, University of the East, and Manila Law College. He is a regular lecturer in the Mandatory Continuing Legal Education (MCLE) of Chan Robles, Access MCLE and UP Institute of Judicial Administration. He is also a bar reviewer on Commercial Law. He is an active member of Association of Bank Compliance Officers (ABCOM) and is well-regarded in the industry.

He has a Bachelor's degree in Political Science and Bachelor of Laws degree from Far Eastern University. He is a candidate in Master of Laws from San Beda College-Graduate School of Law.

Committee(s): Anti-Money Laundering, Employee Discipline, and Management

Felipe V. Friginal (Filipino, 67 years old)

Mr. Felipe V. Friginal was appointed as the Retail Banking Segment Head in 2021 holding the rank of First Vice President. He joined PBB in 2004 as Vice President spearheading the Bank's Branch Banking Group until 2017.

He started his officer training in 1983 where he was included in the Management Development Program of UCPB for six months of classroom and on-the-job training. After completing his officer training program, he held his first officer post as a Cashier in three different branches in Laguna and Batangas. Mr. Friginal had various trainings and seminars in supervision, decision-making, crisis management/problem solving, leadership, Allen Management, organizational development, and basic and core credit.

Mr. Friginal is a Bachelor of Science Major in Business Administration – Marketing from Pamantasan Lungsod ng Maynila graduate and took his MBA degree from De La Salle University.

Committee(s): Anti-Money Laundering, Asset and Liability Management, Bid, Capital Planning, Credit, IT Steering, and Management

Rodel P. Geneblazo (Filipino, 51 years old)

Mr. Rodel P. Geneblazo is the First Vice President and Consumer Banking Group Head of PBB. He was appointed to this position in January 2018.

A seasoned banker, he has more than 20 years of experience in consumer finance and credit cycle management. He started his banking career at PCI Bank from 1996 to 2000 as Management Development Program Trainee and rose to Head the Consumer Finance Unit in General Santos City. He joined Chinatrust Bank from 2000 to 2008 and held the positions of Head of Mortgage Loans, Head of Product Development, and Head of Credit Policy & MIS. He went to East West Bank in 2008 to 2010 as Head of Credit Services.

In 2010, Mr. Geneblazo joined Sterling Bank of Asia as Head of Credit Services up to 2012. He then became the Managing Director of Knowledge Transfer Financial Consulting Services where he provided trainings, seminars, and consultancy works in the area of consumer and microfinance loans, credit cycle management, Collections, MIS & Analytics, product development and management, both for the private and public institutions from 2012 to 2014. He went back to the banking industry in 2014 and joined Philippine Veterans Bank as Head of MIS & Analytics, and later, as its Risk Officer.

He joined Philippine Business Bank in 2015 initially as a Consultant and later became the Head of PBB's Acquired Banks. He was appointed as President of Insular Savers Bank, Inc. (A Rural Bank), a rural bank that was acquired by PBB in 2015. He moved back to PBB in the beginning of 2018 and now serves as the Bank's Consumer Banking Group Head.

Mr. Geneblazo is a graduate of the Polytechnic University of the Philippines with a degree in Bachelor of Science in Mechanical Engineering in 1992 where he was also a scholar of the Hasegawa Universal Lab Corporation. He took his Masters in Business Administration degree in 1996 from the University of the Philippines and was a National Economic and Development Authority (NEDA) scholar.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Eduardo R. Que (Filipino, 61 years old)

Mr. Eduardo Que, First Vice President and Group Head of Corporate Banking, joined PBB in 2012 after 31 years with Allied Banking Corporation. He top-notched his officer training class and was appointed official trainer / lecturer in the Officer Development Program of Allied Bank for subjects International Banking Operations (Foreign/Domestic Trade); Credit Management; Business Development; Account Management; and Loans and Corporate/Merchant Banking. He is the most senior account officer for Corporate Banking Division where he spent about 20 years.

He graduated from the De La Salle University with a Bachelor of Science in Commerce Major in Management of Financial Institutions degree and was a Dean's Lister. Mr. Que pursued his Masters in Business Administration at the Ateneo de Manila, Rockwell and was full course Dean's Lister, batch top-notcher, and Gold Medal Awardee in academics.

Committee(s): Asset and Liability Management and Management

John David D. Sison (Filipino, 37 years old)

Mr. Dave Sison joined Philippine Business Bank in 2014. He leads the Bank's Corporate Planning and Investor Relations Group, which plays a key role in the bank's strategic management, investor relations functions, and M&A initiatives. He is also part of the MIS unit that leads the profit planning performance analysis of the Bank which assists senior management in the process of decision-making and tracks performance of the Bank's business units.

Prior to PBB, he was a private equity analyst with KGL Investment Company Asia from 2008 to 2013. Before joining KGL, Dave was an investment banking associate with PNB Capital & Investment Corporation, a boutique investment bank offering financial advisory, debt syndications, and corporate finance services. He began his career in finance as an investor relations analyst with ABS-CBN Corporation.

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He graduated in 2006 with a Bachelor of Science degree in Management Engineering (Honors Program) from the Ateneo de Manila University where he received training in traditional management disciplines (marketing, finance, operations management, organizational behavior, and strategic management), economics, and the social sciences in combination with skills development in qualitative and quantitative analysis, mathematics, statistics, and operations research. Mr. Sison completed the Value Investing Program at Columbia Business School in New York City.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Miami V. Torres (Filipino, 60 years old)

Ms. Miami V. Torres is the Head of the Credit Management Group and holds the rank of First Vice President.

She has with her over 35 years of banking experience which started at United Coconut Planters Bank where she worked through all areas of branch operations from staff position, Branch Operations Officer, Branch Marketing Officer to Branch Head. Ms. Torres joined PBB in June 2002 as a Branch Head and was later on tasked to create and set up the Remedial and Special Assets Management Group. In 2010, she was assigned to head the Credit Services Group where she introduced significant changes in the credit processes. In 2016, her area of responsibility was expanded to include seven (7) different divisions namely: Credit Services, Credit Underwriting, Portfolio Management, Credit Administration, Remedial & Special Assets Management, Credit Policy & Technical Support, and the Insurance Desk. In her almost 18-year stay with the Bank, she had consistently introduced quite a number of very relevant changes and innovations, the benefits of which ran across the entire Bank.

She is a double-degree holder – AB Behavioral Science and BSC Accounting from the University of Santo Tomas and is a Certified Public Accountant.

Committee(s): Credit, Management, and Remedial and Special Assets Management

Jose Maria P. Valdes (Filipino, 66 years old)

Mr. Jose Maria P. Valdes was appointed Information Technology Group Head in 2017 with the rank of First Vice President.

A prominent figure in the field of IT, Mr. Valdes started his career with Carlos J. Valdes & Co. CPAs as a Senior Consultant from 1979 to 1988; City Trust Banking Corp. as IT Manager from 1988 to 1992; and he became the IT Director for Dart Philippines from 1992 to 1997. He came back to the banking industry as Chief Information Officer at ChinaTrust Bank from 1997 to 2002; and CIO again at Export and Industry Bank from 2002 to 2008. Prior to joining PBB, he was IT Director at Encash, Inc. from 2008 to 2017.

Mr. Valdes graduated from the De La Salle University with a double degree in Bachelor of Science in Commerce major in Management of Financial Institutions and Bachelor of Arts in Behavioral Sciences.

Committee(s): IT Steering and Management

Marily M. Cabuco (Filipino, 55 years old)

Ms. Marily Cabuco is PBB's Chief Internal Auditor. She brings with her over 30 years of experience in audit. Ms. Cabuco was previously connected with Toyota Financial Services Philippines Corporation (TFSPH) as Chief Audit Executive with the rank of Vice President since June 2015. Prior to TFSPH, she was with Metrobank for 17 years (August 1998 – May 2015) where she handled head office, branch and subsidiaries & associates audit as Division Head.

Before her stint with MBTC, she was with Security Bank & Trust Co. for 10 years as Department Head of Branch Lending Center, Department Head / Audit Officer of Head Office and Branch and as Branch Cashier. She also had a short stint with Sycip, Gorres & Velayo (SGV) as Staff Auditor.

She is a Certified Public Accountant (1988), Certified Internal Auditor (2008), Certified Financial Services Auditor (2009). She also passed the Civil Service Eligibility (1988).

Ms. Cabuco earned her Bachelor's degree in Accounting from Far Eastern University and graduated with honors - Magna Cum Laude. She obtained MBA units from the De La Salle Graduate School of Business and Economics.

Committees: Bid, Employee Discipline, and Management

Atty. Roberto S. Santos (Filipino, 73 years old)

Atty. Roberto S. Santos is the Corporate Secretary and Head of the Legal Services Group and holds the position of Vice President.

In his over 35 years of experience in banking and finance, he was a Manager at Traders Royal Bank since 1980, held various executive positions with Security Bank from 1982 to 1999, General Manager of Security Finance Corporation from 1997 to 2001, and was the Head of the Legal Department of Metrobank Card Corporation from 2002 to 2004. Atty. Santos later joined PBB as Assistant Vice-President in 2008. He attended various seminars on Anti-Money Laundering, Corporate Governance, update on relevant tax laws, corporate rehabilitation, PSE and SEC regulations, Letters of Credit transactions, credit and collections, and other pertinent banking laws and regulations.

Atty. Santos received his law degree from the University of the East and is a graduate of Bachelor of Arts from the same university.

Committee(s): Anti-Money Laundering, Management, and Remedial and Special Assets Management

Ma. Joyce G. Zarate (Filipino, 59 years old)

Ms. Joyce Zarate brings with her over 25 years of expertise and experience in corporate communications, branding, and product development gained from thrift, commercial and universal banks. In coordination with the Information Technology Group (ITG) and the business units, she spearheads the Bank's bid to position its brand and product offerings in the digital banking space through the development of digital channels that will further enhance service delivery and customer experience.

She had stints in East West Bank as Head of Marketing Communications, AIG Philam Bank as Head of Marketing Services, United Overseas Bank and PNB in the fields of product development and management, and public relations. Prior to joining PBB in 2018, she was head of Marketing Communications and Customer Experience at China Bank Savings.

She is a graduate of Bachelor of Arts in Economics with minor studies in Mathematics from the University of the Philippines – Diliman. She completed masteral units in Economics at Ateneo de Manila University. Also, she took a non-degree course at De La Salle College of Saint Benilde's School of Professional & Continuing Education for Product Development and Management.

Committee(s): Management

Judith C. Songlingco (Filipino, 50 years old)

Ms. Judith Songlingco is PBB's Head of Corporate Communications and Corporate Affairs, acting as the link of the company to the external stakeholders, she has worked across sectors in communication including advertising, corporate communications, marketing communications, public relations, events, and business development. With over 25 years of a wealth of experience and creative mind, she puts her imprint on the Bank's communications and events. She joined PBB in 2011 with a rank of Assistant Vice President.

Ms. Songlingco began her career with Far East Bank & Trust Co. in December 1992 as a credit analyst under the Retail Banking Group before moving to the Branch Banking Group as a marketing trader. She later pursued her career in the academe where she taught sophomore, junior and senior college students Marketing Management, Product Development and Advertising & Promotions subjects at the De La Salle University – Dasmariñas, where she also was appointed the Junior Marketing Association (JMA) coordinator of the university. In 1999, she shifted back to the banking industry as a Product Development Officer at Maybank Phil. Inc. under the Consumer Banking Division developing the deposit and loan products, promotional campaigns and was tasked to handle the Customer Service Department and the Consumer Sales Department as a lecturer and speaker. She joined East West Bank in 2004 as the Head of Marketing where she handled product development, had the opportunity to launch promotional campaigns, presented events and implemented advertising strategies. In 2008, she moved to Robinsons Bank as the Marketing Support Services Group Head. Ms. Songlingco managed communications for the bank, including public relations, speech writing, advertising and promotions. She also handled corporate events and new product development and enhancement.

Corporate Governance

Prior to joining PBB, she was the Marketing Head of the University Physicians Medical Center - a private multispecialty outpatient diagnostic and surgical center situated within the University of the Philippines Manila – Philippine General Hospital (UPM-PGH). She has created and implemented various PR campaigns, planned events with high-level government officials and directed media logistics for a national conference. She also headed the Customer Service Department of UPMC and handled media relations.

Ms. Songlingco is an active Bank Marketing Association of the Philippines (BMAP) member. This is her fifth term as BMAP Director for Programs. She was elected Auditor in 2021 and in 2020, Director of Membership in 2019 and Director for Programs and Ways and Means in 2018.

She obtained her Bachelor of Science in Commerce major in Marketing Management degree from St. Scholastica's College and holds a Master's Degree in Business Administration - Dean's List Inclusion.

Committee(s): Management

L. Orientation and Education Program

As part of their continuing education, members of the Board of Directors and Senior Officers attended the following internal training activities:

TITLE	DATE	Facilitator
AMLA for Board of Directors and Senior Officers	December 22, 2022	PBB Chief Compliance Officer Atty. Sergio M. Ceniza
Annual Corporate Governance Training for BOD and Senior Management	December 13, 2021	Good Governance Advocates and Practitioners of the Philippines (GGAPP)
AMLA for Board of Directors and Senior Officers	March 5, 2020	PBB Chief Compliance Officer Atty. Sergio M. Ceniza
Economics Briefing	August 18, 2020	Mr. Jun Neri - Bank of Philippine Islands

K. Performance Assessment Program

To ensure that there is consistent application of the principles of good corporate governance as detailed in the Manual of Corporate Governance approved by the Board of Directors, PBB adopted self and peer evaluation methodology to evaluate and measure the performance of its Board of Directors as a body, its board committees, the individual directors and senior management. The evaluation is conducted every year, the result of which is submitted to the Compliance Office for consolidation and reporting to the Corporate Governance Committee, at least thirty (30) days prior to the yearly Stockholders' Meeting.

The Bank's Performance Management System (PMS) includes a yearly performance appraisal based on the Balanced Scorecard principles to evaluate the performance of all employees; a Performance Improvement Program (PIP) to improve the performance of below average raters; and a performance-based compensation and rewards system.

M. Retirement/Retention and Succession Policy

1. Retirement of Senior Officers of the Bank is covered by the following Retirement Plan:

Retirement Age	Entitlement
Normal Retirement	
60 years of age	100% of final monthly salary x no. of years of service
Early Retirement	
Retirement prior to age 60 but after attainment of at least 10 years of service	The officer/employee shall be entitled to and shall be paid an amount computed in accordance with the Normal Retirement Benefit formula
Late Retirement	
Retirement beyond age of 60 but in no case beyond age 65 <i>Officer/ employee availment of Late Retirement is on a case-to-case basis subject to Management's approval</i>	The officer/employee shall be entitled to and shall be paid an amount computed in accordance with the Normal Retirement Benefit formula
Permanent Total Disability Benefit	100% of accrued retirement benefit as of date of disability
Death Benefit	100% of accrued retirement benefit
Separation Benefit	
Tenure	% of Accrued Retirement Benefit Payable
Below 10 years	0%
10 to less than 12 years	50%
12 to less than 14 years	60%
14 to less than 16 years	70%
16 to less than 18 years	80%
18 to less than 20 years	90%
20 years and above	100%

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The Board of Directors of PBB adopted a retirement policy pursuant to the Securities and Exchange Commission's (SEC's) Code of Corporate Governance Guidelines for Publicly-listed Companies and the Bangko Sentral ng Pilipinas (BSP) Circular 969 wherein the Bank set the age of seventy (70) years old as the retirement age for Directors, subject to extension to be determined by the Board. The determination of the Board comprises of the fit and proper principle as enshrined in the aforesaid regulations of the SEC and BSP.

2. Succession Policy

A. OBJECTIVE:

The objectives are threefold:

- i. To ensure unhampered operations of the Bank;
- ii. To ensure continuity in management of its corporate affairs/operations; and
- iii. To avoid strategic risk resulting from a sudden vacancy of key and critical positions in the Bank.

B. SCOPE:

The plan shall initially cover the President & CEO, the Vice Chairman & Chief Operations Officer, the Heads of each Group, and the Branch Region Heads. Eventually, the plan shall cover the lower level officers, managers, and senior managers.

C. DEFINITION:

Succession Plan - A process whereby an organization ensures that there are employees on hand ready to fill roles in cases of expansion and loss of key employees. It includes recognizing and identifying potential successors, within the Bank, training them, and preparing them for career advancement.

D. GUIDELINES:

The plan shall take the following steps:

- i. Formulation of Qualification Standards and Competence Criteria Qualification standards on the critical positions to be considered for the Succession Plan shall have to be established and inputted in the Job Description of the position. The indicators are:
 - ` Education and training;
 - ` Work experience;
 - ` Technical competence; and
 - ` General / Leadership competence.

Likewise, a review of past performance ratings shall be conducted as one of the readiness indicators and to ensure that the candidates have consistently turned in good performance.

ii. Identification of Successors

The senior officers, starting from the President & CEO, the Vice Chairman & COO, together with the Group Heads of each functional group and the Branch Area Heads, shall endeavor to identify the possible successors or nominees to their respective positions. They shall identify potential successors who will be:

- ` Ready in one (1) to three (3) years; and
- ` Ready in four (4) to six (6) years.

iii. Establishing Readiness Human Resources Group shall conduct sessions and interviews with the concerned senior officers mentioned in Item B to determine the readiness criteria and rating to assume the positions earmarked for succession. A working sheet shall be prepared to score and document the readiness of the nominees identified.

iv. Role of the Personnel Committee

The nominees submitted by the senior officers shall be presented to the Bank's Personnel Committee for validation and approval, and may warrant a short-listing of nominees if necessary should there be three or four candidates being considered for certain positions for succession.

v. Determining Competence Gaps In the process of evaluating the candidates for succession using the various factors like technical, general, and leadership competencies/skills aside from training and interventions required, competence gaps for each candidate shall be determined so that appropriate developmental programs can be designed for them.

- vi. Formulation of Developmental Programs for Nominees Considering that there will be competence gaps on the part of the candidates for succession, customized developmental programs shall be designed to cover the competence inadequacies of each candidate. The developmental programs shall be in the form of the following: external training, leadership skills training, on-the-job training, cross-posting in other areas, special 'projects assignments, and other forms of interventions that may be necessary. The conduct of developmental programs may be done individually or on a per-batch/group basis.
- vii. Mentoring and Coaching Sessions Mentors in the Bank shall be identified with the assistance of the Human Resources Group so as to advice and coach the nominees in preparation for them eventually assume higher responsibilities.

N. Remuneration Policy*

The Corporate Governance Committee of the Board sets the compensation package of the Directors. The Executive Committee sets the compensation and benefits package of the Bank's officers and staff members. To ensure competitiveness, the compensation and benefits package is benchmarked with competition through formal and informal surveys and participation in syndicated studies on industry Total Compensation and Rewards. The Executive Board members as well as employees of the Bank receive fixed salaries, benefits and performance-based bonus the amount of which is dependent on the performance of the bank and the concerned employee. A Non-Executive Director (NED) receives per diem allowance for his attendance to each Board meeting and additional allowance for committee meetings. Furthermore, an NED is also entitled to a monthly gasoline allowance.

O. Related Party Transactions

The Board of Directors have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors, and other stakeholders. The Board is responsible for approving all material RPTs, those that cross material threshold and write-off of material

exposures to related parties, and submits the same for confirmation by majority vote of the stockholder in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall be approved by the Board of Directors. The Board of Directors delegated to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. This excludes DOSRI transactions, which are required to be approved by the Board.

The Board of Directors constitutes an RPT Committee who will:

1. Evaluate on an on-going basis the existing relationship between and among businesses and counterparties to ensure that all related parties are continuously identified, monitored, and subsequent relationships with counterparties are captured;
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions;
3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflict of interest or potential conflict of interest;
4. Report to the Board of Directors on a regular basis the status and aggregate exposure to each related party;
5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review; and
6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting the RPTs including the periodic review of RPT policies and procedures.

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The senior management shall implement appropriate controls to effectively manage and monitor RPTs.

PBB's RPT shall be allowed provided that these comply with applicable regulatory/internal limits/requirements and dealings are conducted at arm's length basis. Said transactions shall only be made and entered into substantially on terms and conditions not less favorable than those with other customers of comparable risks.

Off-market rates applies to DOSRI provided these are supported by valid justifications or reasons (such as high volatility in the market, meaning quoted rates might have changed greatly within the day) and senior management is made fully aware of such reasons/ justifications and subject to the off-market rate tolerance level. Off-market rates are foreign currency rates, fixed income yields or prices, and money market rates that are higher than the highest prevailing market rates and lower than the lowest prevailing market rates.

RPTs shall not require the approval of the Board of Directors, except on the following:

1. Transactions with DOSRI which presently require prior approval from the BOD under existing policy of the Bank and in accordance the MORB; and
2. RPTs that exceed the material threshold amounts, as approved by the Board.

Approval of the RPT with non-DOSRI and those that do not exceed the material threshold amounts shall be in accordance with the revised policy on levels of signing authority, as approved by the Board. All RPTs that cross the threshold amounts shall be considered as material RPTs and shall be subject to pre-board approval evaluation by the RPT Committee before the same are endorsed to the Board for approval. All approved RPTs shall be reported by the booking/contracting units to the Central Operations Group (COG) upon approval of the transaction/signing and notarization of the contract for MIS disclosure and regulatory reporting purposes.

If an actual or potential conflict of interest arises on the part of the director, officer or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process related to the transactions. Any member of the Board who has an interest in the transaction under evaluation shall not participate therein and shall abstain from voting on the approval of transaction.

Transactions that were entered into with unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the RPT Policy.

To ensure that RPTs are done at arm's length, all transactions with related parties shall undergo the normal/regular transaction processing and approval. Interest on loans and other credit accommodations and deposit/ deposit substitute shall be consistent with the price discovery mechanism/standards of the bank as posted in its website. Other economic terms of RPTs shall likewise be based on existing policy of the bank. All RPTs with deviation shall be subject to evaluation and endorsement by the RPT Committee to the Board of Directors for approval, regardless of amount, and shall be supported by written justifications. Price discovery mechanism for ROPA and selection of service providers and supplier are also mentioned in the RPT policy of the Bank.

Materiality thresholds for each type of transactions with each related party or group of related parties are specified in the RPT Policy. Internal limits for individual and aggregate exposures are also defined in the RPT Policy to ensure that RPTs are within prudent levels.

As a publicly listed company that is regulated by the Securities and Exchange Commission, the Bank also adheres and complies with SEC rules and regulations for related party transactions such as but not limited to SEC Memorandum Circular No. 010 Series of 2019 (Rules on Material Related Party Transactions).

P. Self-Assessment Function

The control environment of the Bank consists of:

- a. Board of Directors - ensures that PBB is properly and effectively managed and supervised;
- b. Management - manages and operates the Bank in a sound and prudent manner;
- c. Organizational and procedural controls supported by effective management information and risk management reporting system; and

- d. An independent audit mechanism to monitor the adequacy and effectiveness of the Bank's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

Internal Audit Function

The Bank established an internal audit system to provide the Board, Management and stockholders reasonable assurance that the key organizational and operational controls are faithfully complied with. The Board appointed Chief Internal Auditor to perform the audit function, and required her to report to the Audit Committee that allows the internal audit activity to fulfill its mandate.

The Internal Audit Center (IAC) as headed by the Bank's Chief Internal Auditor:

- Develops and implements an annual audit plan approved by the Audit Committee of the Board of Directors.
- Perform an annual overall corporate business risk profile to establish the program of audit coverage.
- Create an audit program which will be used as a guide during examination.
- Issue a formal Final Audit Report on the results of the examination within 60 days following the completion of fieldwork for presentation to the Board's Audit Committee in its next meeting. The Final Audit report includes responses by management to the significant issues identified during the audit, audit rating (if applicable), IAC's opinion of the quality of controls designed to mitigate key risks.

IAC is committed to safeguard the sensitive and confidential information related to PBB's business, customer and employees. To maintain a professional internal audit staff, each auditor are given 2 days or 16 hours training each year.

Compliance System

The Bank develop and implement a compliance system that will provide reasonable assurance that the Bank and its employees comply with relevant banking and corporate laws, regulations, rules and standards in order to promote safe and sound banking operations.

One of the elements of the Compliance System that is distinct and separate from the risk management and Internal Audit Program is a Compliance Manual duly approved by the Board. The Compliance Manual defines duties and responsibilities of the Board of Directors and Senior Management on Compliance; Identifies laws, rules and regulations, standards applicable to the Bank; Defines the responsibility of the Chief Compliance Officer (CCO), Compliance Coordinators and other personnel involved in the compliance function and Provide period compliance testing of applicable regulations.

The designated Compliance Coordinators of each branch or head office unit assist the CCO in effective implementation of the compliance program through dissemination of laws, rules, regulations and standards and other regulatory requirements in their respective unit; perform self-test and submit to CCO findings/ violation of regulations during the self-test made. The Compliance Office, also performs an Independent Compliance Testing (ICT) of units/branches, among the item subject to ICT is the validation of the self-assessment performed by each unit.

The Compliance Function is an independent function that defines, advises on, monitors and reports on the Bank's compliance risk of legal or regulatory sanctions, financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, rules and standards.

The compliance function shall be independent from the business activities of the Bank. It shall be provided with sufficient resources to carry out its responsibilities on its own initiative in all units where compliance risks exist. It shall have the right to conduct investigation and be free to report to Senior Management, Corporate Governance Committee and/or the Board of Directors material breaches of the Compliance Program and/or laws, rules and standards, without fear of retaliation or disfavor from Management or other affected parties. It shall have access to all operational areas as well as any records or files necessary to enable it to carry out its duties and responsibilities.

To carry out its Compliance responsibilities effectively, the Compliance Office may enter all areas of the Bank and have access to any documents and records considered necessary for the performance of its responsibilities; and shall have the right to require any member of the Management and Staff to promptly supply information and/or explanations as may be needed to carry out its functions.

Corporate Governance

The Chief Compliance Officer functionally reports to the board of directors thru the Corporate Governance Committee and administratively to the President.

The Board of Directors through the Corporate Governance Committee's monthly meeting oversees the effective implementation of the control process of the Bank by:

1. Immediately addressing the concerns/issues noted by Compliance Testing personnel during their examination.
2. Resolving expeditiously the violation/findings noted during the self-assessment provided by the Compliance Coordinator and Independent Compliance Testing performed by the Compliance Specialist.

Q. Dividend Policy

PBB is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these dividends may be payable in cash, shares or property, or a combination thereof as may be determined by the Board. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of PBB's outstanding capital stock. The Board may not declare dividends which will impair its capital.

Pursuant to Republic Act 8791 and as provided for in the Manual of Regulations Banks, PBB cannot declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. PBB cannot likewise declare dividends, if at the time of its declaration it has not complied with the following:

- a) Its clearing account with BSP is not overdrawn;
- b) BSP's liquidity floor requirement for government funds;
- c) BSP's minimum capitalization requirement and risk-based capital ratio;

- d) Prescribed EFCDU/FCDU cover consisting of 30 percent liquidity cover and 100 percent asset cover
- e) Statutory and liquidity reserves requirement;
- f) It has no past due loans or accommodation with BSP or any institutions;
- g) It has no net losses from operations in any one or two fiscal years immediately preceding the date of dividend declaration;
- h) It has not committed any of the major violations enumerated in the Manual.

The Manual provides that banks whose shares are listed in the Philippine Stock Exchange may give immediate notice of such dividend declaration to SEC and PSE; provided that no record date shall be fixed for such dividend declaration pending verification by the appropriate department of the BSP.

R. Corporate Social Responsibility

BE A SUPERHERO!

Philippine Business Bank, in partnership with the AMY Foundation and the Philippine Red Cross (Caloocan City chapter) paid tribute to voluntary PBB employees and non PBB employees for their life-saving gift of blood that sought to inspire more people to follow their example.

This year's theme "Be a Superhero," highlights the underpinning role of voluntary blood donors in maintaining a safe and adequate blood supply.

Giving blood is a heroic life-saving act of solidarity to improve the quality of life for patients suffering from life-threatening conditions and to support medical and surgical procedures. PBB is grateful to all the 38 silent heroes who voluntarily donate blood. The one-day blood drive successfully collected 21 blood bags, held on September 29, 2023 at the PBB Office of the Z-Square Mall.

PBB CARES: VACCINATION PROGRAM

The Philippine Business Bank (PBB) in partnership with the Caloocan Health Department, has rolled out COVID-19 booster shots on September 19, 2022 at PBB's Main Office Building in Grace Park, Caloocan to shore up protection against more transmissible variants.

PBB employees are eligible to receive a third / fourth dose of the Pfizer vaccine months after receiving their last dose.

PBB launched the booster program to stay one step ahead of breakthrough infections among fully vaccinated people. It can be noted that COVID-19 vaccines are still highly effective, but their protection against infection appears to be waning.

Fortunately, the vast majority of [breakthrough infections] are quite mild and what "we" really want to prevent is that turning into people being sick enough to be in the hospital.

According to PBB's vice chairman and PCEO Rolando R. Avante, "We have a responsibility to give the maximum amount of protection." He also noted that additional shots are "the best way to protect ourselves from new variants that could arise."

S. Consumer Protection Practices

A. Board and Senior Management Oversight Function

a. Board of Directors

The Board shall be primarily responsible for approving and overseeing the implementation of policies governing major areas of the Bank's consumer protection program, including the mechanism to ensure compliance with the set policies.

The roles of the Board shall include the following:

- i. Approve the consumer protection policies;
- ii. Approve risk assessment strategies relating to effective recourse by the consumer;
- iii. Provide adequate resources devoted to consumer protection; and
- iv. Review the applicable policies periodically.

b. Senior Management

The senior management shall be responsible for the proper implementation of the consumer protection policies and procedures duly approved by the Board. Also, its role shall focus on ensuring effective management of day-to-day consumer protection activities.

B. Consumer Protection Risk Management System

The Bank's Consumer Protection Risk Management System (CPRMS) shall form part of the Corporate-wide Risk Management System. It is a means to identify, measure, monitor and control consumer protection risks. Risk Management Strategies shall include appropriate management controls and reasonable steps to ensure that:

- a. it identifies and remedies any recurring or systematic problems; and
- b. identifies weaknesses in internal control procedures or process.

This may be done by:

- a. analyzing complaints/requests data;
- b. analyzing causes for complaints/requests;
- c. consideration whether such identified weaknesses may also affect other processes or products, including those not directly complained of/requested; and
- d. correcting whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

C. Consumer Assistance Management System

The Consumer Assistance Management System (CAMS) is a mechanism that records all complaints filed by customers either through the BSP or directly to the concerned branch. The system also monitors the status of the complaints' processing and resolution.

The general process of handling customer complaints is as follows:

- a. The client may lodge his/her complaint through any of the following means:
 - i. By personally visiting the concerned branch/head office unit (where he/she shall be asked to fill out the Customer Complaint Form [CCF]);

Corporate Governance

- ii. Through telephone via the following contact numbers: or

Telephone Numbers	Available Time
Branch/H.O. unit	9:00 AM – 4:00 PM (Monday to Friday)
Consumer Protection Direct Line <ul style="list-style-type: none"> · (02) 8363-4357 · (02) 8244-9176 Domestic Toll Free Hotline <ul style="list-style-type: none"> · 1-800-1-888-4357 	9:00 AM – 4:00 PM (Monday to Friday)
Card-related Concerns Hotline/PBB Helpdesk <ul style="list-style-type: none"> · (02) 8363-3000 Domestic Toll Free Hotline <ul style="list-style-type: none"> · 1-800-10-363-3000 	24 hrs. (Monday to Sunday)

Via e-mail at consumerprotection@pbb.com.ph
 Scanning the QR Code posted on the Philippine Business Bank website

- a. The concerned branch/HO Consumer Assistance Officer (CAO) shall validate the complaint received from the customer. If the complaint can be resolved immediately/upfront, he/she shall explain to the client the resolution of the complaint. If the complaint cannot be resolved immediately, he/she shall explain to the client the following timeline (which are reckoned from the date of receipt of the complaint):

	If the complaint is classified as "Simple"	If the complaint is classified as "Complex"
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate, and resolve)	Within 7 days	Within 45 days
Communication of resolution	Within 9 days	Within 47 days

The Consumer Assistance Officer (CAO) shall transmit the CCF to the Consumer Protection Unit via e-mail.

- b. The complaint shall pass through the Consumer Protection Officer (CPO) or the PBB Helpdesk (if the complaint is lodged via telephone), who shall acknowledge receipt of the same and shall obtain/record the details of the complaint in the CAMS. The CPO (or PBB Helpdesk) shall then assign the complaint to the concerned support group.
- c. The support group retrieves the complaint received through the CAMS or e-mail (whichever is applicable) and performs the necessary corrective actions based on the nature of the complaint. The resolution made on the complaint shall then be recorded accordingly in the CAMS or reply via e-mail (whichever is applicable).
- d. Once the complaint has been resolved by the Support Group, the CPO shall tag it as closed in the CAMS. The CPO (or the PBB Helpdesk) shall also be the one to generate and submit the Customer Complaint Summary Report monthly to the Consumer Protection Head.
- e. The Consumer Protection Head shall perform the following tasks:
 - i. Monitor and evaluate customer complaints handling process;
 - ii. Analyze the nature of the complaints and recommends solutions to avoid recurrence;
 - iii. Extract generated complaints report monthly except when it is urgently needed to be submitted to and reviewed by the HR Head;
 - iv. Recommend the resolution of the case or if needed to be elevated to proper authorities or needed to be taken up in the Committee on Employee Discipline (CED), if applicable;
 - v. Report to senior management on a quarterly basis the complaints received and the resolutions applied;
 - vi. Report periodically to the Board all complaints received within the period as stated; and
 - vii. Make recommendation and assessment on the cases filed to avoid recurrence in the future.
- f. To assess if the complaints have been resolved at the highest degree of satisfaction, the Bank also asks feedback through its Complaint Handling Feedback Form. This is sent via email to the concerned client after a complaint's resolution.

In addition, and to ensure consistency in the level of service rendered after the complaint filing, the Bank monitors the implementation of the resolution after 30, 60, and 90 days through Service Recovery Strategy (SRS) Tracking System.

*REMUNERATION POLICY

The following tables set forth the aggregate compensation received by its key management officers:

In Php million		Aggregate Compensation Paid as a Group		
NAME	POSITION	2020	2021	2022
CEO and the four (4) most highly compensated officers of the Bank namely:		46.02	32.28	35.71
Rolando R. Avante	Vice Chairman, President & CEO			
Joseph Edwin S. Cabalde	EVP - Treasurer			
Arlon B. Reyes	EVP - Head of Commercial Banking Group			
Rosendo G. Sia	SVP - Head of Retail Sales Group VisMin			
Cynthia A. Almirez	SVP / Controller, Head of Operations and Control Group, Chief Operations Officer			

Total Aggregate Compensation of Directors and Officers of the Bank as a group:	Salary	Other Compensation	Bonus	Total
2020	463.44	36.14	108.25	607.83
2021	481.84	34.87	113.40	630.11
2022	528.92	37.78	125.43	692.13

Corporate Information



Conglomerate Map

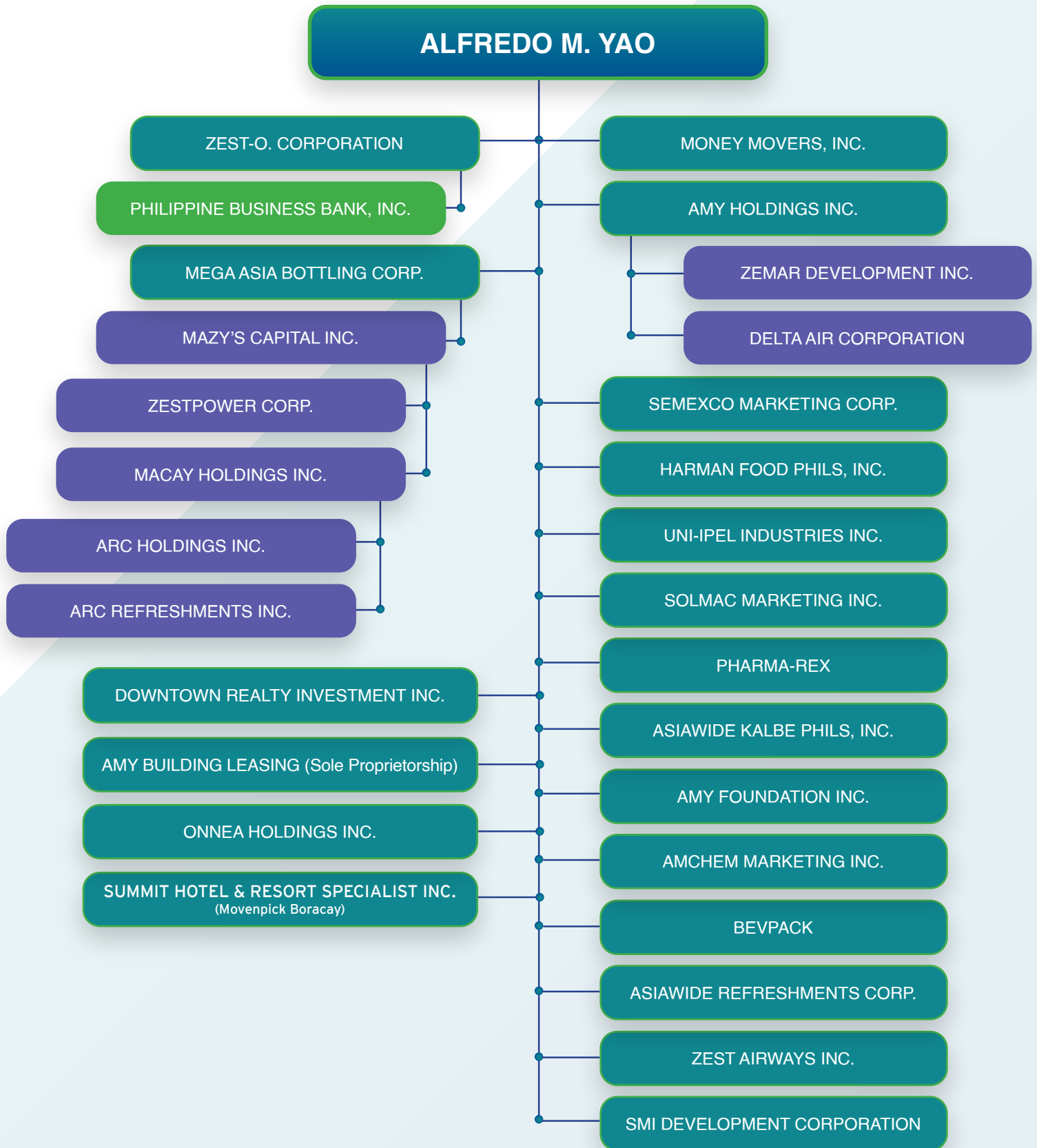
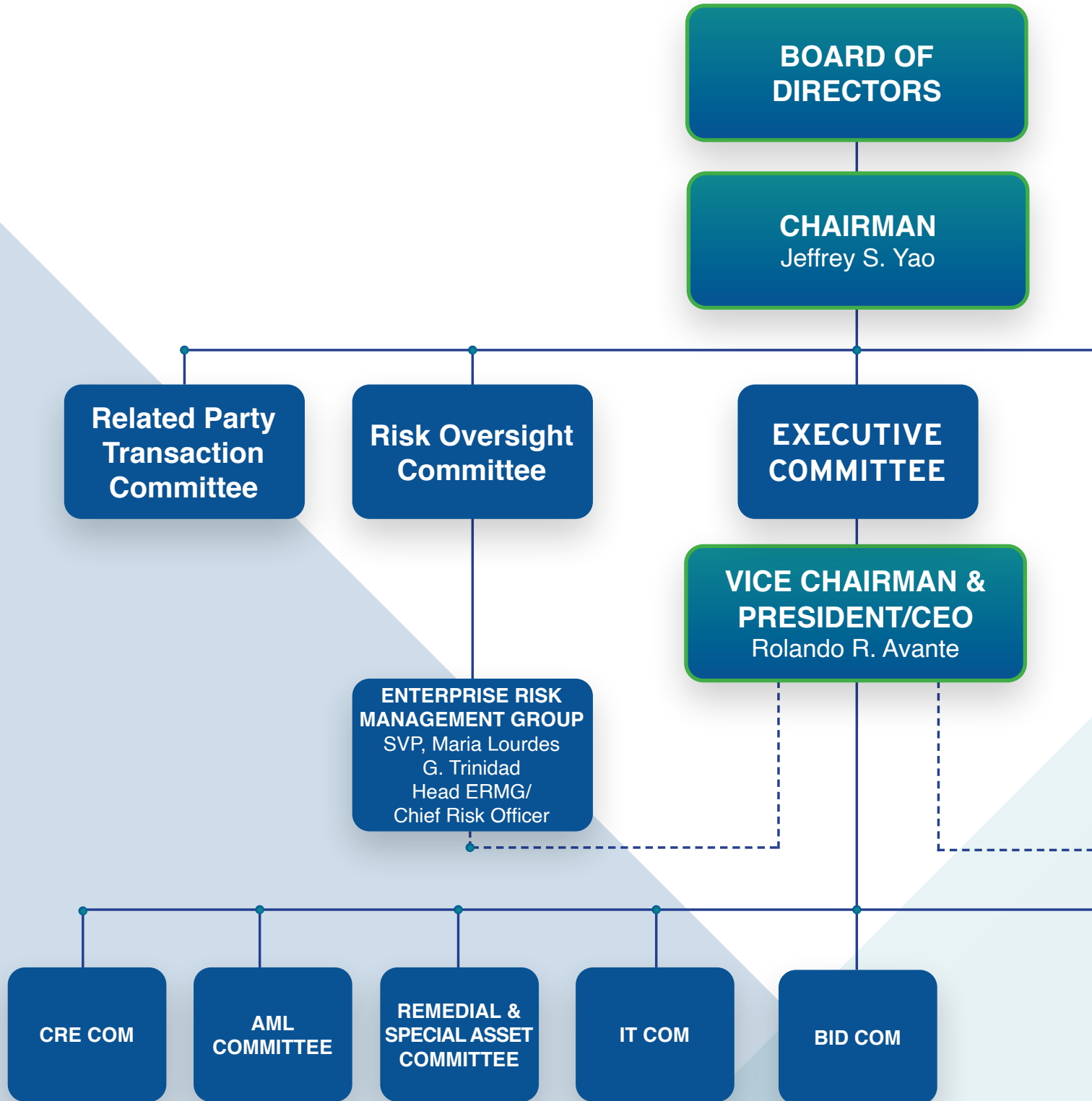


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Board of Directors & Board Reporting Groups



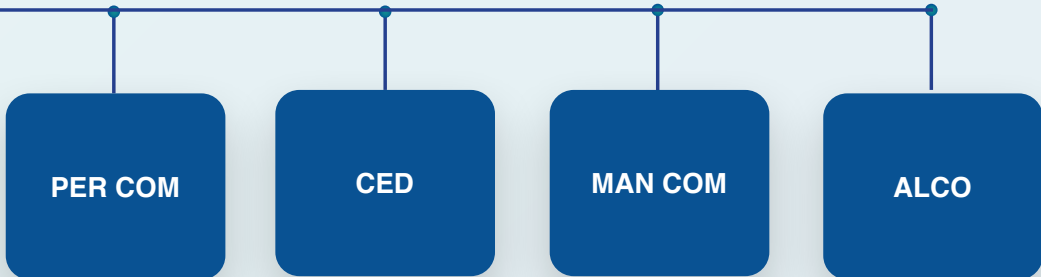
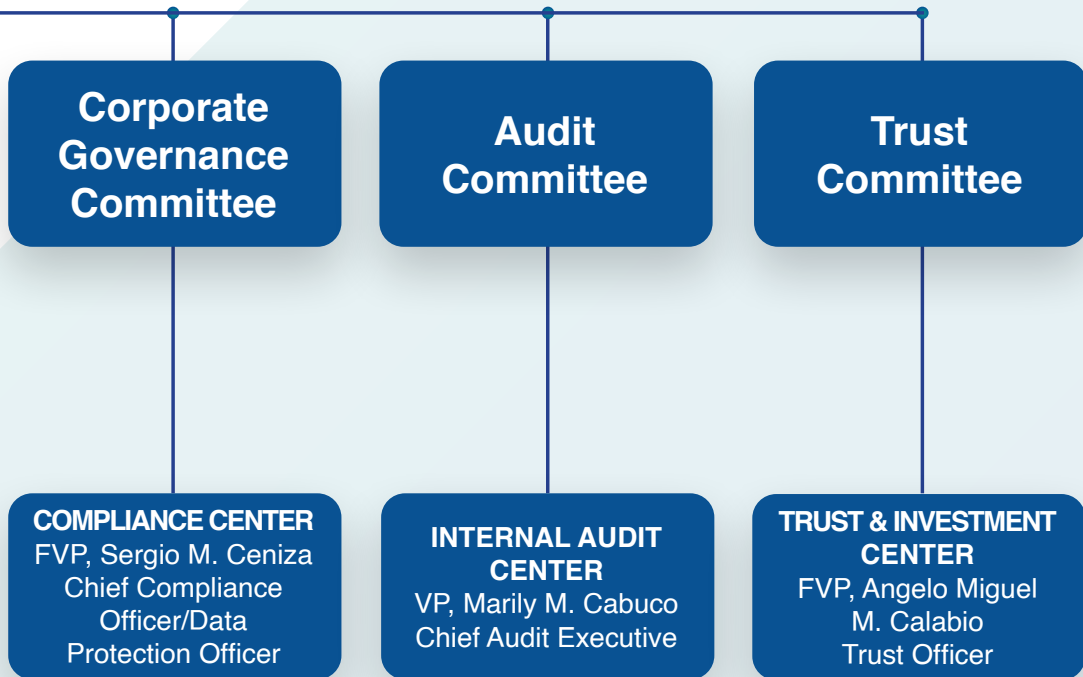
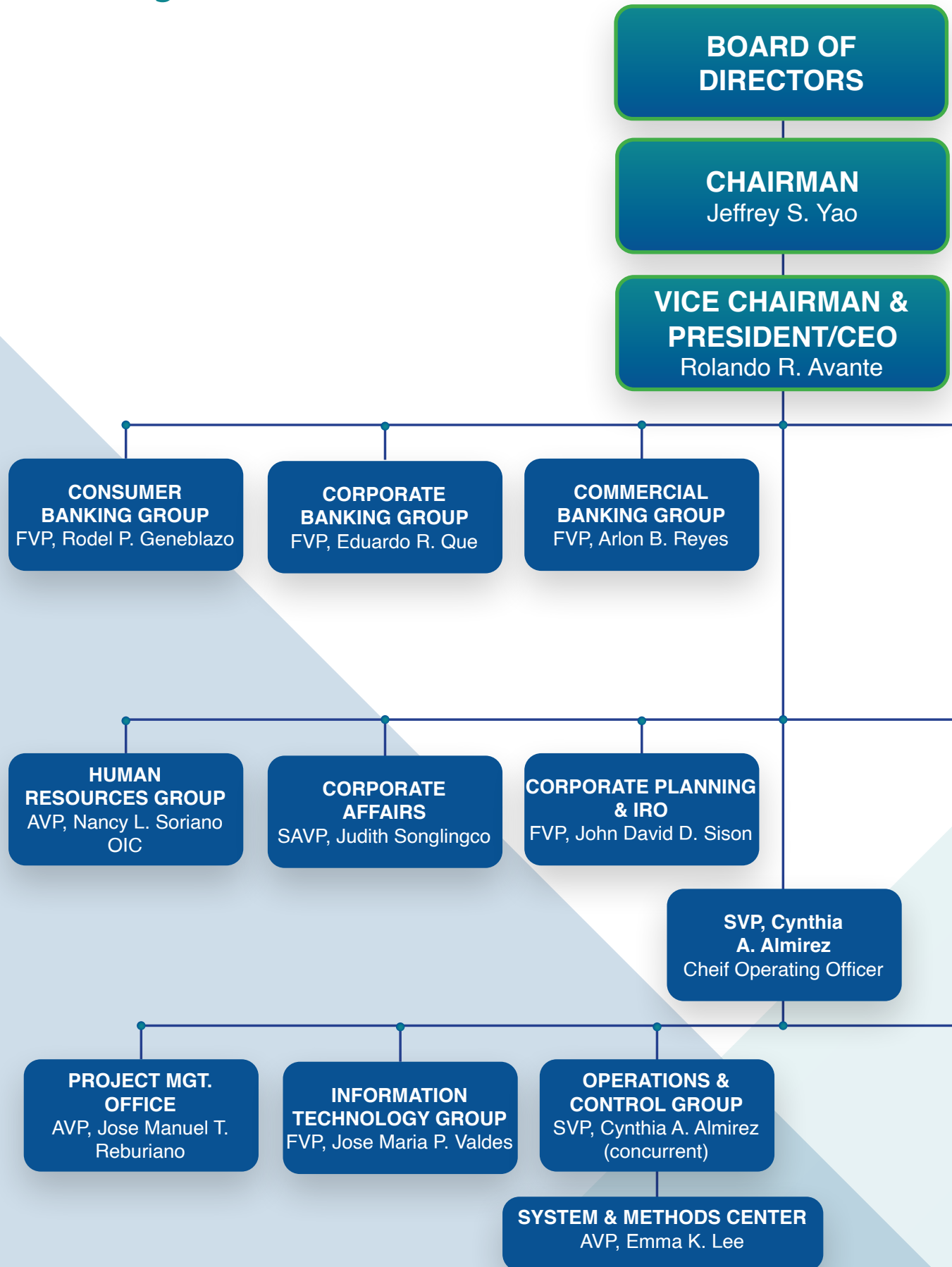
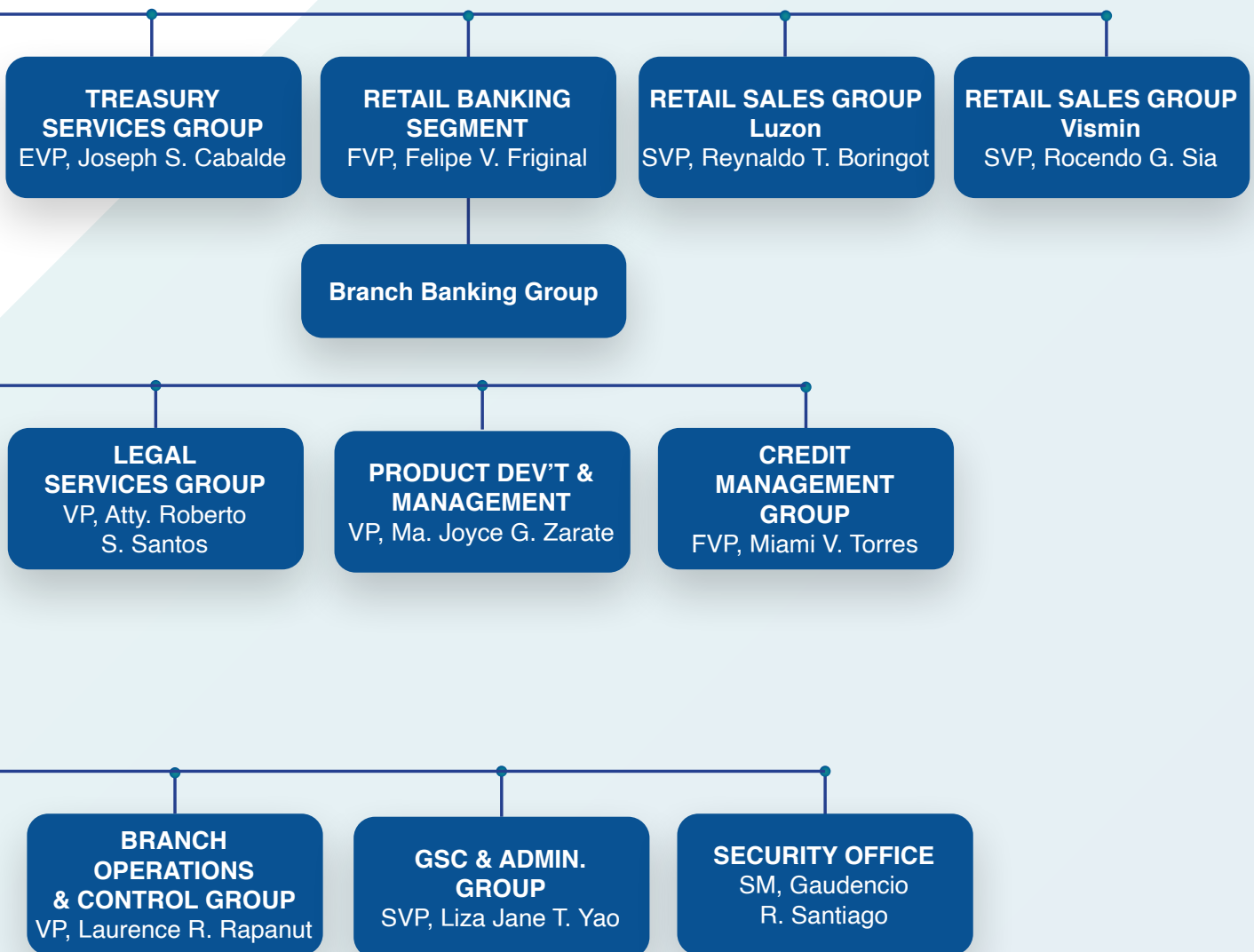


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Corporate Information

Security Ownership

As of December 31, 2022, the following persons own at least five percent (5%) of the Bank's outstanding common shares:

Title of Class	Name, Address of Record Owners and relationship with the issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	No. of shares held	Percent of class
Common	Alfredo M. Yao 84 Dapitan St. corner Banawe St. Sta. Mesa Heights, Quezon City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	239,838,309	37.26%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	162,052,923	25.17%
Total Common Shares				401,891,232	62.43%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from ₱3.0 billion to ₱10.0 billion and for a decrease in par value from ₱100.0 to ₱10.0.

On April 20, 2022, the Board of Directors approved the increase of PBB's authorized capital stock to ₱15.0 billion from ₱10.0 billion, approved by the BSP on November 28, 2022 and the SEC on January 19, 2023. PBB is increasing its authorized capital stock with the intention of raising capital via stock rights offering which will greatly expand the Bank's capability to develop more businesses and harness opportunities in the financial services space. The increase will enable PBB to meet the growing demands of the banking business.

In support of the increase in authorized capital stock, the principal shareholders of PBB subscribed to ₱1.25 billion of common stock, equivalent to 25% of the ₱5.0 billion increase in authorized capital stock. On January 10, 2023, the principal shareholders fully paid the balance of their subscription in the increase in authorized capital stock. PBB also raised ₱500.00 million, priced at ₱10.00, from its stock rights offering; the SRO shares were listed on the PSE on March 31, 2023. The private placement and the stock rights offer collectively resulted in a capital raise of ₱1.75Billion. services space. The increase will enable PBB to meet the growing demands of the banking business.

Security Ownership of Management

The following directors and executive officers of the Company directly own approximately 1.01% percent of the Company's issued and outstanding common stock as of December 31, 2022 as follows:

Name of Director	Nationality	Present Position	No. of Shares	%	Class
Jeffrey S. Yao	Filipino	Chairman	1,620,536	0.25%	Common
Rolando R. Avante	Filipino	Vice Chairman and President / CEO	2,240,822	0.35%	Common
Honorio O. Reyes-Lao	Filipino	Director	254,998	0.04%	Common
Leticia M. Yao	Filipino	Director	1,620,536	0.25%	Common
Roberto A. Atendido	Filipino	Director	108,750	0.02%	Common
Benjamin R. Sta. Catalina	Filipino	Independent Director	56,358	0.01%	Common
Narciso D.L. Eraña	Filipino	Independent Director	100	0.00%	Common
Atty. Roberto C. Uyquiengco	Filipino	Independent Director	1,000	0.00%	Common
Asterio L. Favis, Jr.	Filipino	Independent Director	100	0.00%	Common
Benel D. Laguna	Filipino	Independent Director	1,100	0.00%	Common
Diosdado M. Peralta	Filipino	Independent Director	100	0.00%	Common
Cynthia A. Almirez	Filipino	Chief Operating Officer	157,000	0.02%	Common
Consuelo V. Dantes	Filipino	Human Resources Group Head	235,133	0.04%	Common
Rolando G. Alvendia	Filipino	General Accounting Center Head	123,599	0.02%	Common
Felipe V. Friginal	Filipino	Retail Banking Segment Group Head	5,624	0.00%	Common
Miami V. Torres	Filipino	Credit Management Group Head	7,500	0.00%	Common
Enrico T. Teodoro	Filipino	System Support and Application Development Center Head	1,874	0.00%	Common
Laurence R. Rapanut	Filipino	Branch and Operations Group Head	24,374	0.00%	Common
Judith C. Songlingco	Filipino	Corporate Affairs Head	2,000	0.00%	Common
Joseph Edwin S. Cabalde	Filipino	Treasurer	14	0.00%	Common
Atty. Roberto Santos	Filipino	Corporate Secretary	15,000	0.00%	Common

The aggregate shareholdings of the Bank's Directors and Officers as a group is 1.01% with a total of 6,476,518 number of shares.

Corporate Information

External Auditor & Type of Engagements

Punongbayan & Araullo (P&A), a member firm of Grant Thornton International Limited, has been the bank's independent accountant since 2006 and is again recommended for appointment at the scheduled stockholders meeting.

In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to the SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Ms. Maria Isabel E. Comedia was assigned in 2021 as an independent reviewer and partner in charge for the bank replacing Mr. Christopher M. Ferarez.

The Bank has paid the following fees to P&A relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit review of the Bank's financial statement:

Audit Fees For	In ₱
December 31, 2016	2,599,735.16
December 31, 2017	2,864,643.60
December 31, 2018	5,124,565.44
December 31, 2019	6,851,630.40
December 31, 2020	10,377,360.00
December 31, 2021	8,196,832.00
December 31, 2022	9,556,736.00

No other services were rendered by P&A that were not related to the audit and review of the Bank's financial statements occurred in 2022. In addition, there were no disagreements with P&A on the accounting and financial disclosures.

Sustainability Report 2022



Sustainability Report 2022

About the Report

Philippine Business Bank is pleased to report its performance in terms of culture, sustainability, and responsible banking, informing of the main actions and commitments of the Bank in these areas and in relation to its main stakeholders (employees, customers, shareholders and society).

PBB's 2022 Sustainability Report is compliant with the Securities and Exchange Commission Memorandum Circular No. 4 Series of 2019 "Sustainability Reporting Guidelines for Publicly Listed Companies."

Information from our corporate units and branches on their performance on economic, environmental, and social aspects following our sustainability framework of "Economic Viability, People, and Planet" were gathered. Data covered are for the whole year of 2022.

In addition, the Bank also reports on the main initiatives it develops with society and the environment, particularly in the communities where it operates, with special attention to the Bank's relationship with the partner schools/ universities under the AMY Foundation.

This report has been prepared in accordance with GRI Standards: Core option. The Reporting Principles for defining the content herein are as follows:

Reporting principles for defining report content

- .. Stakeholder Inclusiveness - identified stakeholders and response to their expectations
- .. Sustainability Context - identified performance measures in the wider context of sustainability
- .. Materiality - identified economic, social and environmental issues that impact our business growth and of utmost importance to our stakeholders
- .. Completeness - identified material topics which are covered within identified boundaries were ensured to provide sufficient information that reflects the significant economic, social and environmental in within the reporting period.

The Bank's sustainability performance indicators on corporate social responsibility demonstrates our pledge to support answers to education, people's welfare and partnering for organizational success.

The Banking data, of the bank's annual report, is where all this information is collected, and has been verified by the Punongbayan & Araullo (P&A), an independent firm that has also audited the PBB's annual accounts in that year.

The data and contents of this report aims to provide complete, accurate, reliable, and timely information to the Bank's stakeholders especially about the risks that affect the bank and its environment. The actions that management implement to ensure that the risks identified are mitigated are also provided as disclosures.

Contextual Information

Company Details	
Name of Organization	Philippine Business Bank Inc., A Savings Bank
Location of Headquarters	350 Rizal Avenue corner 8th Avenue, Grace Park, Caloocan City
Report Boundary: Legal entities included in this report	-
Primary Activities, Brands, Products, and Services	<p>Deposits and investment services: regular savings account, regular checking account, CA Flexi (checking & passbook savings in one account), ATM account, CA/SA (auto-transfer), Campus Savers, peso time deposit, Hi-5 time deposit, FCDU savings, FCDU time deposit, Hi-Green deposit</p> <p>Commercial, industrial, and developmental loans: agri-agra loans, bills purchase, bus and taxi loan, contract to sell financing, discounting line, fleet financing, loan line, omnibus line, specialized lending facilities for SMEs (DBP, IGLF, ISSEP, SSS developmental loans), term loan, trade finance</p> <p>Consumer loans: auto, housing, salary, second-hand auto loans</p> <p>Trust products and services: employee benefit plans under trust, escrow agency, individual FCDU trust, insurance trust, investment management account (personal or corporate), mortgage trust indenture, PBB diamond trust fund (UITF), personal management trust, safekeeping, trustee of pre-need plans</p> <p>Other services: advisory services, SSS and Philhealth payments, bills payment/collection services, group payroll services, local payment orders, mail and telegraphic transfers, night depository box, PBB gold sale, safety deposit box facilities</p>
Highest Ranking Person responsible for this report	Judith C. Songlingco Senior Assistant Vice President – Corporate Affairs Unit

Sustainability Report 2022

Economic Disclosures

Revenue Generated and Distributed

Disclosure	Amount in Php
Direct profit/revenue generated	6,091,302,876
Direct profit/revenue distributed	3,408,209,317
Operating costs (wages)	
- Employee wages and benefits	1,183,429,591
- Payments to suppliers, other operating costs	294,871,127
- Dividends given to stockholders and interest payments to loan providers	150,476,014
- Taxes given to government	647,080,896
- Investments to communities (CSR)	-
Revenue/Economic value retained	1,862,479,536

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Revenue retained	Investors/Stockholders, clients, suppliers, regulators, society	<p>An existing Board approved policy, procedures and guidelines is in place for planning, setting strategic goals/targets and measuring the Bank's performance.</p> <p>Metrics and regular performance monitoring are in place to regularly check the bank's status.</p> <p>The Bank also adheres to the regulatory policies that allow the bank to set limits and aims to ensure capital preservation.</p>
What are the risks identified?	Which stakeholders are affected?	Management Approach
Operational losses (such as loss of clients and financial losses) arising from reputational risks (issues of fraud/corruption) (Identified as Low Risk)	Clients, Investors, Stockholders, employees	<p>Revenues that the Bank generates dividends and other monetary advantages to our investors, stockholders, employees as well as our clients.</p> <p>The Bank ensures that the economic metrics to measure and monitor the Bank's performance are in place.</p>

What are the risks identified?	Which stakeholders are affected?	Management Approach
		<p>For preserving our economic value generated, the Bank has existing policies and procedures to avoid exposure to various risks such as but not limited to operational and reputational losses.</p> <p>As part of sound corporate governance, the Bank's Board of Directors is responsible for setting up the risk governance framework and ensuring proper implementation thereof. As such, Board approved policies are in place for mitigation of risks that are identified by the Bank.</p> <p>A system of managing risks is also in place for revenue preservation. All employees are required to adhere to the Bank's Code of Conduct to avoid certain reputational risks as well as to adhere to certain policies that ensures that corruption issues are avoided.</p> <p>Rules from regulators are also adhered that minimize the Bank's exposure to losses.</p> <p>The Bank also has auditors as well as compliance personnel who conduct checking of the adherence of the employees to rules and regulations.</p>
What are the opportunities identified?	Which stakeholders are affected?	Management approach
<p>Development of new products and services that aims to increase the Bank's economic value and increase the profit to be distributed to its investors, employees and to the society</p>	<p>Investor/Stockholders, clients, employees, society</p>	<p>The Bank has an existing Project Management Group that is in charge of digital products and services that aim to capture additional clients and to increase the Bank's profitability.</p> <p>Our organization, particularly the branches, handles the sales and marketing so these products and services are available to its targeted clients.</p> <p>The performance of the branch head is quantitatively measured to ensure that goals are achieved.</p>

Sustainability Report 2022

Climate related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
Recommended Disclosures			
Describe Board oversight of climate related risks and opportunities	Climate related risks are considered in the bank-wide assessment of risks as documented in the Bank's Risk and Control Self-Assessment. These climate-related risks are also required to be reported thru the Bank's internal reporting system. These risks are regularly monitored and managed accordingly.	The Bank has an existing Board approved policy for assessing, monitoring, and managing the climate related risks identified. Further, the Bank has an existing Business Continuity Plan to address the risk exposures to climate related risks.	Bank's exposures to climate risks are indicated in the Bank's Risk and Control Self-Assessment. Loss Events Reports are also required to be used in assessing the value and impact of climate related risks. The Bank has a business continuity plan (BCP) that addresses potential losses due to climate related risks.
Describe the management's role in assessing and managing climate related risks and opportunities	Management is assigned to assess, monitor and implement the controls for climate related risks. Management is required to regularly report exposures to climate related risks.	As the Bank's internal policy on risk management, and business continuity plan, Management should implement the reporting and assessing of the risk exposures of the Bank to climate related risks.	The Bank has a business continuity plan (BCP) that takes into consideration potential climate risk individuals.

Procurement Practices

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Quantity
	95%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Procurement practice of the Bank affects its suppliers/vendors	Suppliers, vendors, clients	<p>The Bank has an existing Board approved procurement and vendor accreditation policies that provides guidelines to its employees and suppliers.</p> <p>The guidelines also set the bank's bidding process that opens opportunities to all prospective suppliers/vendors.</p> <p>Regulatory rules from BSP for the Bank's transactions with Vendors and third-party providers.</p>
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
		<p>For the bank's organization structure, the Bank has a General Services and Administration Group that handles the execution of procurement process.</p> <p>The Bank also has a Bid Committee in charge of processing the accreditation and procurement process.</p>
What are the risks identified?	Which stakeholders are affected?	Management Approach
No material risk identified	None	Not applicable
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Incorporating good Corporate Social Responsibility and Sustainability practices	Suppliers, Vendors, Clients	<p>Board approved policies and procedures are in place on how to deal with suppliers, vendors. Accreditation policies which are followed by the Bank include checking the propriety of the documents of the suppliers (i.e financial capacity, legal existence/registration documents).</p> <p>The Bank also extends its business to its supplier by offering them the Bank's product and services hereby encouraging sustainability.</p>

Sustainability Report 2022

Anti-Corruption

Training on Anti-Corruption Policies and Procedures

Disclosure	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated	100% covered by Orientation under Code of Conduct and AMLA training
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated	100%
Percentage of directors and management that have received anti-corruption training	100% covered by Orientation, AMLA for SOs, and AMLA training
Percentage of employees that have received anti-corruption training	100% covered by Orientation, AMLA training

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Risk exposure to corruption	Stockholders/Investors, Employees, Clients	Board approved policies and procedures against corruption are in place such as but not limited to Code of Conduct, Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy. Compliance review with these policies is conducted by the Bank to protect its stakeholders.
What are the risks identified?	Which stakeholders are affected?	Management Approach
Reputational Risk (Identified as Low Risk)	Stockholders/Investors, Employees, Clients	Board approved policies and procedures against corruption are in place such as but not limited to Code of Conduct, Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy, Social Media Policy. Compliance review with these policies is conducted by the Bank to protect its stakeholders.
What are the risks identified?	Which stakeholders are affected?	Management Approach
		Internal Audit is conducted regularly. The Bank also has consumer protection policies that aim to address the concerns of its clients, ranging from simple inquiries to complex concerns. Further, the Bank adheres to consumer protection policies that are implemented by its regulator, BSP.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
Good company image attracts clients/customers that increase the Bank's economic value	Investors/Stockholders, Clients, employees	The Bank's employees are required to adhere to the Board approved policies that are in place to avoid corruption. The good company image hence attracts prospective clients, business partners and stakeholders.

Incidents of Corruption

Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0

In 2021, PBB focused on continuing to build upon its strategy and initiatives with respect to Environmental, Social and Governance ("ESG") topics. The Bank recognize the continuing importance of these matters and will continue to align its business strategies with these goals. PBB understands that a thoughtful, coordinated approach to ESG will support a healthier, more sustainable future for its stakeholders including investors, employees, communities the Bank serves, and customers.

PBB expects to build upon its core values as a community financial institution and its core mission of serving the financial needs of the community. The Bank expects its developing ESG strategy will align with the nature and scale of its business in respecting the environment and the evolution of ESG principles in the banking industry.

Environmental Disclosures

Some of PBB's specific efforts and commitments for 2021 and 2022 are summarized below.

- Migrated loan documentation (particularly CRECOM documents) to digital only process to eliminate the use of paper as part of the Bank's initiative to implement a digital workstream for the Bank's processes.
- Commitment to expanding digital documentation processes and energy efficiency throughout the organization.
- Responsible waste management and recycling practices including recycling of electronic equipment.
- Updated the Bank's vendor management program to assess our vendor's alignment with our ESG strategy

Energy Consumption Within the Organization

Disclosure	Quantity/Unit
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	933,639 kwh

Sustainability Report 2022

Reduction of Energy Consumption

Disclosure	Quantity/Unit
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	297,248 kwh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Branches and Head Office premises	Employees, clients	The Bank is committed to achieve its energy efficiency goals to decrease operational cost and to reduce the environmental impact of its operations.
What are the risks identified?	Which stakeholders are affected?	Management Approach
None	None	Not applicable
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Reduction in energy consumption increases the Bank's economic value	Employees, Client, Stockholders/Investors	The Bank will include in its planning the possibility of energy reduction.

Water Consumption Within the Organization

Disclosure	Quantity/Unit
Water withdrawal	Maynilad and Manila Water
Water consumption	14,847 cubic meters (estimate only)
Water recycled and reused	Amount is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank

Materials Used by the Organization

Disclosure	Quantity/Unit
Materials used by weight or volume	
Paper	4000 reams
Ballpen	1800 pcs
Adding Machine Tape	990 pcs
Blue Binder (short)	1776 pcs
Blue Binder (long)	1548 pcs
Brown envelope (short)	5800 pcs
Brown envelope (long)	6700 pcs
Epson Ribbon (FX2175)	550 pcs
Fastener	500 boxes
Folder	15000 pcs
Masking tape	150 pcs
Packaging tape	1000 pcs
Paper clip jumbo	600 pcs
passbook Ribbon - Epson PLQ -20	1300 pcs
Scotch Tape	3200 pcs
Staple wire	900 boxes
Thermal roll (ATM receipt)	1000 rolls
Window envelope	100 boxes
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not material to the Bank.

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank

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Ecosystems and Biodiversity (upland/watershed/coastal or marine) –

NOTE: This section is not material to the Bank.

Disclosure	Quantity/Unit
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected	Not material to the Bank
Habitats protected or restored	Not material to the Bank
IUCN Red List species and national conservation list species with habitats in areas affected by operation	Not material to the Bank

Management Approach Disclosure

NOTE: This section is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank

Environmental Impact Management

Disclosure	Quantity/Unit
Energy Indirect (Scope 2) Emissions	660 tons CO ₂ e (estimate)
Emissions of ozone depleting substances (ODS)	PBB does not track ODS as this is not material to the Company.

Management Approach Disclosure

Note: This section is not material to the Bank.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.
What are the risks identified?	Which stakeholders are affected?	Management Approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.

Air Pollutants

Note: This section is not material to the Bank

Disclosure	Quantity/Unit
NOx	PBB does not track NOx as this is not material to the Company.
SOx	PBB does not track SOx as this is not material to the Company.
Persistent Organic Pollutants	PBB does not track pollutants as this is not material to the Company.
Volatile organic compounds (VOCs)	PBB does not track VOCs as this is not material to the Company.
Hazardous air pollutants (HAPs)	PBB does not track HAPs as this is not material to the Company.
Particulate matter (PM)	PBB does not track PM as this is not material to the Company.

Management Approach Disclosure

Note: This section is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank

Solid and Hazardous Waste

Note: Data is not available for the reporting period.

Disclosure	Quantity/Unit
Total solid waste generated	Data not available
Reusable	Data not available
Recyclable	Data not available
Composted	Data not available
Incinerated	Data not available
Residuals/Landfilled	Data not available

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Hazardous Waste:

Note: In 2022, PBB had no electronic/hazardous waste collection initiative.

Disclosure	Quantity/Unit
Amount of hazardous waste transported	Data not available
Amount of hazardous waste in storage	Data not available

Management Approach Disclosure (Non-hazardous and hazardous waste)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank

Effluents

Note: This is not material to the Bank

Disclosure	Quantity/Unit
Total volume of water discharges	Not applicable
Percent of wastewater recycled	Not applicable

Management Disclosure Approach

Note: This is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not applicable	Not applicable	Not applicable
What are the risks identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Not applicable	Not applicable	Not applicable

Environmental Compliance

Disclosure	
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0
No. of cases resolved through dispute resolution mechanism	0

Management Approach:

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.
What are the risks identified?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.

Social Disclosures

Employee Management, Employee Hiring and Benefits, Employee Data

Disclosure	Quantity/Unit
Total number of employees	1,660
Female Employees	1,088
Male Employees	572
Attrition rate	18.51%
Monthly salary of the lowest paid employee	12,500

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Provide list of benefits:

Benefit	% of employees who availed for the year
SSS	24.81%
PhilHealth	6.69%
Pag-Ibig	10.23%
Parental leaves	ML – 3.54% PL – 0.81%
Vacation leaves	85.78%
Sick leaves	40.63%
Medical benefits aside from PhilHealth	53%
Housing assistance aside from Pag-Ibig	0.00%
Retirement fund (aside from SSS)	2%
Further education support	3.22%
Company stock options	0.00%
Telecommunicating	0.00%
Flexible working hours	7.75%

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Talent acquisition, development and retention	Employees	<p>The Bank has Board-approved policies and procedures that set the guidelines to be followed for talent acquisition, development and employee retention.</p> <p>The Bank also offers competitive Board-approved compensation and employee benefit packages to ensure employee engagement and retention.</p> <p>An employee is also entitled to benefit packages to assist them during calamities or personal emergencies such as sickness and death.</p>
What are the risks identified?	Which stakeholders are affected?	Management Approach
Employees needing refresher trainings for the emerging requirements/competencies needed for work	Employees	The Bank supports the continuing education and learning of employees by providing internal and external training programs, as well as development programs to train high potential employees for higher positions in the organization.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
Enhancing the skills and potential of the employees increase the economic value of the company	Employees	<p>The Bank provides Board-approved performance-based rewards and recognition to further engage the employees. This includes the distribution of performance-based bonus on top of guaranteed bonuses, and yearly merit increases.</p> <p>The Bank provides for opportunities for employees to move up the corporate ladder through regular promotions of deserving employees.</p> <p>The Bank believes that engaged employees lead to higher employee morale and productivity; employee pride and loyalty, excellent customer service, thereby attracting more clients and ensuring client retention.</p>

Employee Training and Development

Disclosure	
Total training hours provided to employees in 2022	38,785
Female employees	27,704
Male employees	11,081
Average training hours provided to employees	20.87
Female employees	22.91
Male employees	17.07

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Learning and Development programs of the Bank	Employees	The Bank is offering internal and external trainings and development programs for employee development and growth.
What are the risks identified?	Which stakeholders are affected?	Management Approach
Lack of training may cause poor service quality to clients and poor performance of job functions thereby decreasing the company's economic value	Employees, clients	<p>The Bank has existing training programs for its employees especially for customer service.</p> <p>The Performance Appraisal of an employee includes trainings attended or facilitated, and customer service ratings.</p>

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What are the opportunities identified?	Which stakeholders are affected?	Management approach
Improved performance and service quality to clients	Employees, Clients	Board approved performance evaluation is established to measure and monitor the performance of its employees. Customer helplines, surveys and feedbacks are also in place to monitor the clients' concerns. The Consumer Protection of the bank provides for many venues for clients to give feedback or to lodge concerns and complaints.

Labor Management Relations

Disclosure	
% of employees covered by collective bargaining agreements	0%, the Bank has no union
Number of consultations conducted with employees concerning employee-related policies	0% as related to union issues

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Employees	The Bank always maintains an open communication policy with employees. There are existing venues to bring forth employee concerns and issues such as with supervisors, with HR or with the Committee on Employee Discipline. The President conducts on-line consultations (Kapihan) with selected employees, and the participants are given the opportunity to bring concerns to the President's attention.
What are the risks identified?	Which stakeholders are affected?	Management approach
Not material to the Bank	Employees	The Bank has existing Health, Safety and Welfare Program for its employees.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Higher productivity and employee well-being and morale because of health and safety program for employees	Employees, clients	The Bank always maintains an open communication policy with employees. There are existing venues to bring forth employee concerns and issues such as with supervisors, with HR or with the Committee on Employee Discipline. The President conducts on-line consultations (Kapihan) with selected employees, and the participants are given the opportunity to bring concerns to the President's attention.

Diversity & Equal Opportunity

Disclosure	
Percent of female workers in the workforce in 2022	65.5%
Percent of male workers in the workforce 2022	34.5%
Ratio of male to female employees 2022	1:2
Number of employees from indigenous communities and/or vulnerable sectors 2022	44 senior citizens

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Talent acquisition, management, development and retention	Employees	The Bank does not discriminate its employees on the basis of gender, age, sex, indigenous communities, and vulnerable sectors. The Bank has existing policies that require its employees to adhere to labor laws and regulations.
What are the risks identified?	Which stakeholders are affected?	Management approach
Reputational Risk that may arise from labor issues due to discrimination	Employees, Stockholders/ Investors	The Bank does not discriminate its employees of the basis of gender, age, sex, indigenous communities, and vulnerable sectors. The Bank has existing policies that require its employees to adhere to labor laws and regulations.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
Acquisition of talented and motivated employees which can increase the economic value of the company	Employees	The Bank uses various talent acquisition channels wherein every applicant has equal opportunity to apply and be taken in, depending on the requirements of the position, and the value that the candidate brings to the bank.

Workplace Conditions Labor Standards, and Human Rights

Disclosure	
Safe Man-Hours in 2022	3,365,440
No. of work-related injuries in 2022	2
No of work-related fatalities in 2022	0
No. of work-related ill health in 2022	330 COVID-19 cases
Number of safety drills in 2022	3 (Fire, Earthquake and Bomb Threat drill)

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Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Across all units of the Bank	Employees, Clients	<p>The Bank has an existing Board-approved Health, Safety and Welfare Program for its employees.</p> <p>Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril.</p> <p>The Bank also adheres to the work and safety guidelines that are implemented by the government authorities.</p>
What are the risks identified?	Which stakeholders are affected?	Management Approach
Safety risks	Employees	<p>The Bank has an existing Board approved Health, Safety and Welfare Program for its employees.</p> <p>Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril.</p> <p>The Bank also adheres to the work and safety guidelines that are implemented by the government authorities.</p>
What are the opportunities identified?	Which stakeholders are affected?	Management Approach
Improve the safety and security of the employees	Employees, Clients	<p>The Bank has an existing Corporate Security Group which is in charge of conducting the safety drills to be conducted within the Bank.</p> <p>The Security Group also monitors the conduct of safety and security drills.</p> <p>The Bank also adheres to the work and safety guidelines by the government authorities.</p>

Labor Laws and Human Rights

Topic	Quantity	Unit
No. of legal actions or employee grievances involving forced or child labor	0	0

Are there policies that explicitly disallows violations to labor laws and human rights (e.g. harassment, bullying) in the workplace

Topic	Y	N
Forced labor		
Child labor		
Human Rights		
Environmental performance		
Bribery and corruption		

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Across all units	Employees	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.
What are the risks identified?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
None	None	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, provide a link to the policy or attach the policy.
(attached: General Services Center Manual for Accreditation of Suppliers)

Topic	Y/N	If yes, cite reference in the supplier policy
Environmental performance	General Requirement for the Satisfactory Rating on Supplier's Stakeholders	Page 1 – SELECTION OF SUPPLIERS/CONTRACTORS PORTION
Forced Labor		
Child Labor		
Human Rights		
Bribery and corruption		

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Relationship with Community Significant Impacts on Local Communities

List/Identify operations with significant impacts on local communities (positive or negative) (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous peoples? (Y/N)	Collective or individual rights that have been identified as particular concerns for the community	Mitigating measures (if negative impact)/ Enhancement measures (if positive)
Blood letting	PBB Z-Square building	N/A	N/A	Collective	N/A

BE A SUPERHERO!

Philippine Business Bank, in partnership with the AMY Foundation and the Philippine Red Cross (Caloocan City chapter), paid tribute to voluntary PBB employees and non PBB employees for their life-saving gift of blood that sought to inspire more people to follow their example.

This year's theme, "Be a Superhero," highlights the underpinning role of voluntary blood donors in maintaining a safe and adequate blood supply.

Giving blood is a heroic life-saving act of solidarity to improve the quality of life for patients suffering from life-threatening conditions and to support medical and surgical procedures. PBB is grateful to all the 38 silent heroes who voluntarily donate blood. The one-day blood drive successfully collected 21 blood bags, held on September 29, 2022 at the PBB Office of the Z-Square Mall.

Customer Management

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
All Business Generation Units (Branches, Lending, Trust, Treasury)	Clients	The Bank ensures that the Client's welfare is of utmost importance. As such, the Bank ensures that all employees are equipped with training to provide good customer service quality.
What are the risks identified?	Which stakeholders are affected?	Service Quality is also included in the performance assessment of the Bank's employees.
None	None	
What are the opportunities identified?	Which stakeholders are affected?	Further, postings of information needed by the clients are also provided to help them with their concerns.
None	None	Customer helplines, feedback and complaints are also in place to ensure that the needs and concerns of clients are addressed.
		The Bank adheres to the regulatory requirements for handling and management of customer concerns.

Health and Safety

Topic	
Number of substantiated complaints on product or service health & safety	2
Number of complaints addressed	2

Substantiated complaints include customer complaints that went through the organization's formal communication channels and grievance mechanisms, as well as complaints that were lodged with or acted upon by government agencies.

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	The Bank has an existing Board approved Health, Safety and Welfare Program for its employees.
What are the risks identified?	Which stakeholders are affected?	
Not material to the Bank	Not material to the Bank	Likewise, the Bank has a Board approved Consumer Protection Framework for protecting its clients.
What are the opportunities identified?	Which stakeholders are affected?	The Bank commits to resolve the concerns filed to the Bank within the required turnaround time per its internal policy and per BSP requirement. Further, the Bank implements a monitoring system to address the concerns of the clients and its employees.
To improve the standard of service provided to the clients.	Employees, Clients	

Marketing and Labelling

Topic	
Number of substantiated complaints on marketing and labelling?	0
Number of complaints addressed	0

Substantiated complaints include customer complaints that went through the organization's formal communication channels and grievance mechanisms, as well as complaints that were lodged with or acted upon by government agencies.

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Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None reported for the reference period	None reported for the reference period	None reported for the reference period
What are the risks identified?	Which stakeholders are affected?	Management Approach
None reported for the reference period	None reported for the reference period	None reported for the reference period
What are the opportunities identified?	Which stakeholders are affected?	Management approach
None identified for the reference period	None identified for the reference period	None identified for the reference period

Customer Privacy

Topic	Number
Number of substantiated complaints on customer privacy	0
Number of complaints addressed	0
No. of customers, users, and account holders whose information is used for secondary purposes	0

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None reported for the reference period	None reported for the reference period	The Bank has existing Board approved Data Privacy Protection Framework which implements the protection guidelines for the clients and employees.
What are the risks identified?	Which stakeholders are affected?	
None reported for the reference period	None reported for the reference period	The Bank also has an existing Data Privacy Unit that monitors the Bank's compliance with Data Privacy Regulations.
What are the opportunities identified?	Which stakeholders are affected?	Trainings were also provided to employees for Data Privacy.
Company which protects data privacy of its employees and clients attracts prospective clients as well as retain existing clients	Employees, clients	

Data Security

Topic	Number
Number of data breaches, including leaks, thefts and losses of data	0

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None reported for the reference period	None reported for the reference period	The Bank has existing Board approved Data Privacy Protection Framework which implements the protection guidelines for the clients and employees. The Bank also has an existing Data Privacy Unit that monitors the Bank's compliance with Data Privacy Regulations. Trainings were also provided to employees for Data Privacy.
What are the risks identified?	Which stakeholders are affected?	
None reported for the reference period	None reported for the reference period	
What are the opportunities identified?	Which stakeholders are affected?	
Company which protects data privacy of its employees and clients attracts prospective clients as well as retain existing clients	Clients, employees	

Our Branches

Metro Manila Branches

Main Office Branch
 A. Mabini C-3
 Adriatico – Malate
 Aseana City – Parañaque
 Banawe
 Better Living – Parañaque
 Binondo Corporate Center
 Bonifacio Global City
 Bonifacio Global City – Net Plaza
 Caloocan-MacArthur Highway
 Camarin
 Carmen Planas
 Commonwealth – Fairview
 Concepcion – Marikina
 Congressional Ave. – Quezon City
 Cubao
 Del Monte
 EDSA – Caloocan Business Center
 Elcano
 Gil Fernando Ave. – Marikina
 Grace Park
 Greenhills
 Jose Abad Santos
 Kamias – Anonas
 Kaybiga
 Las Piñas
 Legaspi Village – Makati
 Madrigal Business Park
 Makati
 Makati – Aguirre
 Malabon
 Malabon – Rizal Ave.
 Malinta
 Mandaluyong
 Marikina
 Muntinlupa
 Navotas
 North Caloocan – Quirino Highway
 Novaliches
 Ortigas Business Center
 Pasay
 Pasay – Malibay
 Pasig Blvd. – Kapitolyo
 Paso de Blas
 Paterno – Quiapo
 Pedro Gil – Paco
 Quezon Avenue
 Quezon Avenue – D. Tuazon
 Quintin Paredes
 Retiro

Roosevelt
 Salcedo Village – Makati
 Samson Road
 Sucat – Parañaque
 The Fort
 Timog – Rotonda
 Valenzuela
 Valenzuela – Gen. T. De Leon
 West Avenue

Luzon Branches

Angeles
 Antipolo
 Antipolo – Masinag
 Baguio
 Balanga
 Balayan
 Baliuag
 Batangas
 Benguet – La Trinidad
 Binakayan
 Biñan – Laguna
 Bocaue
 Cabanatuan
 Cainta
 Calamba
 Calamba Crossing
 Calapan
 Calasiao – Pangasinan
 Candon – Ilocos Sur
 Cauayan
 Carmona – Cavite
 Dagupan
 Dasmariñas – Cavite
 Dinalupihan
 Gapan
 General Tinio
 Guagua
 Imus
 Iriga – Camarines Sur
 Kawit
 La Union
 Laoag City
 Legazpi City
 Legazpi – Rizal
 Limay
 Lipa City
 Lucena City
 Malolos
 Meycauayan

Molino – Bacoor
 Muzon
 Naga
 Olongapo
 Ortigas Ave. Ext. – Cainta
 Pangasinan – Lingayen
 Puerto Princesa Palawan
 San Fernando
 San Fernando – San Agustin
 San Pablo
 San Pedro – Laguna
 Santiago
 SBMA – Subic
 Solano
 Sorsogon
 Sta. Maria
 Sta. Rosa
 Subic – Zambales
 Tanauan
 Tarlac
 Tarlac – Paniqui
 Taytay
 Trece Martires – Cavite
 Tuguegarao
 Urdaneta
 Vigan

Visayas Branches

Bacolod
 Boracay (Temporary Closed)
 Catbalogan
 Cebu – Banilad
 Cebu – Escario
 Cebu – Talisay
 Consolacion – Cebu
 Downtown – Cebu
 Dumaguete
 Iloilo
 Iloilo – Donato Pison
 Iloilo – Jaro
 Kalibo
 Lapu-Lapu City
 Mandaue
 Ormoc
 Roxas City
 Tacloban
 Tagbilaran

Mindanao Branches

- Butuan
- Cagayan de Oro
- Cagayan de Oro – Cogon
- Davao – Bajada
- Davao – Lanang
- Davao – C.M. Recto
- Davao – Panabo
- Sales – Davao
- Davao – Toril
- Dipolog
- General Santos
- General Santos – Santiago Blvd.
- Iligan
- Ozamis
- Surigao City
- Tagum City – Davao
- Zamboanga

Branch-Lite Unit

- Taguig City Branch – Lite Unit
- Cebu City Branch – Lite Unit
- Pearl Plaza Mall Branch – Lite Unit
- Roxas City Branch – Lite Unit



Our Branches

Metro Manila Branches

Main Office Branch

350 Rizal Ave. Ext cor 8th Ave.,
Grace Park, Caloocan City
Phone: (632) 8363-3333
Fax: (632) 8363-0291

A. Mabini C-3

200 A. Mabini St. Maypajo,
Caloocan City
Phone: (632) 8287-8895; 8287-6621
Fax: (632) 8288-1249

Adriatico-Malate

G/F Hostel 1632 Adriatico St.,
Malate, Manila
Phone: (632) 8353-3258; 3450-1482
Fax: (632) 8353-3262

Aseana City – Paranaque

Ground Floor Commercial Space GO1
Ri-Rance Corporate Center I,
Aseana City, Paranaque
Phone: (632) 7959-1739; 8775-3746

Banawe

Unit 5-7 Solmac Bldg.
84 Dapitan cor Banawe St.,
Sta. Mesa Heights, Quezon City
Phone: (632) 8708-5810

Better Living-Paranaque

156 Doña Soledad Avenue,
Better Living Subdivision
Barangay Don Bosco, Paranaque City
Phone: (632) 8846-8727; 7753 0215
Fax: (632) 8846-8163

Binondo Corporate Center

1126 Soler St., Binondo, Manila
Phone: (632) 8242-0601; 5310-3785;
5310-3784; 8243-8823
Fax: (632) 8242-7927

Bonifacio Global City

Stall CS 152 and 153, MC Home Depot,
32nd Street, corner Bonifacio Blvd.,
Bonifacio Global City, Taguig City
Phone: (632) 8831-8127; 7507-2325
Fax: (632) 8831-9971

Bonifacio Global City – Net Plaza

G/F Net Plaza 31st St.,
Bonifacio Global City,
Taguig, Metro Manila
Phone: (632) 8804-1353; 8804-1370

Caloocan-MacArthur Highway

The Grandz Commercial Building
1798 MacArthur Highway cor. Calle 4,
Barangay 81, Caloocan City
Phone: (632) 8722-0767; 8721-3352
Fax: (632) 8721-3331

Camarin

Zabarte Town Center
588 Camarin Rd. cor. Zabarte Rd.,
North Caloocan City
Phone: (632) 8962-0627; 8962-0232
Fax: (632) 8962-0160

Carmen Planas

869 Carmen Planas St.,
Binondo, Manila
Phone: (632) 8522-7972; 8245-5066
Fax: (632) 8245-5226

Commonwealth - Fairview

G/F Datamex - College of St. Adeline
Commonwealth Ave., East Fairview
Park Subd., Quezon City
Phone: (632) 3428-7104;
Fax: (632) 8376-2358
Region Office: (632) 8376-9477

Concepcion- Marikina

Bayan- Bayanan Ave., Concepcion Uno,
Marikina City
Phone: (632) 8948-5688; 7955-6172
Fax: (632) 8948-4213

Congressional Ave. - Quezon City

A.V. Safetynet Building, Lot 4D, Block 7,
Gardenville, Congressional Avenue,
Project 8, Quezon City
Phone: (632) 8372-0443
Fax: (632) 8532-5113

Cubao

Units D, E & F Timbol Singh Bldg.,
915 Aurora Blvd., Cubao, Quezon City
Phone: (632) 8709-3695; 2438-9966
Fax: (632) 8709-3649

Del Monte

Upper Ground Floor Unit 103,
Z-Square Mall, Del Monte Ave. corner
Banawe St., Barangay Manresa,
Quezon City
Phone: (632) 8671-8205; 8714-1036;
5310-2675

Edsa-Caloocan Business Center

574 EDSA Highway,
Caloocan City
Phone: (632) 8363-1635
Fax: (632) 8363-2493

Elcano

730 Elcano St., Binondo, Manila
Phone: (632) 8241-9824; 8241-5629;
Fax: (632) 8241-4287

Gil Fernando Ave.- Marikina

Ground Floor of WRCC Bldg., I,
47 Gil Fernando Ave., Midtown Subd.,
Brgy. San Roque, Marikina City
Phone: (632) 8461-3228; 8461-3231
Fax: (632) 8461-3230

Grace Park

249 Rizal Avenue Ext., cor. 7th Ave.
Grace Park, Caloocan City
Phone: (632) 8361-0941
Fax: (632) 8361-1004

Greenhills

G/F LGI Bldg, Ortigas Ave.
Brgy. Greenhills, San Juan City
Phone: (632) 8234-9018; 7576-8365
Fax: (632) 8234-9016

Jose Abad Santos

1737-1739 Jose Abad Santos Ave.,
Tondo, Manila
Phone: (632) 8230-2344; 7964-8216
Fax: (632) 8230-4033

Kamias-Anonas

G/F Armon's Building
142 Kamias Road Cor.
Anonas St., Quezon City
Phone: (632) 8366-6874; 3434-1491
8366-6876
Fax: (632) 8366-3876

Kaybiga

Guilmar Marble Corporation Bldg.,
#297 General Luis Street
Kaybiga, Caloocan City
Phone: (632) 8352-7872
Fax: (632) 8936-9685

Las Piñas

Unit 1 & 2 G/F San Beda Commercial,
Zapote-Alabang Rd., Las Piñas
Phone: (632) 8874-7966; 8808-7292
Fax: (632) 8875-0589

Legaspi Village - Makati

Sunrise Terraces, 100 Perea St.,
Legaspi Village, Brgy. San Lorenzo,
Makati City
Phone: (632) 8551-2419; 5310-5929
Fax: (632) 8551-2416

Madrigal Business Park

Unit 102 G/F Corporate Centre
1906 Finance Dr., Madrigal
Business Park, Muntinlupa City
Phone: (632) 8822-6646; 8822-6716
Fax: (632) 8822-2706

Makati

137 Yakal Street, Makati City
Phone: (632) 8892-6768; 8817-5720;
8812-4755
Fax: (632) 8892-8498

Makati – Aguirre

Unit 1 & 2 State Condominium II,
117 Aguirre St., Legaspi Village,
Makati City
Phone: (632) 8833-8892; 7957-2255
Fax: (632) 8998-4440

Malabon

155 Gov. Pascual Ave., Malabon City
Phone: (632) 8288-0078; 7900-0393
Fax: (632) 8287-7873

Malabon - Rizal Ave.

726 Rizal Ave. Brgy. Tañong,
Malabon City
Phone: (632) 3447-6044; 8376-1434
Fax: (632) 8376-1433

Malinta

G/F MS Apartelle Building,
415 McArthur Highway,
Dalalandan, Valenzuela City
Phone: (632) 8282-0231
Fax: (632) 8282-3348

Mandaluyong

Unit I, Facilities Centre
Shaw Blvd., Mandaluyong City
Phone: (632) 8470-3244; 7718-0103
Fax: (632) 8531-3537

Marikina

306 J. P. Rizal St., Sta. Elena,
Marikina City
Phone: (632) 8646-5864; 7369-4002
Fax: (632) 8646-6294

Muntinlupa

G/F Units 1 & 2
50 National Road
Putatan, Muntinlupa City
Phone: (632) 7798-0284; 7987-2220
Fax: (632) 8551-0010

Navotas

G/F Teresita Bldg.,
North Bay Boulevard,
Navotas City
Phone: (632) 8355-4143; 8355-4159

North Caloocan – Quirino Highway

LGF Unit 2 Metro Plaza NCB Mall,
Quirino Highway, Barangay 185,
Malaria, North Caloocan City
Phone: (632) 8651-3396; 8651-3383
Fax: (632) 8355-4130

Novaliches

Krystle Bldg. 858 Quirino Highway,
Novaliches, Quezon City
Phone: (632) 8936-3467; 8938-4038
Fax: (632) 3418-3132

Ortigas Business Center

E Prime 24-A CW Home Depot- Ortigas
No. 1 Doña Julia Vargas Ave. cor.
Meralco Ave. Brgy. Ugong, Pasig City
Phone: (632) 8656-2461; 7914-7032
7503-3468
Fax: (632) 8656-3303

Pasay

2241 C.K. Sy Bldg. Taft Ave., Pasay City
Phone: (632) 8836-7108; 8836-7109
Fax: (632) 8551-5833

Pasay- Malibay

Unit E, J&B Building 641 EDSA,
Malibay, Pasay
Phone: (632) 8845-0764; 7622-8158
8541-1756
Fax: (632) 8843-1172

Pasig Blvd. - Kapitolyo

G/F Unit 4 Elements on Rosemarie
Building Pasig Boulevard cor.
Rosemarie St., Pasig City
Phone: (632) 8234-0607; 7500-6415
Fax: (632) 8234-0608

Paso de Blas

Paso de Blas road cor. P. Santiago St.
Barangay Paso de Blas, Valenzuela City
Phone: (632) 8292-3575; 8292-4136;
Region Office: (632) 8294-6239

Paterno- Quiapo

707 Paterno St., Barangay 307
Quiapo, Manila
Phone: (632) 5310-5217; 8354-9670
Fax: (632) 8354-9695

Pedro Gil - Paco

1077 Pedro Gil St., Paco, Manila
Phone: (632) 3498-1952; 8354-5141
Fax: (632) 8354-3239

Our Branches

Quezon Avenue

1050 CWI Corporate Center,
Quezon Avenue, Quezon City
Phone: (632) 7914-0119; 8374-3884

Quezon Avenue- D. Tuazon

Bernmann Centre, 28 Quezon Avenue,
Barangay Doña Josefa, Quezon City
Phone: (632) 8706-0749
Fax: (632) 8705-1924

Quintin Paredes

G/F Downtown Center Bldg.,
Quintin Paredes St., Binondo, Manila
Phone: (632) 8522-8039; 8522-0871;
Fax: (632) 8241-7123
Region Office: 8522-5609

Retiro

No. 84 Units A&B N.S. Amoranto Ave.
Brgy. Salvacion, La Loma, Quezon City
Phone: (632) 8711-2538; 7625-8213
Fax: (632) 8711-2175

Roosevelt

Sun Square Bldg. 323 Roosevelt Ave
Brgy. San Antonio, San Francisco
Del Monte, Quezon City
Phone: (632) 3411-6345; 8376-1135
Fax: (632) 8376-1426

Salcedo Village- Makati

Unit GDA-1, LPL Center
130 L. P. Leviste St.,
Salcedo Village, Makati City
Phone: (632) 8550-2482; 7621-9220
Fax: (632) 8550-2480

Samson Road

117 D & E Samson Road, Caloocan City
Phone: (632) 5310-9068; 8332-8506;
8332-8971
Fax: (632) 8332-9495

Sucac- Parañaque

Unit B-10-A Jaka Plaza Mall
A. Santos Ave., Sucac, Parañaque City
Phone:(632) 8552-2548; 7501-6247
Fax: (632) 8552-2547

The Fort

Units 104-105 Forbeswood Towers,
Forbestown Center, Rizal Drive cor.
Burgos Circle, Bonifacio Global City,
Taguig City
Phone: (632) 8856-6653; 8856-6654
Fax: (632) 8856-6652
DL: Treasury (632) 8556-3206;
8804-1132; 8804-1133

Timog- Rotonda

A.A. Tanco Bldg.#55 Timog Avenue cor.
Tomas Morato Avenue, Brgy. South
Triangle Quezon City
Phone: (632) 7950-6003; 8441-0895
Fax: (632) 8376-9530

Valenzuela

215 McArthur Highway,
Karuhatan, Valenzuela City
Phone: (632) 3443-8113; 8292-3296
Fax: (632) 3443-9030

Valenzuela- Gen. T. De Leon

G/F Unit 109 & 110 Arbortowne Plaza I,
Arbortowne Village, Gen. T. de Leon
St., Barangay Karuhatan,
Valenzuela City
Phone: (632) 8562-9701; 8562-9678;
8533-7087

West Avenue

Unit 102, West Ave. Strip,
No. 53 West Avenue
Brgy. Paltok, Quezon City
Phone: (632) 8709-7109; 3411-0355;
7747-5497
Fax: (632) 8709-7110

LUZON BRANCHES

Angeles

Lot 5 Blk 1 McArthur Highway,
Angeles City
Phone: (045) 626-2088; 626-2089;
888-7205
Fax: (045) 626-2087

Antipolo

Units 3 & 4 Megathon Bldg.,
Circumferential Road,
Brgy. San Roque, Antipolo City
Phone: (632) 8697-3054; 8630-5186
8697-3051
Fax: (632) 8697-3018

Antipolo- Masinag

Unit 104 G/F Rikland Centre
Marcos Highway, Mayamot,
Antipolo City
Phone: (632) 8250-2135; 8234-2731
8654-6654
Fax: (632) 8654-6034

Baguio

G/F CTTL Bldg. Abanao Ext.,
Baguio City
Phone: (074) 424-4146; 447-2693;
447-2694
Fax: (074) 447-2692

Balanga

Don Manuel Banzon Avenue,
Balanga City, Bataan
Phone: (047) 237-1136
Fax: (047) 237-1137

Balayan

M. Alvez Space Rental Building,
GF Units M4 and M5,
Tuy – Balayan Highway,
Bonville Subdivision,
Barangay Lanatan, Balayan, Batangas
Phone: (043) 419-9151
Fax: (043) 419-9146

Baliuag

B.S. Aquino Ave., Bagong Nayon,
Baliuag, Bulacan
Phone: (044) 673-5216
Fax: (044) 766-3485

Batangas

131 Diego Silang St.,
Barangay #15, Batangas City
Phone: (043) 722-3183; 726-9552;
726-9541

Benguet- La Trinidad

KM 5 La Trinidad, Benguet
 Phone: (074) 422-9792; 422-9795
 Fax: (074) 422-9794

Binakayan

Tirona Highway, Binakayan,
 Kawit, Cavite
 Phone: (046) 434-7455; 434-7992;
 434-9009

Biñan- Laguna

G/F S.A.P. Building,
 5230 National Highway,
 Brgy.San Vicente, Biñan City, Laguna
 Phone: (049) 511-3226
 Fax: (049) 511-9200

Bocaue

MacArthur Highway, Barangay Wakas,
 Bocaue, Bulacan
 Phone: (044) 233-3615
 Fax: (044) 248-6103
 Region Office: (044) 248-6191

Cabanatuan

Paco Roman St. Cabanatuan City,
 Nueva Ecija
 Phone: (044) 940-1470
 Fax: (044) 940-1491

Cainta

Units B5 and B6 The Avenue,
 Felix Ave., Barangay San Isidro,
 Cainta, Rizal
 Phone: (632) 8645-6631; 8647-5622
 Fax: (632) 8681-1658

Calamba

G/F Unit 2 Kim-Kat Annex Bldg.,
 National Highway, Parian,
 Calamba City, Laguna
 Phone: (049) 508-0059
 Fax/ Manila Line: (632) 8420-8207

Calamba Crossing

TEMPORARY CLOSED
 G/F CEC Building, Crossing, Brgy. Uno,
 Calamba City, Laguna
 Phone: (049) 508-2645; 304-4255;
 502-1323; 502-3312

Calapan

AST Tolentino Building, JP Rizal Street,
 Barangay San Vicente East,
 Calapan City, Oriental Mindoro
 Phone: (043) 288-7092

Calasiao-Pangasinan

Vera Building MacArthur Highway,
 |San Miguel, Calasiao, Pangasinan
 Phone: (075) 600-1395; 649-2142

Candon- Ilocos Sur

G/F BZ Building #15 National Highway,
 Barangay San Isidro, Candon City,
 Ilocos Sur
 Phone: (077) 604-0172
 Fax: (077) 604-0171

Cauayan

Maharlika Highway, Brgy. San Fermin
 Cauayan City, Isabela
 Phone: (078) 652-0293; 652-0294;
 260-0032
 Fax: (078) 652-0301

Carmona- Cavite

Ground Floor Unit 5, 88 Building,
 Governor's Drive, Barangay Maduya,
 Carmona, Cavite City
 Phone: (046) 481-5954; 513-7723
 Fax: (046) 481-5955

Dagupan

Rizal St., Dagupan City
 Pangasinan
 Phone: (075) 523-4781; 523-4701;
 529-0698
 Fax: (075) 523-4732

Dasmariñas-Cavite

Unit G2 Annie's Plaza Dasma,
 Brgy. San Agustin I,
 Dasmariñas City, Cavite
 Phone: (046) 431-7368; 431- 4926;
 Fax: (046) 431-7564

Dinalupihan

No. 33 Rizal St., Dinalupihan, Bataan
 Phone: (047) 481-1093; 481-5203;
 636-1118

Gapan

Tinio St. Brgy. San Vicente
 Gapan City, Nueva Ecija
 Phone: (044) 486-2437; 486-0893;
 333-8092

General Tinio

Poblacion Central (Papaya),
 Gen. Tinio, Nueva Ecija
 Phone: (044) 958-2879; 958-2877;
 973-0468
 Fax: (044) 958-3001

Guagua

Clemente Puno St.,
 Barangay Sto. Cristo,
 Guagua, Pampanga
 Phone: (044) 798-2031
 (044) 798-2018

Imus

Aguinaldo Highway, Tanzang Luma,
 Imus, Cavite
 Phone: (046) 472-3664; 472-3663
 Fax/ Manila Line: (632) 8529-8630

Iriga- Camarines Sur

Highway 1 corner Violeta St
 San Miguel, Iriga City
 Phone: (054) 299-7472; 299-7471

Kawit

Gregoria St., Poblacion Kawit, Cavite
 Phone: (046) 484-5905; 484-7014;

La Union

G/F Virginia Bldg. Quezon Ave. cor.
 Flores St., Dominion Bus Terminal,
 National Highway San Fernando City,
 La Union
 Phone: (072) 242-3836; 242-0210;
 Fax: (072) 242-0350

Laoag City

G/F Laoag Allied Marketing Bldg.
 Brgy. 19 J. P. Rizal St., Laoag City
 Phone: (077) 772-3027; 777-3042;
 Fax: (077) 772-3041

Our Branches

Legazpi City

D'Executive Bldg, Rizal St.
Brgy. Tinago, Legazpi City, Albay
Phone: (052) 480-8595
Fax: (052) 480-2815

Legazpi – Rizal

TEMPORARY CLOSED
Costa Verde Developmen Corporation,
Building 2, Rizal St., Cabangan,
Legazpi City
Phone: (052) 742-6948

Limay

National Road, Brgy. Reformista,
Bernabe Subdivision, Limay Bataan
Phone : (047) 244-4072
Fax: (047) 633-9128

Lipa City

Units 1, 2, 3 & 4 Trinity Business Centre
Ayala Highway, Brgy. Balintawak,
Lipa City , Batangas
Phone : (043) 773-8366; 455-1020

Lucena City

Quezon Avenue, Lucena City
Phone: (042) 797-1839; 322-0086
Fax: (042) 797-1838

Malolos

G/F Unit 4 and 5, DJ Paradise Hotel,
MacArthur Highway, Barangay Dakila,
Malolos City, Bulacan
Phone: (044) 794-6254

Meycauayan

Medical Plaza Bldg.
McArthur Highway, Banga,
Meycauayan, Bulacan
Phone: (044) 769-6327; 840-4855
Fax: (044) 769-6329

Molino- Bacoor

SolaGrande Centre, Molino Business
Centre, Molino Road, Molino 2,
Bacoor City, Cavite
Phone: (046) 416-3832
Fax: (046) 416-3827

Muzon

807 Luwasan Muzon,
City of San Jose del Monte, Bulacan
Phone: (044) 760-4703; 760-4709;
Fax: (044) 760-4711

Naga

Unit C G/F CBD Plaza Hotel,
Ninoy and Cory Avenue,
Central Business District II,
Triangulo, Naga City
Phone: (054) 473-6303

Olongapo

2420 Rizal Avenue Brgy East
Bajac-Bajac, Olongapo City
Phone: (047) 222-9951
Fax: (047) 222-9950

Ortigas Ave. Ext. - Cainta

G/F Crospoint Commercial Area,
Resta 2, Ortigas Ave. Ext.,
Cainta Junction, Brgy. Sto. Domingo,
Cainta, Rizal
Phone: (632) 8997-2251; 8941-4145
Fax: (632) 8997-2557

Pangasinan-Lingayen

17 Avenida, Rizal West, Barangay
Poblacion, Lingayen, Pangasinan
Phone: (075) 633-2880; 206-0314
Fax: (075) 633-2879

Puerto Princesa Palawan

New Carlos Building # 271 Rizal
Avenue, Central Business District,
Maningning, Puerto Princesa City,
Palawan
Phone: (048) 433-0060; 433-0049

San Fernando

Hyatt Garden Bldg., McArthur
Highway Dolores, San Fernando,
Pampanga
Phone: (045) 961-0523; 961-1854;
Fax: (045) 961-0524

San Fernando – San Agustin

Pistahan Building, Brgy. San Agustine,
City of San Fernando, Pampanga
Phone: (045) 455-3745; 455-3744

San Pablo

Lynderson Building, Lopez Jaena St.,
San Pablo City, Laguna
Phone: (049) 300-0149
Fax: (049) 521-1121

San Pedro- Laguna

Alex Building, National Highway,
Brgy. Poblacion, San Pedro, Laguna
Phone: (632) 8843-4099
Fax: (632) 8808-7352

Santiago

BDV Building, City Road,
Santiago City, Isabela
Phone: (078) 258-0073; 258-0070;
305-3068
Fax: (078) 305-3079

SBMA- Subic

Unit 1-1 and 1-2 Subic Creative
Center Bldg. Lot C-5A, Block C, Manila
Avenue Corner Dewey Avenue, Subic
Commercial and Light Industrial
Park, Central Business District,
Subic Bay Freeport Zone
Phone: (047) 250-3570
Fax: (047) 250-3571

Visayas Branches

Bacolod

Ground Floor Unit 3 T.U. Square
B.S. Aquino Drive cor. Lacson St.,
Bacolod City
Phone: (034) 431 4754; 432-1862

Boracay

Barangay Balabag, Boracay Island,
Malay, Aklan
Phone: (036) 506-3046; 288-9187

Catbalogan

San Francisco St. corner Rizal Ave.,
Catbalogan City, Samar
Phone: (055) 883-0013

Cebu- Banilad

A.S. Fortuna St., Banilad,
Mandaue City, Cebu
Phone: (032) 268-7340; 414-4880
Fax: (032) 268-7347

Cebu - Escario

Unit G-08, Capitol Square,
Escario St., Cebu City
Phone: (032) 232-0146; 232-014
Fax: (032) 232-0145

Cebu- Talisay

Door 3, Rosalie Building,
Gaisano Fiesta Mall, Tabunok,
Cebu South Road (aka Tabunok
Highway), Talisay City, Cebu
Phone: (032) 520-7852; 520-7853;
462-2454
Fax: (032) 505-9048

Consolacion-Cebu

Highway Consolacion
(Fronting Cebu Home Builders)
Barangay Cansaga, Consolacion, Cebu
Phone: (032) 236-3476; 236-4299
Fax: (324) 423-0514

Downtown-Cebu

G/F Lianting Bldg. 130 F. Gonzales Street,
Cebu City
Phone: (032) 255-6607; 253-2518;
255-6490
Fax: (032) 253-2366

Dumaguete

Ground Floor C&L Suites Inn,
485 Perdices Street cor. Pinili Street,
Barangay Poblacion 3, Dumaguete City
Phone: (035) 400-4800; 421-1474;
Fax: (035) 522-2709

Iloilo

Ground Floor MSL Building
132 Quezon St., Iloilo City
Phone: (033) 335-1009; 335 1015;
320 0941; 501-0799

Iloilo-Donato Pison

Unit 1A & Unit 1B Greenzone Center
Donato Pison Avenue, Barangay
San Rafael, Mandurriao, Iloilo City
Phone:(033) 501-1462; 314-7365
Fax: (033) 314-7500

Iloilo – Jaro

G/F Rosman Building, McArthur Drive,
Tabuc Suba, Jaro, Iloilo City
Phone:(033) 503-7393

Kalibo

Roxas Avenue, Poblacion,
Kalibo City, Aklan
Phone: (036) 268-3538; 390-0040;
390-0039
Fax: (036) 500-7253

Lapu-Lapu City

G/F AMCO Bldg., ML Quezon,
National Road, Pajo, Lapu-Lapu City,
Cebu
Phone: (032) 495-2831; 236-3018;
Fax: (032) 238-8590

Mandaue

Unit 1-2 Wireless Plaza Bldg.,
H. Cortes Avenue cor. Hi-way Seno,
Subangdaku, Mandaue City
Phone: (032) 345-4462; 345-5274;
345-1520
Fax: (032) 345-2657

Ormoc

No. 333 Real St., Barangay District 5,
Ormoc City, Leyte
Phone: (053) 832-3649; 832-3651;
560-9799
Fax: (053) 832-3650

Roxas City

G/F SJS Building, San Roque St. Ext.,
Barangay 8, Roxas City, Capiz
Phone: (036) 620-3420; 620-3470
Fax: (036) 522-1980

Tacloban

Zamora St., Tacloban City
Phone: (053) 832-0002; 832-0065;
832-0074
Fax: (053) 523-0616

Tagbilaran

EB Gallares Building, C. P. Garcia
Avenue, Tagbilaran City, Bohol
Phone: (038) 411-0837; 411-0831
Fax: (038) 411-0832

Mindanao Branches**Butuan**

Montilla Boulevard cor. T. Calo St.,
Butuan City, Agusan Del Norte
Phone: (085) 815-0512; 815-0513
Fax: (085) 300-0293

Cagayan de Oro

Lapasan Highway, Corner Camp
Alagar, Cagayan de Oro City
Phone: (088) 323-1735; 880-5281

Cagayan de Oro- Cogon

ALLA Inc. Building, JR Borja St.
(near corner Corrales Ave.)
Barangay 32, Cagayan De Oro City,
Misamis Oriental
Phone: (088) 220-2989; 323-1625
Fax: (088) 880-2990

Our Branches

Davao-Bajada

Aeon Towers, JP Laurel Avenue.,
Bajada, Davao City
Phone: (082) 227-6577; 227-9950;
227-9878; 227-9948

Davao-Lanang

Fuji One Building Km. 7, Lanang,
Davao City
Phone: (082) 305-4621; 300-8876;
234-2879
Fax: (082) 234-2933

Davao-C.M. Recto

JRL Building 107 C.M. Recto Ave.,
Brgy. 38-D, Davao City
Phone: (082) 224-3924; 224-3969
Fax: (082) 948-4213

Davao- Panabo

Wharf Road, Barangay Sto. Niño,
Poblacion, Panabo City,
Davao Del Norte
Phone: (084) 629-0060; 628-4005
Fax: (084) 629-0050

Sales-Davao

Door 7 & 8 JM Bldg. Governor Sales St.
Davao City
Phone: (082) 222-4951; 222-4281;
224-2597
Fax: (082) 222-4452

Davao- Toril

Gaisano Grand Mall Toril
Unit GL 8B & GL9 Saavedra St.,
Toril, Davao City
Phone: (082) 293-9005; 324-1480;
324-1472
Fax: (082) 285-9154

Dipolog

No. 331 P. Burgos St.(near corner
Rizal Ave.) Dipolog City,
Zamboanga Del Norte
Phone: (065) 212-1424; 212-1425

General Santos

GSC SunCity Suites
B-1-03 & B-1-04 National Highway,
Lagao, General Santos City
Phone: (083) 552-0591; 301-6015
Fax: (083) 301-6014

General Santos- Santiago Blvd.

Santiago Boulevard,
Barangay Dadiangas South,
General Santos City
Phone: (083) 305-1045; 552-5712
Fax: (083) 552-2209

Iligan

Doromal Bldg., Quezon Avenue
Extension Barangay Villaverde,
Iligan City
Phone: (063) 222-3971; 222-4194
302-0107
Fax: (063) 222-4197

Ozamis

G/F Insular Life Building
Don Anselmo Bernad Ave.
(National Highway) cor. Jose Abad
Santos St. Ozamis City,
Misamis Occidental
Phone: (088) 545-0985; 545-0987;
319-0309
Fax: (088) 319-0308

Surigao City

Diez St., Barangay Taft, Surigao City,
Surigao Del Norte
Phone: (086) 310-0346

Tagum City- Davao

Roxas St. corner Osmeña St.
Tagum City, Davao
Phone: (084) 216-1725; 216-1724
Fax: (084) 216-1726

Zamboanga

Wee Agro Building,
Veterans Avenue, Zamboanga City
Phone: (062) 955-2201; 955-1024;
310-0657
Fax: (062) 955-1047

Branch-Lite Unit

Taguig City Branch-Lite Unit

The Fort
Unit RT5, One Mckinley Place,
4th Avenue, Bonifacio Global City,
Taguig
Phone: (632) 8838-9329

Cebu City Branch-Lite Unit

Cebu-Escario
4th floor, NIC-2 Bldg., Capitol Square,
N. Escario St., Cebu City
Phone : (032) 256-6042

*COMBANK 6

Phone: (032) 256-6042;
(032) 256-6056;
(032) 256-6051; (032) 256-6002

*CONSUMER

Phone: (032) 256-5973; (032) 256-5977

*CAID

Phone: (032) 256-6048; (032) 2565983

*CAC

Phone: (032) 256-6053

Pearl Plaza Mall Branch-Lite Unit

Makati
Annex A Level 2 Pearl Plaza Building,
1331 Quirino Avenue, Tambo,
Paranaque City
Phone: (632) 8351-8755; 7971-7896

Roxas City Branch-Lite Unit

Roxas City
G/F Eperformax Center
Pueblo de Panay Township,
Roxas City, Capiz
Phone: (036) 651-6376

Financial Statements



Statement of Management's Responsibility for Financial Statements

The management of **Philippine Business Bank, Inc.** (the Bank), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

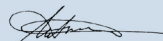
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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

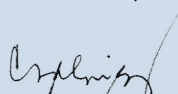
Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in the their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.



JEFFREY S. YAO
Chairman of the Board



ROLANDO R. AVANTE
Vice Chairman, President & CEO



CYNTHIA A. ALMIREZ
SVP Head OCG & COO

Signed this 14th day of April, 2023.

Report of Independent Auditors

The Board of Directors and Stockholders Philippine Business Bank, Inc., A Savings Bank

350 Rizal Avenue Extension corner 8th Avenue
Grace Park, Caloocan City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Business Bank, Inc., A Savings Bank (the Bank), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters identified in our audit of the financial statements of the bank:

(a) **Expected Credit Loss for Loans and Other Receivables**

Description of the Matter

As at December 31, 2022, the Bank's loans and other receivables and Expected Credit Loss (ECL) allowance on loans and other receivables amounted to P103.5 billion and P5.0 billion, respectively (see Note 12). We have identified the Bank's ECL model on loans and other receivables as a key audit matter because this:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, *Financial Instruments*, in assessing impairment losses based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in the credit risk (SICR) of different exposures;
- involves high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating and flow rates of the counter party, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,

Report of Independent Auditors

- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

These judgments and estimates remained to be significant due to the continuing impact of COVID-19 pandemic to the Bank's loans and other receivables. With the continued improvement of the country's economic status, the Bank no longer imputed separate post-model adjustments it introduced to the existing ECL model in the prior years but rather considered the COVID-19 impact in the calculation of forward-looking macroeconomic information (overlay) and inclusion of observable information in the calculation of the probability of defaults for each loan portfolio. Consequently, the Bank continued to perform granular reassessment of borrowers based on continuing impact of COVID-19 to the customers' businesses and related industries as part of the Bank's own financial reliefs. This resulted in more complex judgment and a higher degree of estimation uncertainty in determining ECL on the Bank's loans and other receivables.

The summary of significant accounting policies and the significant judgment, including estimation applied by management, as those related to the credit risk assessment process of the Bank are disclosed in Notes 2, 3 and 4 to the financial statements. The other disclosures related to this matter are presented in Notes 12 and 28.

How the Matter was Addressed in the Audit

We obtained an understanding of the Bank's accounting policies and methodologies applied and we evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Bank's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation, applied in the development of the ECL model.

With respect to the use of significant judgment, including those involving estimation of inputs and assumptions used in the ECL model, we performed the following:

- engaged our Firm specialist to assist in evaluating the appropriateness of methodologies and assumptions used in the ECL calculation;
- assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and evaluated the appropriateness of the model applied for each loan portfolio;
- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;
- evaluated the Bank's granular reassessment of borrowers based on continuing impact of COVID-19 to the customers' businesses and related industries, and additional qualitative factors considered, specifically with respect to the Bank's financial relief measures that would elevate COVID-19 pandemic-related changes to SICR;
- tested the Bank's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;
- tested loss given default information across various types of loan by inspecting records of historical recoveries and relevant costs, including valuation and cash flows from collateral and write-offs;
- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical draw down, if any; and,
- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information and our understanding of the Bank's loan portfolios and industry where they operate.

As part of our audit of the ECL methodology, we tested the completeness and accuracy of the data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we tested the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and other receivables subjected to impairment assessment.

We evaluated the completeness and appropriateness of the disclosures in the financial statements based on the requirements of the relevant financial reporting standards.

(b) Assessment of Goodwill and Branch Licenses Impairment

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets*, the Bank is required to annually test the carrying amounts of its goodwill and branch licenses for impairment. As at December 31, 2022, goodwill amounted to P121.9 million, while the branch licenses amounted to P250.8 million (see Note 15). We identified this area as a key audit matter because the annual impairment test requires significant judgment and is based on assumptions which are internally developed or projected by management. This includes identification of cash generating units (CGUs) where the goodwill is allocated and the future cash flows of the identified CGUs, which are significantly affected by higher level of estimation uncertainty. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use and the CGUs over which the goodwill and branch licenses were allocated. The Bank engaged a third-party valuation specialist to assist in determining the recoverable amount of goodwill and branch licenses. Management's significant assumptions include:

- the CGU will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,
- the CGU's performance forecast for the next five years.

The Bank's accounting policy on impairment of and disclosures about goodwill and branch licenses are included in Notes 2 and 15, respectively, to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and branch licenses included, among others, the following:

- assessed the competence, objectivity, and capabilities of the third-party valuation specialist engaged by the Bank in considering their qualifications, experience and reporting responsibilities;
- evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of CGUs attributable to the branch licenses and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;
- tested the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used;
- evaluated the adequacy of the financial statement disclosures relating to goodwill, branch licenses and impairment, including disclosure of key assumptions and judgments; and,
- compared the discount rate and long-term growth rate used against the industry and market outlook and other relevant consensus data.

Report of Independent Auditors

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022, are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2022 and 2021 required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Notes 32 and 33 to the financial statements, respectively, are presented for purposes of additional analysis and are not required parts of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the 2022 audit resulting in this independent auditors' report is Maria Isabel E. Comedia.

PUNONGBAYAN & ARAULLO



By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966

TIN 189-477-563

PTR No. 9566629, January 3, 2023, Makati City

SEC Group A Accreditation

Partner - No. 92966-SEC (until financial period 2022)

Firm - No. 0002 (until Dec. 31, 2024)

BIR AN 08-002511-021-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 31, 2023

Statements of Financial Position

December 31, 2022 and 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
RESOURCES			
CASH AND OTHER CASH ITEMS	9	P 1,247,987,230	P 1,430,787,675
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	6,102,228,578	16,754,028,342
DUE FROM OTHER BANKS	10	5,215,663,162	3,474,970,323
TRADING AND INVESTMENT SECURITIES – Net	11		
At fair value through profit or loss (FVPL)		2,222,021,039	2,482,213,020
At fair value through other comprehensive income (FVOCI)		10,820,216,925	11,989,395,564
At amortized cost - net		1,125,460,677	883,787,046
LOANS AND OTHER RECEIVABLES – Net	12	103,541,533,397	91,674,544,156
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net	13	708,318,079	621,805,020
INVESTMENT PROPERTIES – Net	14	1,257,271,069	659,704,957
DEFERRED TAX ASSETS – Net	25	1,356,780,139	1,142,253,206
OTHER RESOURCES – Net	15	952,585,285	918,785,181
TOTAL RESOURCES		P 134,550,065,580	P 132,032,274,490
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	16		
Demand		P 44,558,934,956	P 47,578,111,107
Savings		17,455,098,363	23,206,594,816
Time		52,512,126,159	41,633,005,244
Total Deposit Liabilities		114,526,159,478	112,417,711,167
BILLS PAYABLE	17	1,500,000,000	-
CORPORATE NOTES PAYABLE	18	-	2,995,352,640
ACCRUED EXPENSES AND OTHER LIABILITIES	19	3,947,573,513	2,156,130,088
Total Liabilities		119,973,732,991	117,569,193,895
EQUITY	21		
Capital stock		7,057,500,940	7,057,500,940
Additional paid-in capital		1,998,396,816	1,998,396,816
Deposit on future stock subscription		312,500,000	-
Surplus		6,812,226,971	5,619,577,477
Revaluation reserves		(1,604,292,138)	(212,394,638)
Total Equity		14,576,332,589	14,463,080,595
TOTAL LIABILITIES AND EQUITY		P 134,550,065,580	P 132,032,274,490

See Notes to Financial Statements

Statements of Profit or Loss

For the Years Ended December 31, 2022, 2021 and 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
INTEREST INCOME				
Loans and other receivables	12	P P5,724,208,657	P 5,586,338,153	P 6,516,984,585
Trading and investment securities	11	637,292,253	543,348,549	461,967,288
Due from Bangko Sentral ng Pilipinas and other banks	9, 10	218,049,115	204,977,490	124,201,484
		6,579,550,025	6,334,664,192	7,103,153,357
INTEREST EXPENSE				
Deposit liabilities	16	976,041,438	644,214,892	1,251,993,237
Bills payable	17	25,239,713	-	23,322,722
Corporate notes payable	18	6,436,301	171,200,433	171,693,218
Others	19, 23	24,461,998	22,906,674	28,568,854
		1,032,179,450	838,321,999	1,475,578,031
NET INTEREST INCOME		5,547,370,575	5,496,342,193	5,627,575,326
IMPAIRMENT LOSSES	28	820,614,023	747,357,300	2,335,791,829
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		4,726,756,552	4,748,984,893	3,291,783,497
OTHER INCOME				
Service charges, fees and commissions		727,958,296	369,420,926	346,623,801
Trading gains – net	11	-	-	749,332,694
Miscellaneous – net	22	218,226,956	196,510,646	73,642,094
		946,185,252	565,931,572	1,169,598,589
OTHER EXPENSES				
Salaries and other employee benefits	23	1,183,429,591	975,882,289	1,054,049,100
Taxes and licenses		647,080,896	584,907,104	692,012,377
Trading losses – net	11	402,252,951	253,969,915	-
Depreciation and amortization	13, 14, 15	328,281,618	305,917,104	280,030,322
Occupancy	19	260,086,593	272,957,686	197,481,423
Insurance		265,391,425	263,368,784	242,332,405
Management and other professional fees		192,763,571	324,432,877	241,080,616
Representation and entertainment		38,811,450	45,010,803	50,688,230
Miscellaneous	22	492,364,173	495,574,483	506,445,711
		3,810,462,268	3,522,021,045	3,264,120,184
PROFIT BEFORE TAX		1,862,479,536	1,792,895,420	1,197,261,902
TAX EXPENSE	25	551,030,042	624,727,075	258,379,015
NET PROFIT		P P1,311,449,494	P 1,168,168,345	P 938,882,887
Earnings Per Share				
Basic and Diluted	29	P P1.85	P 1.81	P 1.46

See Notes to Financial Statements

Statements of Comprehensive Income

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT		P 1,311,449,494	P 1,168,168,345	P 938,882,887
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	23	24,960,375	11,603,384 (990,388)
Tax income (expense)	25	(6,240,094)	(9,280,963)	297,116
		<u>18,720,282</u>	<u>2,322,421</u>	<u>(693,272)</u>
Items that will be reclassified subsequently to profit or loss				
Fair value gains (losses) on investment securities at FVOCI during the year - net	11	(1,404,660,931)	(566,144,785)	414,518,483
Expected credit losses for FVOCI securities	11	(6,564,187)	-	-
Fair value losses (gains) reclassified to profit or loss during the year - net	11	607,336	(17,016,471)	(344,639,026)
		<u>(1,410,617,782)</u>	<u>(583,161,256)</u>	<u>69,879,457</u>
Other Comprehensive Income (Loss) - Net of Tax		<u>(1,391,897,500)</u>	<u>(580,838,835)</u>	<u>69,186,185</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 80,448,006)	P 587,329,510	P 1,008,069,072

See Notes to Financial Statements

Statements of Changes in Equity

For the Years Ended December 31, 2022, 2021 and 2020
(Amounts in Philippine Pesos)

	Notes	Capital Stock (see Note 21)		Common Stock	Total	Additional Paid-in Capital (see Note 21)		Deposit on Future Stock Subscription (see Note 21)	Surplus (see Note 21)		Revaluation Reserves (see Note 21)		Total Equity
		Preferred Stock	Stock			Unappropriated	Appropriated		Unappropriated	Appropriated	Value Gains (Losses) on Investment Securities at FVOCI	Accumulated Actuarial Losses	
BALANCE AS AT JANUARY 1, 2022		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 374,242,445	P 5,245,335,032	P 5,619,577,477	P 125,395,426	(P 86,999,212)	(P 212,394,638)	P 14,463,080,595
Deposit on future stock subscription	21	-	-	-	-	312,500,000	-	-	-	-	-	-	312,500,000
Dividends during the year	21	-	-	-	-	-	(118,800,000)	(118,800,000)	(118,800,000)	-	-	-	(118,800,000)
Appropriation during the year	21, 27	-	-	-	-	-	359,373,365	359,373,365	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	-	1,311,449,494	1,311,449,494	1,311,449,494	(1,410,617,782)	18,720,282	(1,391,897,500)	(80,448,006)
BALANCE AS AT DECEMBER 31, 2022		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P 312,500,000	P 733,615,810	P 6,078,611,161	P 6,812,226,971	P 1,536,013,208	(P 68,278,930)	(P 1,604,292,138)	P 14,576,332,589
BALANCE AS AT JANUARY 1, 2021		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 46,814,378	P 4,404,594,754	P 4,451,409,132	P 457,765,830	(P 89,321,633)	P 368,444,197	P 13,875,751,085
Appropriation during the year	21, 27	-	-	-	-	-	327,428,067	327,428,067	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	-	-	1,168,168,345	1,168,168,345	(583,161,256)	2,322,421	580,838,835	587,329,510
BALANCE AS AT DECEMBER 31, 2021		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 374,242,445	P 5,245,335,032	P 5,619,577,477	(P 125,395,426)	(P 86,999,212)	(P 212,394,638)	P 14,463,080,595
BALANCE AS AT JANUARY 1, 2020		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 541,778,181	P 2,970,748,064	P 3,512,526,245	P 387,886,373	(P 88,628,361)	P 299,258,012	P 12,867,682,013
Appropriation during the year	21, 27	-	-	-	-	-	2,563,095	2,563,095	-	-	-	-	-
Reversal of appropriation during the year	20	-	-	-	-	-	(497,526,898)	497,526,898	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	-	-	938,882,887	938,882,887	69,879,457	(693,272)	69,186,185	1,008,069,072
BALANCE AS AT DECEMBER 31, 2020		P 620,000,000	P 6,437,500,940	P 7,057,500,940	P 1,998,396,816	P -	P 46,814,378	P 4,404,594,754	P 4,451,409,132	P 457,765,830	(P 89,321,633)	(P 368,444,197)	P 13,875,751,085

Statements of Cash Flows

For the Years Ended December 31, 2022, 2021 and 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,862,479,536	P 1,792,895,420	P 1,197,261,902
Adjustments for:				
Interest income	9, 10, 11, 12	(6,579,550,025)	(6,334,664,192)	(7,103,153,357)
Interest received		6,506,710,185	6,349,841,558	6,829,853,954
Interest paid		(1,057,649,309)	(832,266,567)	(1,521,005,210)
Interest expense	16, 17, 18, 19, 23	1,032,179,450	838,321,999	1,475,578,031
Impairment losses	28	820,614,023	747,357,300	2,335,791,829
Depreciation and amortization	11, 12, 13	328,281,618	305,917,104	280,030,322
Unrealized (loss) gain on foreign currency revaluation of investment securities	11	(197,693,919)	(74,935,545)	(95,954,725)
Amortization of premium		34,254,035	21,852,544	42,467,101
Loss (gain) on sale of properties - net	22	16,616,368	(9,918,968)	(3,262,459)
Amortization of bond issue cost		4,647,360	7,667,366	7,261,617
Loss (gain) on redemptions of investment securities at FVOCI	11	607,336	(17,016,471)	(344,639,026)
Operating profit before working capital changes		2,771,496,658	2,795,051,548	3,292,139,429
Decrease (increase) in trading and investment securities at FVPL		260,191,981	9,618,710,119	(7,423,692,820)
Increase in loans and other receivables		(13,764,592,500)	(2,431,813,095)	(4,990,036,892)
Decrease in investment properties		159,582,664	45,811,821	16,381,174
Decrease (increase) in other resources		169,998,841	(19,354,879)	156,143,471
Increase in deposit liabilities		2,137,775,005	12,052,928,864	5,204,935,051
Increase (decrease) in accrued expenses and other liabilities		1,100,138,774	(399,031,930)	(224,185,309)
Cash generated from (used in) operations		(7,165,408,577)	21,662,302,448	(3,968,315,896)
Cash paid for income taxes		458,868,496	(568,475,563)	(514,906,178)
Net Cash From (Used in) Operating Activities		(7,624,277,073)	21,093,826,885	(4,483,222,074)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at amortized cost	11	(520,953,694)	(208,273,009)	(123,022,531)
Acquisitions of investment securities at FVOCI	11	(296,476,107)	(16,899,893,203)	(919,018,601)
Proceeds from maturities of investment securities at amortized cost	11	292,032,610	155,825,123	155,738,699
Proceeds from sale, redemptions, and maturities of investment securities at FVOCI	11	199,392,664	9,342,138,182	5,462,924,070
Acquisitions of bank premises, furniture, fixtures and equipment	13	(95,732,812)	(196,150,225)	(92,795,120)
Acquisition of software licenses	15	(16,418,729)	(35,893,357)	(34,517,537)
Proceeds from sale of bank premises, furniture, fixtures and equipment	13	9,684,420	84,709,894	9,954,622
Net Cash From (Used in) Investing Activities		(428,471,648)	(7,757,536,595)	4,459,263,602
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of corporate notes payable	18, 31	(3,000,000,000)	-	-
Proceeds from bills payable	17, 31	2,000,000,000	-	2,000,000,000
Settlement of bills payable	17, 31	(500,000,000)	-	(2,612,523,350)
Proceeds from deposit on future stock subscription	21	312,500,000	-	-
Payment of lease liabilities	19, 31	145,630,698	(110,982,739)	(114,476,127)
Payment of cash dividends	21	(118,800,000)	-	-
Net Cash Used in Financing Activities		(1,160,669,302)	(110,982,739)	(726,999,477)

	Notes	2022	2021	2020
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(P 9,213,418,023)	13,225,307,551	(750,957,949)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
Cash and other cash items	9	1,430,787,675	1,762,972,825	1,171,299,633
Due from Bangko Sentral ng Pilipinas	9	16,754,028,342	5,112,525,249	5,232,433,363
Due from other banks	10	3,474,970,323	2,528,609,425	2,808,949,984
Securities under reverse repurchase agreement	12	2,538,411,628	1,594,893,958	2,542,070,169
Foreign currency notes and coins on hand	15	91,409,702	65,298,662	60,504,919
		24,289,607,670	11,064,300,119	11,815,258,068
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	1,247,987,230	1,430,787,675	1,762,972,825
Due from Bangko Sentral ng Pilipinas	9	6,102,228,578	16,754,028,342	5,112,525,249
Due from other banks	10	5,215,663,162	3,474,970,323	2,528,609,425
Securities purchased under reverse repurchase agreement	12	2,394,635,343	2,538,411,628	1,594,893,958
Foreign currency notes and coins on hand	15	115,675,334	91,409,702	65,298,662
		P 15,076,189,647	P 24,289,607,670	P 11,064,300,119

Supplemental note details of non-cash transactions are presented in Note 31.

See Notes to Financial Statements

Notes to Financial Statements

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Philippine Business Bank, Inc., A Savings Bank (the Bank or PBB) was incorporated in the Philippines on January 28, 1997 to engage in the business of thrift banking. It was authorized to engage in foreign currency deposit operations on August 27, 1997, and in trust operations on November 13, 2003. The Bank is a publicly listed entity in the Philippine Stock Exchange (PSE). It had its initial public offering (IPO) of shares on February 13, 2013 (see Note 21.1).

As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Bank is required to comply with rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities, and those relating to adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. Its activities are subject to the provisions of the General Banking Law of 2000 [Republic Act (RA) No. 8791] and other relevant laws.

PBB is the first savings bank in the Philippines that obtained the BSP approval to issue foreign letters of credit and pay/accept/negotiate import/export drafts/bills of exchange under RA Nos. 8791 and 7906 and the Manual of Regulations for Banks. It was granted in April 2010.

The Bank operates in the Philippines and, as of December 31, 2022 and 2021, it has 157 and 160 branches, respectively, located nationwide.

The Bank's registered address, which is also the address of its principal place of business, is 350 Rizal Avenue Extension corner 8th Avenue, Grace Park, Caloocan City.

1.2 Approval of the Financial Statements

The financial statements of the Bank as at and for the year ended December 31, 2022 (including the comparative financial statements as at December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Bank's Board of Directors (BOD) on March 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies that have been used in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income, and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents a statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates. The financial statements of the Bank's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Bankers Association of the Philippine (BAP) closing rate prevailing at the end of reporting period for the statement of financial position accounts and at BAP weighted average rate for the period for the profit and loss.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Bank

The Bank adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle) PFRS 9 (Amendments)	:	Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these amendments.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments 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 application of these amendments had no significant impact on the Bank’s financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Bank’s policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Bank’s financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Bank’s financial statements:
 - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
 - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

Notes to Financial Statements

(b) Effective in 2022 that is not Relevant to the Bank

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following annual improvements to PFRS 2018-2020 cycles are not relevant to the Bank's financial statements:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*
- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Bank's products and services as disclosed in Note 8.

Each of these operating segments is managed separately as each of these services requires different technologies and resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies of the Bank used for segment reporting under PFRS 8, *Operating Segments*, is the same as those used in its financial statements. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Financial performance on operating segments is presented in Note 8.

2.4 Current versus Non-current Classification

The Bank presents assets and liabilities in the statement of financial position based on current or non-current classification which is presented in Note 20. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Bank classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the Bank commits to purchase or sell the asset).

At initial recognition, the Bank measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at FVPL are expensed outright in profit or loss. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follows.

(i) Financial Assets at Amortized Cost

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

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

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables and as part of Other Resources in respect of security deposits, and foreign currency notes and coins on hand which are included in the account.

For purposes of cash flows reporting and presentation, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins on hand and securities under reverse repurchase agreement (SPURRA) with original maturities of three months or less.

Notes to Financial Statements

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell (“hold to collect and sell”); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as FVPL. The Bank has not made irrevocable designation of equity instruments at the reporting period.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of the Revaluation Reserves account in equity. When the asset is disposed of, the cumulative fair value gains or losses previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Surplus, except for those debt securities classified as FVOCI wherein fair value changes are recycled to profit or loss.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. The Bank’s financial assets at FVPL include debt securities which are held for trading purposes or designated as at FVPL.

Financial assets at FVPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading Gains or Losses in the statement of profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(b) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVPL, or at FVOCI, is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(c) Impairment of Financial Assets

The Bank assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI and other contingent accounts. The Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Should there be a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments).

'Stage 2' financial instruments also include the following characteristics:

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans; and,
- current loans that are rated as Especially Mentioned based on the Internal Credit Risk Rating System (ICRRS) of the Bank.

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due, and Items in Litigation based on the ECL methodology of the Bank.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.3.

Measurement of ECL

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)*– This is a quantitative measure of default risk based on the general credit worthiness of the borrower or issuer. It is the likelihood of a borrower defaulting on its obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. A related measurement of default is the survival rate, which is the chance that the loan will be repaid.
- *Loss given default (LGD)* – The fraction of loan value or exposure that is likely to be lost in the event of borrower default. The loss statistic is specific to the facility structure and thus, associated with the facility risk rating. A related measure is the recovery rate, which is the percentage of the defaulted principal that can be recovered if default occurs.
- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation. The EAD is measured at book value of facilities granted with an assumption that most short-term lines and credit commitments are fully drawn at default. In case of a loan commitment, the Bank shall include the potential availment (up to the current contractual limit) at the time of default should it occur.

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

The Bank applies a simplified ECL approach for its loans and other receivables wherein the Bank uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Bank's lending activities. For these instruments, the Bank measures the loss allowance at an amount equal to lifetime ECL.

The Bank recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account. With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserves account and does not reduce the carrying amount of the financial asset in the statement of financial position. For loan commitments, if any, the loss allowance is recognized as provisions (presented and included as part of the Accrued Expenses and Other Liabilities account in the statement of financial position).

Notes to Financial Statements

Where a financial instrument includes a drawn and undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Bank presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

(d) *Reclassification of Financial Assets*

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria. A change in the objective of the Bank's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(e) *Derecognition of Financial Assets*

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

(i) *Modification of Loans*

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that will affect the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and/or,
- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets. As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) *Derecognition of Financial Assets Other than Through Modification*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(f) Classification and Measurement of Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, corporate notes payable and accrued expenses and other liabilities (excluding tax-related payables and post-employment benefit obligation) and are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as Interest Expense in the statement of profit or loss.

Deposit liabilities, bills payable and corporate notes payable are recognized initially at their fair value, which is the issuance proceeds (fair value of consideration received) net of direct issue costs and are subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. Any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the borrowings.

Accrued expenses and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Bank and subject to the requirements of BSP Circular No. 888, Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation, or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

2.6 Derivative Financial Instruments

The Bank uses derivative financial instruments, particularly plain vanilla foreign exchange forwards, to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive (recognized as part of Investment securities at FVPL under the Trading and Investment Securities account) and as liabilities (recognized under the Accrued Expenses and Other Liabilities account) when the fair value is negative.

The Bank's derivative instruments provide economic hedges under the Bank's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

2.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses.

The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture, fixtures and equipment	5-7 years
Transportation equipment	5 years

Leasehold improvements are amortized using the estimated useful lives of six months to 13 years or the remaining term of the lease whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

Notes to Financial Statements

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment loss, 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are neither held by the Bank for sale in the next 12 months nor used in the rendering of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation, and any impairment losses (see Note 2.18). The cost of an investment property comprises its acquisition price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Investment properties, except land, are depreciated over a period of five to 10 years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Note 2.8).

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation.

Direct operating expenses related to investment properties, such as repairs and maintenance and real estate taxes, are normally charged against current operations in the period in which these costs are incurred.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss under the Gain (or Loss) on sale of properties under Miscellaneous Income (or Expenses) in the statement of profit or loss, in the year of retirement or disposal.

2.10 Intangible Assets

Intangible assets include goodwill, branch licenses, club shares and computer software, which are included as part of Other Resources and are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets and branch licenses acquired at the date of acquisition. Branch licenses represent the rights given by the BSP to the Bank to establish a certain number of branches in various areas in the country.

Goodwill, branch licenses and club shares are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.18). For purposes of impairment testing, goodwill is allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses while branch licenses are tested for impairment individually based on recoverable amount (see Notes 15.2 and 15.3). For club shares, impairment loss is recognized when the fair value of the shares as of the reporting period is lower than the carrying amount.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of five years. In addition, intangible assets are subject to impairment testing when indications exist, as described in Note 2.18. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.11 Other Resources

Other resources pertain to other assets controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

Other acquired assets pertain to chattel properties acquired through repossession or dacion en pago from defaulting borrowers. These are stated at cost less accumulated depreciation and any impairment in value. Depreciation of other acquired assets is computed on a straight-line basis over the estimated useful life of three years. The carrying value of other acquired assets is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the Bank is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Equity

Capital stock represents the nominal value of the common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Deposits on future stock subscription represent the amount of money received from the principal shareholders as deposit on the subscription relative to the Bank's application for increase in authorized capital stock. Based on the requirements of the Securities and Exchange Commission (SEC), the Bank recognizes a deposit for future stock subscription as part of equity if all of the following criteria are met as at the end of the reporting period.

- (a) Lack or insufficiency of authorized unissued shares of stock to cover for the deposit;
- (b) Approval by the Bank's Board of Directors (BOD) and stockholders for the increase in authorized capital stock to cover the shares corresponding to the amount of the deposit; and,
- (c) Application for the approval of the increase in authorized capital stock has been filed with the SEC.

If any of the foregoing criteria is not met at the end of the reporting period, the deposit for future stock subscription is recognized as a liability.

Appropriated surplus consist of:

- (a) General loan loss reserve, which pertains to the accumulated amount of appropriation from Surplus made by the Bank arising from the excess of the one-percent general loan loss provisions (GLLP) for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, over the computed allowance for ECL for Stage 1 accounts; and,
- (b) Reserve for trust business representing the accumulated amount set aside by the Bank under existing regulations requiring the Bank to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Notes to Financial Statements

Unappropriated surplus includes all current and prior period results of operations as disclosed in the statement of profit or loss, less appropriated surplus and dividends declared.

Revaluation reserves comprise of the remeasurements of post-employment defined benefit plan and unrealized fair value gains or losses on mark-to-market valuation of financial assets at FVOCI.

2.14 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and (d) the Bank's funded retirement plan.

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

For purposes of reporting to the SEC in accordance with SEC Memorandum Circular No.10-2019, Rules on Material Related Party Transactions for Publicly-Listed Companies, transaction amounting to 10% or more of the total assets that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Bank's total assets, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.15 Other Income and Expense Recognition

Other income is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, Revenue from Contracts from Customers. In such a case, the Bank applies PFRS 9 first to separate and measure the part of the contract that is covered by PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Bank assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all its revenue arrangements.

For other income arising from these various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

- a. *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided or after fulfilling the corresponding criteria. These include the commissions, deposit-related fees and other credit-related fees.
- b. *Asset management services* – The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized in profit or loss as follows:
 - (i) *Asset management and trust fees* – these are service fees calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on the scheduled collection date. Revenue from asset management services is recognized over time as the services are provided.
 - (ii) *Non-refundable upfront fees* – are charged to customers when opening certain types of trust account with the Bank. These fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

- a. *Trading and securities gains (losses)* – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVPL.
- b. *Gain or loss from assets sold or exchanged* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Miscellaneous Income or Miscellaneous Expenses in the statement of profit or loss.

Costs and expenses are recognized in profit or loss upon utilization of the assets and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.20).

2.16 Leases – Bank as a Lessee

The Bank considers whether a contract is or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.’ To apply this definition, the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the statement of financial position.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The corresponding right-of-use assets and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment, and Accrued Expenses and Other Liabilities, respectively, in the statement of financial position.

Notes to Financial Statements

2.17 Foreign Currency Transactions and Translation

The accounting records of the Bank's regular banking unit are maintained in Philippine pesos while the FCDU are maintained in US dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.18 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, and other resources (including branch licenses goodwill, club shares, computer software and other acquired assets) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill and branch licenses (see Note 2.10) or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment loss is charged pro rata to the other assets in the cash generating unit.

Except for assets with indefinite useful life, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed, if the cash generating units' recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory, and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on zero coupon government bonds as published by Bloomberg Valuation (BVAL), 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 post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest Income or Interest Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g., Social Security System and Philhealth). The Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Bonus Plans*

The Bank recognizes a liability and an expense for employee bonuses, based on a formula that is fixed regardless of the Bank's income after certain adjustments and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Expenses and Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

(f) *Short-term Benefits*

Short-term employee benefits include salaries, wages, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued Expenses and Other Liabilities in the statement of financial position.

2.20 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.21 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.22 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit attributable to common shares by the weighted average number of common shares subscribed and issued during the period, after retroactive adjustment for any stock dividend declared in the current period, if any.

The diluted EPS is also computed by dividing net profit by the weighted average number of common shares subscribed and issued during the period. Currently, the Bank does not have dilutive potential shares outstanding; hence, the dilutive earnings per share is equal to the basic earnings per share.

Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. As of December 31, 2022 and 2021, the Bank has no convertible preferred shares (see Note 21.1).

2.23 Trust and Fiduciary Operations

The Bank acts as trustee and in other fiduciary capacity that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and their income arising thereon are excluded from these financial statements, as these are neither resources nor income of the Bank.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Application of ECL to Financial Assets at FVOCI and Amortized Cost

The Bank uses external benchmarking and historical loss rates to calculate ECL for all debt instruments carried at FVOCI and amortized cost as well as loan commitments, if any. The allowance for impairment is based on the ECLs associated with the PD of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.3).

(b) Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. These business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading and lending strategies. Furthermore, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, it considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's investment objective for the business model.

(c) Distinction Between Investment Properties or Other Acquired Assets and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other acquired assets presented under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.

Some properties may comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Bank accounts for the portions separately. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

Notes to Financial Statements

(d) *Determination of Branch Licenses Having Indefinite Useful Lives*

The Bank's branch licenses were regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(e) *Determination of Lease Term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Bank did not include renewal options as part of the lease term of as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised, or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and relevant disclosures are presented in Note 26.

In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 *Key Sources of Estimation Uncertainty*

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

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on debt financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

The carrying value of investments in debt securities at amortized cost and at FVOCI, and loans and other receivables together with the analysis of the allowance for impairment on such financial assets, are shown in Notes 11 and 12, respectively.

(b) *Fair Value Measurement for Financial Assets at FVPL and at FVOCI*

The Bank carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Bank's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 11.

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Club Shares, Other Acquired Assets, Goodwill and Branch Licenses*

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, computer software, club shares and other acquired assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Bank's goodwill, branch licenses and club shares are regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties, computer software and other acquired assets are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 15. Based on management's assessment as of December 31, 2022 and 2021, there are no changes in the useful lives of these assets.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which management has assessed to be fully recoverable, as of December 31, 2022 and 2021 is disclosed in Note 25.

(e) *Determination of Fair Value of Investment Properties*

The Bank's investment properties are composed of parcels of land, buildings, condominium units and improvements which are held for capital appreciation and are measured using the cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

At initial recognition, the Bank determines the fair value of the acquired properties based on valuations performed by both internal and external appraisers. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The Bank's methodology in determining the fair value of acquired properties are further discussed in Note 7.

(f) *Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives (i.e. goodwill and branch licenses), which are annually tested for impairment, PFRS requires that an impairment review be performed when certain impairment indications are present. The Bank's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.18. Though management believes that the assumptions used in the estimation of 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.

Allowance for impairment recognized on investment properties and other properties held for sale are discussed in Notes 14 and 15. There are no impairment losses recognized in goodwill, branch licenses, bank premises, furniture, fixtures and equipment, and right-of-use assets.

(g) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic Environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

Notes to Financial Statements

(h) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rates, expected rate of salary increases and employee turnover. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of defined benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 23.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's activities are exposed to credit, market and liquidity, and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity, and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems, information technology and external events.

The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

4.1 Risk Management

The Bank continually advances on its risk management techniques and integrate this into the overall strategic business objectives to support the growth objectives of the Bank.

The Bank has automated the frontoffice, back office, and middle office operations as far as market risk is concerned. This includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover market risk exposures.

On the credit side, the Bank institutes periodic improvements on its credit policies, which includes review and approval of large exposures and credit concentration within proper authority. The Bank also reviews remedial management action plans on the resolution of problematic loan accounts. The Bank continues to device ways to streamline and improve on its credit processes to ensure that commensurate controls are in place.

The Bank has completed the bank-wide operational risk and control self-assessment in support of the enterprise risk management framework of the Bank, and continues to use other operational risk management tools such as loss events monitoring and key risk indicators.

There is also an enterprise-wide training on risk awareness to ensure appreciation of the risk management objectives of the Bank, and how these relate to the overall objective and strategies of the Bank, resulting to appropriate identification and measurement of the key risks of all business and support units. Policies on Business Continuity and Information Security were further strengthened, strictly implemented, and continuously disseminated across all units of the Bank.

4.2 Enterprise Risk Management Framework

The Bank adopts an Enterprise Risk Management framework as its integrated approach to the identification, measurement, control and disclosure of risks, subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The Bank has an integrated process of planning, organizing, leading, and controlling its activities in order to minimize the effects of risk on its capital and earnings. The Bank's BOD formulates the corporate risk policy, sets risk tolerances and appetite and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework covers operational, market and liquidity, credit and counterparty, and other downside risks within the context of the supervisory risk guidelines of the BSP and aligned best practices on risk management.

4.3 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the BOD. Account officers and credit officers directly handle credit risk as guided by policies and limits approved by the BOD. ERMG, as guided by the ROC, performs an independent portfolio oversight of credit risks and reports regularly to the BOD and the ROC.

On the transactional level, exposure to credit risk is managed through a credit review process wherein a regular analysis of the ability of the obligors and potential obligors to meet interest and capital repayment obligations is performed. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Moreover, in accordance with best practices, the Bank also adopts an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible and uses this information as a tool for business and financial decision-making.

4.3.1 Credit Risk Measurement

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL as required by PFRS 9.

The initial recognition of credit risk by individual or group of related counterparties is done through its ICRRS. The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is created by the Bank with reference to the credit risk rating methodology utilized by an established rating agency to evaluate the creditworthiness of an individual borrower, regardless of the borrowing's status. The Bank reviews and updates its risk ratings for its loan and receivables portfolio on a regular basis, taking into account changes in the economy, business environment, industry, and borrower's circumstances. This periodic assessment of credit quality may result in a borrower's rating being improved or downgraded over time. The credit risk ratings in ICRRS are designed to increase the risk of default exponentially as the risk rating increases, as indicated by differences in the PD. Past due accounts, accounts identified for phase-out, and those that share characteristics with classified loans are all included in the ICRRS, and their loan loss provisions are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) Retail or Consumer Loans

Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. The ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) Corporate and Commercial Loans

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager incorporates any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This determines the internal credit rating and the PD.

(iii) Debt Securities at Amortized Cost and at FVOCI

For the Bank's debt securities, PD coming from Bloomberg are used. These default rates are continuously monitored and updated. The one-year PD is an estimate of the probability of a default, bankruptcy, government intervention or distressed exchange occurring in the next 12 months.

Notes to Financial Statements

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the corporate borrowers and counterparties through a set of criteria and rating scale classified into the following:

<u>Risk Rating</u>	<u>Rating Description/Criteria</u>
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage
Strong	Borrower normally has a comfortable degree of stability, substance and diversity
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market
Satisfactory	Borrowers where clear risk elements exist, and the probability of default is somewhat greater
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

<u>Risk Rating</u>	<u>Rating Description/Criteria</u>
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower

<u>Risk Rating</u>	<u>Rating Description/Criteria</u>
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable
Loss	Loans considered absolutely uncollectible or worthless

The Bank classifies consumer loans based on days past due following the categories that are consistent with the manner applied under the Bank's internal credit risk assessment and regulatory reporting as follows:

<u>Bucket</u>	<u>Classification</u>	<u>Secured</u>	<u>Unsecured</u>
Current	Unclassified	Unclassified	Unclassified
One to 30 days	Especially Mentioned	Unclassified	Especially Mentioned
31 to 60 days	Especially Mentioned	Especially Mentioned	Especially Mentioned
61 to 90days	Substandard	Especially Mentioned	Substandard
91 to 180 days	Substandard	Substandard	Substandard
181 to 365 days	Doubtful	Doubtful	Doubtful
More than 365 days	Loss	Loss	Loss

The Bank assigns consumer loans based on classification into stages of impairment as follows:

<u>Classification</u>	<u>Stages</u>
Unclassified	1
Especially Mentioned	2
Defaulted	3

For purposes of the information disclosed for credit risk exposures, 'defaulted' accounts include those which are classified as Substandard, Doubtful, and Loss.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review in order to ensure that credit exposures within a particular group remain appropriately homogenous.

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal loan loss methodology.

4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts for loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2022 and 2021, there are no purchased or originated credit-impaired financial assets in the Bank's financial statements.

The following table shows the exposure (gross of unamortized charges and unearned discount) to credit risk for each internal risk grade and the related allowance for impairment as of December 31:

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*				
Excellent	P 1,194,916,484	P -	P -	P 1,194,916,484
Strong	1,765,488,366	-	-	1,765,488,366
Good	22,762,858,546	924,654,276	3,349,959	23,690,862,781
Satisfactory	38,360,949,704	1,785,688,022	24,797,041	40,171,434,767
Acceptable	17,477,494,956	3,570,000	-	17,481,064,956
Watchlist	-	4,759,194,334	279,548,529	5,038,742,863
Classified	-	-	7,691,988,821	7,691,988,821
Substandard	-	-	385,451,100	385,451,100
	<u>81,561,708,056</u>	<u>7,473,106,632</u>	<u>8,385,135,450</u>	<u>97,419,950,138</u>
ECL allowance	(63,259,792)	(81,520,286)	(4,496,231,984)	(4,641,012,062)
Carrying amount	<u>P 81,498,448,264</u>	<u>P 7,391,586,346</u>	<u>P 3,888,903,466</u>	<u>P 92,778,938,076</u>
Receivables from customers – consumer				
Housing loans				
Unclassified	P 4,000,279,514	P -	P -	P 4,000,279,514
Especially Mentioned	-	77,660,350	-	77,660,350
Substandard	-	-	31,715,789	31,715,789
Doubtful	-	-	53,243,061	53,243,061
Loss	-	-	191,855,993	191,855,993
	<u>4,000,279,514</u>	<u>77,660,350</u>	<u>276,814,843</u>	<u>4,354,754,707</u>
ECL allowance	(2,415,277)	(2,635,686)	(10,826,950)	(15,877,913)
Carrying amount	<u>P 3,997,864,237</u>	<u>P 75,024,664</u>	<u>P 265,987,893</u>	<u>P 4,338,876,794</u>
Auto loans				
Unclassified	P 1,532,674,351	P -	P -	P 1,532,674,351
Especially Mentioned	-	27,694,587	-	27,694,587
Substandard	-	-	20,519,149	20,519,149
Doubtful	-	-	30,009,754	30,009,754
Loss	-	-	201,895,778	201,895,778
	<u>1,532,674,351</u>	<u>27,694,587</u>	<u>252,424,681</u>	<u>1,812,793,619</u>
ECL allowance	(3,015,949)	(3,038,459)	(52,088,566)	(58,142,974)
Carrying amount	<u>P 1,529,658,402</u>	<u>P 24,656,128</u>	<u>P 200,336,115</u>	<u>P 1,754,650,645</u>
Salary loans				
Unclassified	P 786,559,243	P -	P -	P 786,559,243
Especially Mentioned	-	79,150,745	-	79,150,745
Substandard	-	-	18,123,002	18,123,002
Doubtful	-	-	2,545,107	2,545,107
Loss	-	-	79,187,377	79,187,377
	<u>786,559,243</u>	<u>79,150,745</u>	<u>99,855,486</u>	<u>965,565,474</u>
ECL allowance	(6,437,290)	(8,007,297)	(87,863,662)	(102,308,249)
Carrying amount	<u>P 780,121,953</u>	<u>P 71,143,448</u>	<u>P 11,991,824</u>	<u>P 863,257,225</u>
Contract-to-sell				
Unclassified	P 7,604,337	P -	P -	P 7,604,337
ECL allowance	(12,344)	-	-	(12,344)
Carrying amount	<u>P 7,591,993</u>	<u>P -</u>	<u>P -</u>	<u>P 7,591,993</u>

*Excludes unamortized charges from capitalized commission amounting to P2.3 million

Notes to Financial Statements

	2022			
	Stage 1	Stage 2	Stage 3	Total
Total gross amount	P 6,327,117,445	P 184,505,682	P 629,095,010	P 7,140,718,137
Total ECL allowance	(11,880,860)	(13,681,442)	(150,779,178)	(176,341,480)
Total carrying amount	P 6,315,236,585	P 170,824,240	P 478,315,832	P 6,964,376,657
Other receivables				
Excellent	P 2,527,525,038	P -	P -	P 2,527,525,038
Strong	136,805,515	-	-	136,805,515
Good	132,547,899	538,347	23,729	133,109,975
Satisfactory	174,878,896	3,327,731	-	178,206,627
Acceptable	100,407,732	380,837	368,160	101,156,729
Watchlist	-	15,036,889	5,189,914	20,226,803
Classified	-	-	593,910,980	593,910,980
	3,072,165,080	19,283,804	599,492,783	3,690,941,667
ECL allowance	(7,134,532)	(1,395,690)	(166,919,306)	(175,449,528)
Carrying amount	P 3,065,030,548	P 17,888,114	P 432,573,477	P 3,515,492,139
Debt investment securities at FVOCI				
Excellent	10,820,216,925	-	-	10,820,216,925
ECL allowance**	(10,793,644)	-	-	(10,793,644)
	P 10,809,423,281	P -	P -	P 10,809,423,281
Debt investment securities at amortized cost				
Excellent	P 1,138,759,769	P -	P -	P 1,138,759,769
ECL allowance	(13,299,092)	-	-	(13,299,092)
Carrying amount	P 1,125,460,677	P -	P -	P 1,125,460,677

**Reported as part of unrealized fair value gains (losses) (NUGL)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*				
Excellent	P 758,350,000	P -	P -	P 758,350,000
Strong	2,193,138,134	-	-	2,193,138,134
Good	25,162,297,356	310,664,969	194,539,755	25,667,502,080
Satisfactory	41,328,915,016	1,655,528,052	148,075,415	43,132,518,483
Acceptable	8,383,023,421	47,018,418	-	8,430,041,839
Watchlist	-	1,996,177,360	1,468,745,182	3,464,922,542
Classified	-	-	2,349,314,339	2,349,314,339
	77,825,723,927	4,009,388,799	4,160,674,691	85,995,787,417
ECL allowance	(1,183,680,765)	(151,667,981)	(2,338,544,024)	(3,673,892,770)
Carrying amount	P 76,642,043,162	P 3,857,720,818	P 1,822,130,667	P 82,321,894,647
Receivables from customers – consumer				
Housing loans				
Unclassified	P 2,030,295,493	P -	P -	P 2,030,295,493
Especially Mentioned	-	1,359,762,257	-	1,359,762,257
Substandard	-	-	91,390,270	91,390,270
Doubtful	-	-	67,803,784	67,803,784
Loss	-	-	230,138,556	230,138,556
	2,030,295,493	1,359,762,257	389,332,610	3,779,390,360
ECL allowance	(22,410,789)	(1,010,690)	(21,146,042)	(44,567,521)
Carrying amount	P 2,007,884,704	P 1,358,751,567	P 368,186,568	P 3,734,822,839
Auto loans				
Unclassified	P 718,102,932	P -	P -	P 718,102,932
Especially Mentioned	-	933,487,991	-	933,487,991
Substandard	-	28,346,338	68,993,972	97,340,310
Doubtful	-	-	35,653,618	35,653,618
Loss	-	-	202,852,875	202,852,875
	718,102,932	961,834,329	307,500,465	1,987,437,726
ECL allowance	(9,684,235)	(3,063,398)	(38,099,025)	(50,846,658)
Carrying amount	P 708,418,697	P 958,770,931	P 269,401,440	P 1,936,591,068

*Excludes unamortized charges from capitalized commission amounting to P12.1 million

	2021			
	Stage 1	Stage 2	Stage 3	Total
Salary loans				
Unclassified	P 108,134,413	P -	P -	P 108,134,413
Especially Mentioned	-	6,118,057	-	6,118,057
Substandard	-	4,417	940,002	944,419
Doubtful	-	-	952,313	952,313
Loss	-	-	89,084,488	89,084,488
	<u>108,134,413</u>	<u>6,122,474</u>	<u>90,976,803</u>	<u>205,233,690</u>
ECL allowance	(25,989,387)	(1,749,477)	(90,976,803)	(118,715,667)
Carrying amount	<u>P 82,145,026</u>	<u>P 4,372,997</u>	<u>P -</u>	<u>P 86,518,023</u>
Contract-to-sell				
Unclassified	P 12,940,372	P 2,431,032	P -	P 15,371,404
Loss	-	-	497,393	497,393
	<u>12,940,372</u>	<u>2,431,032</u>	<u>497,393</u>	<u>15,868,797</u>
ECL allowance	(291,636)	(2,431,032)	(497,393)	(3,220,061)
Carrying amount	<u>P 12,648,736</u>	<u>P -</u>	<u>P -</u>	<u>P 12,648,736</u>
Total gross amount	P 4,477,629,348	P 155,148,320	P 1,355,152,905	P 5,987,930,573
Total ECL allowance	(58,376,047)	(8,254,597)	(150,719,263)	(217,349,907)
Total carrying amount	<u>P 4,419,253,301</u>	<u>P 146,893,723</u>	<u>P 1,204,433,642</u>	<u>P 5,770,580,666</u>
Other receivables				
Excellent	P 2,716,096,719	P -	P -	P 2,716,096,719
Strong	376,048,368	-	-	376,048,368
Good	177,614,534	-	-	177,614,534
Satisfactory	238,585,624	7,246,170	1,992,039	247,823,833
Acceptable	77,762,661	70,679	889,955	78,723,295
Watchlist	-	13,632,193	11,777,820	25,410,013
Classified	-	-	409,533,964	409,533,964
	<u>3,586,107,906</u>	<u>20,949,042</u>	<u>424,193,778</u>	<u>4,031,250,726</u>
ECL allowance	(11,285,618)	(1,709,360)	(310,142,795)	(323,137,773)
Carrying amount	<u>P 3,574,822,288</u>	<u>P 19,239,682</u>	<u>P 114,050,983</u>	<u>P 3,708,112,953</u>
Debt investment securities at FVOCI				
Excellent	P 11,989,395,564	P -	P -	P 11,989,395,564
ECL allowance**	(4,229,457)	-	-	(4,229,457)
	<u>P 11,985,166,107</u>	<u>P -</u>	<u>P -</u>	<u>P 11,985,166,107</u>
Debt investment securities at amortized cost				
Excellent	P 885,404,986	P -	P -	P 885,404,986
ECL allowance	(1,617,940)	-	-	(1,617,940)
Carrying amount	<u>P 883,787,046</u>	<u>P -</u>	<u>P -</u>	<u>P 883,787,046</u>

**Reported as part of unrealized fair value gains (losses) (NUGL)

As of December 31, 2022 and 2021, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P12,565.9 million and P21,659.8 million, respectively (see Notes 9 and 10). The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on S&P ratings.

Notes to Financial Statements

4.3.3 Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below (amounts in thousands).

	2022			2021		
	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	P 15,076,190	P 4,363,124	P 11,491,803	P 24,289,608	P 3,278,448	P 13,359,752
Wholesale and retail trade	-	38,146,775	-	-	33,421,613	-
Real estate activities	-	16,512,161	316,317	-	15,784,545	145,328
Manufacturing	-	12,800,637	1,820,631	-	10,540,381	1,303,490
Construction	-	7,330,580	-	-	6,053,936	-
Transportation and storage	-	6,121,292	-	-	6,990,355	-
Electricity, gas, steam and air-conditioning supply	-	4,757,477	121,812	-	4,963,672	136,617
Accommodation and food service activities	-	3,308,648	301,083	-	2,655,107	253,489
Water supply, sewerage, waste management and remediation activities	-	2,667,819	140,503	-	2,467,987	158,337
Administrative and support services	-	2,532,306	-	-	2,399,622	-
Consumption	-	1,843,519	-	-	536,465	-
Agriculture, forestry and fishing	-	1,321,665	-	-	1,154,213	-
Professional, scientific, and technical activities	-	735,066	-	-	247,919	-
Mining and quarrying	-	658,407	-	-	52,210	-
Information and communication	-	255,067	-	-	305,538	-
Education	-	227,863	-	-	260,058	-
Human health and social service activities	-	63,890	-	-	45,499	-
Arts, entertainment and recreation	-	20,110	-	-	152,210	-
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	5,074	-	-	3,331	-
Other service activities	-	889,188	-	-	670,609	-
	P 15,076,190	P 104,560,668	P 14,192,149	P 24,289,608	P 91,983,718	P 15,357,013

*Cash and cash equivalents include cash and other cash items, due from BSP and other banks, SPURRA and foreign currency notes and coins on hand (see Note 2.5).

**Receivables from customers are reported gross of unearned interests or discounts and excluding unamortized charges from capitalized commission.

4.3.4 Amounts Arising from ECL

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt securities carried at FVOCI have significant increase in credit risk (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using PD, LGD and EAD.

(a) Significant Increase in Credit Risk (SICR)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both the quantitative and qualitative information that is reasonable and supportable, including historical experience as appropriate. For corporate and commercial loans, these may include macroeconomic conditions, economic sector and geographical region relevant to the corporate counterparty or borrower and other factors that are counterparty specific. As the Bank holds various types of financial instruments, the extent of assessment may depend on the materiality of the financial instrument, or the complexity of the portfolio being assessed.

Retail or Consumer Loans

The Bank ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

- Stage 1 – comprises of all credit exposures that are considered ‘performing’ and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.
- Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank’s quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Stage 2 includes credit exposures that are considered ‘under-performing’ in which credit risk assessment fall under the Especially Mentioned classification. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank’s observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.
- Stage 3 – comprises credit exposures which are assessed as ‘credit-impaired’, thus considered by the Bank as ‘non-performing’, which is assessed consistently with the Banks definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

Corporate and Commercial Loans

As outlined in PFRS 9, a ‘3-stage’ impairment model was adopted by the Bank based on changes in credit quality since initial recognition of the financial asset. As discussed in Note 2.5(c), a financial asset that is not credit-impaired on initial recognition is classified as ‘Stage 1’, with credit risk continuously monitored by the Bank as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Such assessment is based on certain qualitative criteria as follows:

- Borrowers with past due accounts over the cure period of 30 days but with current accounts at the effectivity of the cure period policy shall be downgraded to Watchlist Rating.
- Watchlist borrowers can be upgraded upon completion of the observation period which shall be 12 months from the time of downgrading provided an updated ICRRS has been conducted. The seasoning means that there is no incident of past due even within the cure period.
- Borrowers with accounts that are all past due over the cure period shall be rated as Classified. Such shall be categorized as:
 - (i) Classified secured less than 5 years past due
 - (ii) Classified – Clean less than 3 years
 - (iii) Classified over observation period

Generally, Watchlisted accounts shall be considered as Stage 2 accounts for purposes of provisioning while Classified accounts shall be Stage 3.

Debt Securities at Amortized Cost and at FVOCI

The Bank considers low credit risk for government debt securities and listed corporate debt securities when its credit risk rating is equivalent to a globally understood definition of ‘investment grade’ (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Notes to Financial Statements

(b) Definition of Default and Credit-impaired Assets

Loans and other receivables

Credit impaired loans and other receivables are those classified as both past due and under Stage 3. The total credit impaired assets under corporate, consumer, and other receivables amount to P8,385.1 million, P629.1 million, and P599.5 million, respectively, as at December 31, 2022 and P4,160.7 million, P1,355.2 million, and P424.2 million respectively, as at December 31, 2021. The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the borrower is more than 30 days past due on its contractual payments.
- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

An instrument is considered to have cured when it no longer meets any of the default criteria for six consecutive months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments. This period was determined based on an analysis which considers the likelihood of a financial instrument returning to default status. The Bank considers verifiable collection experience and reasonable judgment that support the likelihood.

Unsecured and secured loans qualify for write-off when they remained unpaid and outstanding for more than 914 days and 1,095 days, respectively, and upon BOD approval.

Debt Securities

Debt securities are assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL.

Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (e.g., a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in government debt securities is credit-impaired, the Bank considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

(c) *Key Inputs, Assumptions and Estimation Techniques Used in Measurement of ECL*

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, LGD, and EAD, which are defined in Note 2.5(c). The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival i.e., the exposure has not been prepaid or defaulted in an earlier month. This effectively calculates an ECL for each future month, which is then discounted back to and summed at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (usually, an observation period of five years).

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected over payments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed.

For unsecured loan portfolio, LGD is typically set at portfolio level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.3.4(d)]. Further, the assumptions underlying the calculation of the ECL, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed by the Bank on a quarterly basis.

Significant changes in the estimation techniques or significant assumptions made by the Bank in 2022 and 2021 are disclosed in Note 4.3.5.

(d) *Overlay of Forward-looking Information in the Measurement of ECL*

The Bank incorporates forward-looking information (FLI) in its assessment of SICR and calculation of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

The MEVs and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank formulates forecasts of MEVs (one base economic scenario, and two less likely scenarios – one upside and one downside) and are performed by the Bank's ERMG on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

The base scenario is aligned with information used by the Bank for strategic planning and budgeting. The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio, which include gross domestic product and interest rates. The analysis of these scenarios takes into account the range of possible outcomes that each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the scenario, multiplied by the associated scenario weight, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3, hence, whether a 12-month or lifetime ECL should be recorded.

Following this assessment, the Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weights.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL.

(e) *Collective Basis of Measurement of ECL*

For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as instrument, product type (auto loans, housing loans, etc.), repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties.

The groupings are subject to the regular review by the Bank's ERMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

4.3.5 Impact of COVID-19 on Measurement of ECL

In response to the COVID-19 situation and the Bank's expectations of economic impacts, the key conditions and assumptions utilized in the Bank's calculation of ECL have been revisited and recalibrated. The economic scenarios and forward-looking macroeconomic assumptions underpinning the ECL calculation are outlined in Note 4.3.1. As of December 31, 2022 and 2021, the expected impacts of COVID-19 have been reasonably captured using the Bank's business-as-usual (BAU) ECL methodology (i.e., the ECL methodology used in the prior years). Post-model adjustments (or the "COVID-19 overlay") was only considered in 2021. In 2022, the Bank no longer imputed a separate COVID-19 overlay on calculating for its ECL allowance due to the continued improvement of the country's economic status [see Note 4.3.5(b)].

The BAU ECL methodology has been structured and calibrated using historical trends and correlations as well as forward-looking economic scenarios. The severity of the current macroeconomic projections and the added complexity caused by the various support schemes and regulatory guidance could not be reliably modelled for the time being. Therefore, the BAU ECL model may generate results that are either overly conservative or overly optimistic depending on the specific portfolio or segment. As a result, post-model adjustments are needed to reflect the considerable uncertainty in BAU ECL methodology given the unprecedented impacts of COVID-19. Given that the BAU ECL model changes take a significant amount of time to develop and validate and the data limitation in respect of lagging credit information and granular behavior analysis of customers, the Bank expects that post-model adjustments will be applied for the foreseeable future. Notwithstanding that the measurement inputs and assumptions, including forward-looking macroeconomic assumptions, were recalibrated in response to COVID-19 situation, the fundamental ECL mechanics and methodology underpinning the Bank's measurement of ECL have remained consistent with the prior periods.

The Bank focused on supporting customers who are experiencing (i.e., those availing of reliefs) and about to experience financial difficulties (i.e., those with reprieved business operations) as a result of the COVID-19 situation and has offered a range of financial assistance measures including temporary loan repayment deferrals (principal and interest). In accordance with regulatory guidance, the Bank implemented mandatory payment holidays to all eligible loan accounts (see also Note 4.3.6).

The following are the considerations in measuring ECL under COVID-19 situation:

(a) *Significant Increase in Credit Risk*

The offer or uptake of COVID-19 related repayment deferrals (i.e., government mandated reliefs) do not itself constitute SICR event unless the exposure is considered to have experienced a SICR based on other available information. SICR has been reassessed with reference to the Bank's internal borrower risk rating which considers industry or segment assessment under COVID-19 situation, financial performance indicators, historical credit information of the borrower and other modifiers. The Bank's reassessment is to determine if changes in the customers' circumstances were sufficient to constitute SICR.

(b) *COVID-19 Overlay*

COVID-19 overlay represents adjustments in relation to data and model limitations as a result of the COVID-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. This also includes the effect of government and other support program. Considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors and loan classes or segments.

The impact of post-model adjustments made in estimating the reported ECL as at December 31, 2021, and in the prior years are disclosed in Note 4.3.8. However, in 2022, with the continued improvement of the country's economic status, the Bank no longer imputed a separate COVID-19 overlay on calculating for its ECL allowance as it used to consider as post-model adjustments in the prior years. This is because the COVID-19 impact for 2022 has been considered as part of forward-looking macroeconomic information (overlay) and observable information due to the pandemic in the calculation of the probability of defaults for each loan portfolio. Consequently, the Bank continued to perform granular reassessment of borrowers based on continuing impact of COVID-19 to the customers' businesses and related industries as part of the Bank's own financial reliefs as discussed below.

4.3.6 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Bank

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

In addition to the government-mandated reliefs, the Bank has also offered financial relief in response to the COVID-19 situation. These relief measures were granted to eligible customers. Relief measures are as follows:

- payment of amortization relief including extension of contractual terms;
- principal and interest relief including lower amortization on extended terms; and,
- change from loan line to term loan (i.e., consolidation of amounts due).

The outstanding balance of restructured loans amounts to P5,012.8 million and P1,370.0 million as of December 31, 2022 and 2021, respectively. The related allowance for credit loss of such loans amounts to P339.9 million and P209.3 million as of the same dates, respectively. Of the total outstanding restructured loans as of December 31, 2022, and 2021, P2,489.2 million and P832.2 million, respectively, are due to impact of COVID-19 situation.

(b) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification.

The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets [see also Note 4.3.5(a)].

4.3.7 Credit Risk Exposures

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, except for certain secured loans and receivables from customers, as shown below.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
2022				
Loans and discounts:				
Corporate	P 97,419,950,137	P 88,920,302,286	P 8,499,647,850	P 88,920,302,286
Consumer	7,140,718,137	14,956,711,062	-	7,140,718,137
Sales contract receivables	<u>23,755,833</u>	<u>77,235,110</u>	-	<u>23,755,833</u>
	<u>P104,584,424,107</u>	<u>P103,954,248,458</u>	<u>P 8,499,647,850</u>	<u>P 96,084,776,256</u>
2021				
Loans and discounts:				
Corporate	P 85,995,787,417	P 69,679,935,573	P 16,349,040,908	P 69,679,935,573
Consumer	5,987,930,573	5,715,725,754	272,204,819	5,715,725,754
Sales contract receivables	<u>42,335,023</u>	<u>112,173,460</u>	-	<u>42,335,023</u>
	<u>P 92,026,053,013</u>	<u>P 75,507,834,787</u>	<u>P 16,621,245,727</u>	<u>P 75,437,996,350</u>

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An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2022 and 2021 is shown below.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
2022				
Loans and discounts:				
Corporate	P 8,385,135,450	P 7,912,415,970	P 472,719,480	P 7,912,415,970
Consumer	629,095,010	4,484,196,529	-	629,095,010
Sales contracts receivables	<u>6,920,364</u>	<u>14,121,410</u>	-	<u>6,920,364</u>
	<u>P 9,021,150,824</u>	<u>P 12,410,733,909</u>	<u>P 472,719,480</u>	<u>P 8,548,431,344</u>
2021				
Loans and discounts:				
Corporate	P 4,160,674,691	P 2,379,409,841	P 1,781,264,850	P 2,379,409,841
Consumer	1,355,152,905	1,234,652,770	120,500,135	1,234,652,770
Sales contracts receivables	<u>4,574,779</u>	<u>18,242,513</u>	-	<u>4,574,779</u>
	<u>P 5,520,402,375</u>	<u>P 3,632,305,124</u>	<u>P 1,901,764,985</u>	<u>P 3,618,637,390</u>

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

	Notes	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	9, 10, 12, 15	<u>P 15,076,189,647</u>	P 24,289,607,670
Debt securities			
At FVOCI	11.2	<u>10,820,216,925</u>	11,989,395,564
At amortized cost	11.3	<u>1,125,460,677</u>	883,787,046
		<u>11,945,677,602</u>	<u>12,873,182,610</u>
		<u>P 27,021,867,249</u>	<u>P 37,162,790,280</u>

Cash and cash equivalents include loans and advances to banks (i.e., Due from BSP, Due from Other Banks, SPURRA and Foreign currency coins and notes on hand).

Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

4.3.8 Allowance for Expected Credit Loss

The following tables show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2022 and 2021:

	<u>2022</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Receivables from customers – corporate				
Balance at January 1	P 1,183,680,765	P 151,667,981	P 2,338,544,024	P 3,673,892,770
Transfers to:				
Stage 1	1,288,736	(1,288,736)	-	-
Stage 2	(12,448,950)	12,647,537	(198,587)	-
Stage 3	(1,264,834,996)	(156,874,716)	1,421,709,712	-
Net remeasurement of loss allowance	49,106,082	64,652,399	625,412,926	739,171,407
New financial assets originated	885,346,880	53,507,070	377,770,337	1,316,624,287
Derecognition of financial assets	(778,878,725)	(42,791,249)	(237,291,318)	(1,058,961,292)
Write-offs	-	-	(29,715,110)	(29,715,110)
Balance at December 31	<u>P 63,259,792</u>	<u>P 81,520,286</u>	<u>P 4,496,231,984</u>	<u>P 4,641,012,062</u>

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer				
Balance at January 1	P 58,376,047	P 8,254,597	P 150,719,263	P 217,349,907
Transfers to:				
Stage 1	85,155	(9,584)	(75,571)	-
Stage 2	(1,302,357)	7,349,866	(6,047,509)	-
Stage 3	(5,009,584)	(2,109,710)	7,119,294	-
Net remeasurement of loss allowance	(27,500,504)	(1,319,289)	48,777,628	19,957,835
New financial assets originated	11,458,954	6,077,988	4,995,693	22,532,635
Derecognition of financial assets	(24,226,851)	(4,562,426)	(54,709,620)	(83,498,897)
Balance at December 31	<u>P 11,880,860</u>	<u>P 13,681,442</u>	<u>P 150,779,178</u>	<u>P 176,341,480</u>
Other receivables				
Balance at January 1	P 11,285,618	P 1,709,360	P 310,142,795	P 323,137,773
Transfers to:				
Stage 1	15,225	(14,654)	(571)	-
Stage 2	(16,225)	19,655	(3,430)	-
Stage 3	(20,521,207)	(1,906,293)	22,427,500	-
Net remeasurement of loss allowance	17,115,863	1,441,616	(157,791,302)	(139,233,823)
New financial assets originated	192,371	260,004	2,557,154	3,009,529
Derecognition of financial assets	(937,113)	(113,998)	(10,412,840)	(11,463,951)
Write-offs	-	-	-	-
Balance at December 31	<u>P 7,134,532</u>	<u>P 1,395,690</u>	<u>P 166,919,306</u>	<u>P 175,449,528</u>
Debt investment securities at FVOCI				
Balance at January 1	P 4,229,457	P -	P -	P 4,229,457
Net remeasurement of loss allowance	6,564,187	-	-	6,564,187
Balance at December 31	<u>P 10,793,644</u>	<u>P -</u>	<u>P -</u>	<u>P 10,793,644</u>
Debt investment securities at amortized cost				
Balance at January 1	P 1,617,940	P -	P -	P 1,617,940
Net remeasurement of loss allowance	11,681,152	-	-	11,681,152
	<u>P 13,299,092</u>	<u>P -</u>	<u>P -</u>	<u>P 13,299,092</u>
	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 605,811,633	P 798,233,131	P 1,678,350,198	P 3,082,394,962
Transfers to:				
Stage 1	20,824,700	(19,840,342)	(984,358)	-
Stage 2	(10,620,919)	12,314,353	(1,693,434)	-
Stage 3	(171,309,092)	(771,722,644)	943,031,736	-
Net remeasurement of loss allowance	357,431,840	169,134,045	14,004,585	540,570,470
New financial assets originated	800,108,428	111,490,499	87,452,464	999,051,391
Derecognition of financial assets	(418,565,825)	(147,941,061)	(373,357,344)	(939,864,230)
Write-offs	-	-	(8,259,823)	(8,259,823)
Balance at December 31	<u>P 1,183,680,765</u>	<u>P 151,667,981</u>	<u>P 2,338,544,024</u>	<u>P 3,673,892,770</u>

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	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer				
Balance at January 1	P 181,832,540	P 92,135,107	P 269,108,131	P 543,075,778
Transfers to:				
Stage 1	1,962,509	(1,414,654)	(547,855)	-
Stage 2	(3,934,557)	3,970,115	(35,558)	-
Stage 3	(19,373,335)	(7,521,847)	26,895,182	-
Net remeasurement of loss allowance	(105,626,461)	(67,118,953)	(111,469,748)	(284,215,162)
New financial assets originated	31,151,415	3,198,709	29,172,336	63,522,460
Derecognition of financial assets	(27,636,064)	(14,993,880)	(62,403,225)	(105,033,169)
Balance at December 31	<u>P 58,376,047</u>	<u>P 8,254,597</u>	<u>P 150,719,263</u>	<u>P 217,349,907</u>
Other receivables				
Balance at January 1	P 15,327,959	P 20,062,451	P 113,125,353	P 148,515,763
Transfers to:				
Stage 1	1,476,203	(1,463,498)	(12,705)	-
Stage 2	(57,782)	61,468	(3,686)	-
Stage 3	(1,540,191)	(10,310,502)	11,850,693	-
Net remeasurement of loss allowance	(2,861,356)	(6,047,596)	188,261,716	179,352,764
New financial assets originated	628,451	548,031	700,044	1,876,526
Derecognition of financial assets	(1,687,666)	(1,140,994)	(3,763,918)	(6,592,578)
Write-offs	-	-	(14,702)	(14,702)
Balance at December 31	<u>P 11,285,618</u>	<u>P 1,709,360</u>	<u>P 310,142,795</u>	<u>P 323,137,773</u>
Debt investment securities at FVOCI	<u>P 4,229,457</u>	<u>P -</u>	<u>P -</u>	<u>P 4,229,457</u>
Debt investment securities at amortized cost	<u>P 1,617,940</u>	<u>P -</u>	<u>P -</u>	<u>P 1,617,940</u>

Post-model adjustments made in estimating the reported ECL allowance as at December 31, 2021 to reflect the impact of COVID-19 situation are set out in the table below.

	BAU ECL	COVID-19 Overlay	Total ECL
Corporate	P 3,673,358,860	P 533,910	P 3,673,892,770
Consumer	216,982,677	376,230	217,358,907
Other receivables	123,129,559	200,008,214	323,137,773
Debt investments at FVOCI	4,229,457	-	4,229,457
Debt investments at amortized cost	1,617,940	-	1,617,940
	<u>P 4,019,318,493</u>	<u>P 200,918,354</u>	<u>P 4,220,236,847</u>

4.3.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table in the succeeding page provides information on how the significant changes in the gross carrying amounts (i.e., gross of unamortized charges and unearned discount) of financial instruments in 2022 and 2021 contributed to the changes in the allowance for ECL.

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 77,825,723,927	P 4,009,388,799	P 4,160,674,691	P 85,995,787,417
Transfers to:				
Stage 1	1,142,944,355	(1,142,944,355)	-	-
Stage 2	(1,281,028,202)	1,417,509,535	(136,481,333)	-
Stage 3	(3,307,373,309)	(337,845,060)	3,645,218,369	-
New financial assets originated	59,798,285,706	4,954,309,760	1,308,075,682	66,060,671,148
Derecognition of financial assets	(52,616,844,421)	(1,427,312,047)	(592,351,959)	(54,636,508,427)
Balance at December 31	<u>P 81,561,708,056</u>	<u>P 7,473,106,632</u>	<u>P 8,385,135,450</u>	<u>P 97,419,950,138</u>
Receivables from customers – consumer				
Balance at January 1	P 4,477,629,348	P 155,148,320	P 1,355,152,905	P 5,987,930,573
Transfers to:				
Stage 1	367,972,530	(6,806,321)	(361,166,209)	-
Stage 2	(9,467,639)	93,444,074	(83,976,435)	-
Stage 3	(103,174,778)	(24,839,505)	128,014,283	-
New financial assets originated	2,911,564,363	37,932,767	-	2,949,497,130
Derecognition of financial assets	(1,317,406,379)	(70,373,653)	(408,929,534)	(1,796,709,566)
Balance at December 31	<u>P 6,327,117,445</u>	<u>P 184,505,682</u>	<u>P 629,095,010</u>	<u>P 7,140,718,137</u>
Other receivables				
Balance at January 1	P 3,575,236,654	P 23,468,203	P 432,545,869	P 4,031,250,726
Transfers to:				
Stage 1	12,399,876	(10,798,619)	(1,601,257)	-
Stage 2	(4,623,453)	6,666,607	(2,043,154)	-
Stage 3	(104,450,110)	(4,764,608)	109,214,718	-
New financial assets originated	207,738,316	7,269,374	61,849,764	276,857,454
Derecognition of financial assets	(614,136,203)	(2,557,153)	(473,157)	(617,166,513)
Balance at December 31	<u>P 3,072,165,080</u>	<u>P 19,283,804</u>	<u>P 599,492,783</u>	<u>P 3,690,941,667</u>
Debt investment securities at FVOCI				
Balance at January 1	P 11,989,395,564	P -	P -	P 11,989,395,564
New financial assets purchased	296,476,107	-	-	296,476,107
Fair value losses	(1,404,660,931)	-	-	(1,404,660,931)
Disposals, maturities, and redemptions	(200,000,000)	-	-	(200,000,000)
Foreign currency revaluation	197,693,919	-	-	197,693,919
Amortization of premium	(58,687,734)	-	-	(58,687,734)
Balance at December 31	<u>P 10,820,216,925</u>	<u>P -</u>	<u>P -</u>	<u>P 10,820,216,925</u>
Debt investment securities at amortized cost				
Balance at January	P 885,404,986	P -	P -	P 885,404,986
New financial assets purchased	520,953,694	-	-	520,953,694
Maturities	(292,032,610)	-	-	(292,032,610)
Amortization of discount	24,433,699	-	-	24,433,699
Balance at December 31	<u>P 1,138,759,769</u>	<u>P -</u>	<u>P -</u>	<u>P 1,138,759,769</u>

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	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 77,147,854,992	P 4,209,573,724	P 3,248,995,131	P 84,606,423,847
Transfers to:				
Stage 1	1,000,477,584	(847,939,528)	(152,538,056)	-
Stage 2	(381,666,946)	409,698,461	(28,031,515)	-
Stage 3	(279,123,823)	(1,289,591,354)	1,568,715,177	-
New financial assets originated	47,191,996,179	2,749,133,032	528,030,425	50,469,159,636
Derecognition of financial assets	(46,853,814,059)	(1,221,485,536)	(1,004,496,471)	(49,079,796,066)
Balance at December 31	<u>P 77,825,723,927</u>	<u>P 4,009,388,799</u>	<u>P 4,160,674,691</u>	<u>P 85,995,787,417</u>
Receivables from customers – consumer				
Balance at January 1	P 4,492,474,764	P 489,483,998	P 799,693,207	P 5,781,651,969
Transfers to:				
Stage 1	175,901,239	(125,737,396)	(50,163,843)	-
Stage 2	(54,399,837)	58,631,036	(4,231,199)	-
Stage 3	(407,313,577)	(154,259,524)	561,573,101	-
New financial assets originated	1,683,393,448	30,488,227	311,586,193	2,025,467,868
Derecognition of financial assets	(1,412,426,689)	(143,458,021)	(263,304,554)	(1,819,189,264)
Balance at December 31	<u>P 4,477,629,348</u>	<u>P 155,148,320</u>	<u>P 1,355,152,905</u>	<u>P 5,987,930,573</u>
Other receivables				
Balance at January 1	P 2,365,273,217	P 86,191,836	P 428,333,767	P 2,879,798,820
Transfers to:				
Stage 1	65,946,233	(56,109,545)	(9,836,688)	-
Stage 2	(906,337)	1,083,127	(176,790)	-
Stage 3	(7,375,878)	(23,475,735)	30,851,613	-
New financial assets originated	2,819,716,322	16,633,577	14,688,859	2,851,038,758
Derecognition of financial assets	(1,656,545,651)	(3,374,218)	(39,666,983)	(1,699,586,852)
Balance at December 31	<u>P 3,586,107,906</u>	<u>P 20,949,042</u>	<u>P 424,193,778</u>	<u>P 4,031,250,726</u>
Debt investment securities at FVOCI				
Balance at January 1	P 4,950,635,772	P -	P -	P 4,950,635,772
New financial assets purchased	16,899,893,203	-	-	16,899,893,203
Fair value losses	(566,144,785)	-	-	(566,144,785)
Disposals, maturities, and redemptions	(9,325,121,711)	-	-	(9,325,121,711)
Foreign currency revaluation	74,935,545	-	-	74,935,545
Amortization of premium	(44,802,460)	-	-	(44,802,460)
Balance at December 31	<u>P 11,989,395,564</u>	<u>P -</u>	<u>P -</u>	<u>P 11,989,395,564</u>
Debt investment securities at amortized cost				
Balance at January 1	P 827,023,655	P -	P -	P 827,023,655
New financial assets purchased	208,273,009	-	-	208,273,009
Maturities	(155,825,123)	-	-	(155,825,123)
Amortization of discount	5,933,445	-	-	5,933,445
Balance at December 31	<u>P 885,404,986</u>	<u>P -</u>	<u>P -</u>	<u>P 885,404,986</u>

4.3.10 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2022 and 2021.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2022 and 2021 are presented below and in the succeeding page.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
2022				
Real properties	P 65,994,627,199	P 7,918,174,083	P 10,663,633,394	P 84,576,434,676
Chattel	8,960,121,821	3,037,923,809	1,697,969,106	13,696,014,736
Hold-out deposits	<u>5,598,556,713</u>	<u>48,232,333</u>	<u>35,010,000</u>	<u>5,681,799,046</u>
	<u>P 80,553,305,733</u>	<u>P 11,004,330,225</u>	<u>P 12,396,612,500</u>	<u>P103,954,248,458</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
2021				
Real properties	P 53,181,430,546	P 3,022,257,052	P 2,465,808,127	P 58,669,495,725
Chattel	11,118,417,380	1,241,213,509	1,161,496,997	13,521,127,886
Hold-out deposits	<u>3,305,319,009</u>	<u>6,892,167</u>	<u>5,000,000</u>	<u>3,317,211,176</u>
	<u>P 67,605,166,935</u>	<u>P 4,270,362,728</u>	<u>P 3,632,305,124</u>	<u>P 75,507,834,787</u>

As of December 31, 2022 and 2021, the Bank has recognized certain properties arising from foreclosures in settlement of loan account amounting to P788.0 million and P513.0 million, respectively (see Note 14).

The Bank's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

There were no changes in the Bank's collateral policies in 2022 and 2021.

4.3.11 Write-Offs

The Bank writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write-off financial assets that are still subject to enforcement activity. The total financial assets written-off in 2022 and 2021 amounted to P29.7 million and P8.3 million, respectively (see Note 28). The Bank still seeks to recover amounts legally owed in full, but which have been partially written-off due to lack of reasonable expectation of full recovery.

4.3.12 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVPL):

	<u>2022</u>	<u>2021</u>
Corporate debt securities	P 1,752,979,314	P 2,094,229,968
Government securities	<u>469,041,725</u>	<u>387,983,052</u>
	<u>P 2,222,021,039</u>	<u>P 2,482,213,020</u>

Notes to Financial Statements

4.3.13 Sensitivity Analysis on ECL Measurement

Set out below are the changes in the Bank's ECL as of December 31, 2022 and 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

	Change in MEV assumption +/- 1%	Impact on ECL Allowance	
		Increase in assumption	Decrease in assumption
2022			
Corporate loans	GDP rate, U.S. dollar exchange rate, CPI rate and Inflation rate	P 46,521,592	(P 46,521,592)
Housing loans	CPI rate and Unemployment rate	1,558,691	(1,558,691)
Auto loans	PPP rate and CPI rate	5,705,066	(5,705,066)
Salary loans	PPP rate and CPI rate	10,370,390	(10,370,390)
2021			
Corporate loans	GDP rate, PPP rate, CPI rate and Inflation rate	P 50,515,388	(P 53,595,451)
Housing loans	GDP rate, PPP rate and CPI rate	9,603,602	(8,756,261)
Auto loans	PPP rate and CPI rate	3,639,753	(3,385,290)
Salary loans	PPP rate and CPI rate	14,969,874	(14,014,289)

4.4 Market Risk

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its resources and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in the overall liquidity and funding conditions in the market.

Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

(a) Foreign Currency Risk

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The Bank's foreign currency exposure is primarily limited to the foreign currency deposits, which are sourced within the Philippines or generated from remittances by Filipino expatriates and overseas Filipino workers. Also, foreign currency trading with corporate accounts and other financial institutions is a source of foreign currency exposure for the Bank. At the end of each month, the Bank reports to the BSP on its acquisition and disposition of foreign currency resulting from its daily transactions.

The breakdown of the financial assets and financial liabilities as to foreign currency (translated into Philippine pesos) and Philippine peso-denominated balances as of December 31, 2022 and 2021 follows (amounts in thousands):

	<u>Foreign Currency</u>	<u>Philippine Peso</u>	<u>Total</u>
2022			
<i>Financial Assets:</i>			
Cash and other cash items	P -	P 1,247,987	P 1,247,987
Due from BSP	-	6,102,229	6,102,229
Due from other banks	3,522,588	1,693,075	5,215,663
Trading and investment securities at:			
FVPL	1,355,446	866,575	2,222,021
FVOCI	1,859,627	8,960,590	10,820,217
Amortized cost	589,898	535,563	1,125,461
Loans and other receivables – net	673,745	102,867,788	103,541,533
Other resources	115,675	43,602	159,277
	<u>P 8,116,979</u>	<u>P 122,317,409</u>	<u>P 130,434,388</u>
<i>Financial Liabilities:</i>			
Deposit liabilities	P 7,526,598	P 106,999,561	P 114,526,159
Bills payable	-	1,500,000	1,500,000
Accrued expenses and other liabilities	143,503	2,611,697	2,755,200
	<u>P 7,670,101</u>	<u>P 111,111,258</u>	<u>P 118,781,359</u>
2021			
<i>Financial Assets:</i>			
Cash and other cash items	P -	P 1,430,788	P 1,430,788
Due from BSP	-	16,754,028	16,754,028
Due from other banks	2,231,585	1,243,385	3,474,970
Trading and investment securities at:			
FVPL	1,591,475	890,738	2,482,213
FVOCI	2,146,546	9,842,850	11,989,396
Amortized cost	-	883,787	883,787
Loans and other receivables – net	829,349	90,845,195	91,674,544
Other resources	91,410	43,077	134,487
	<u>P 5,809,877</u>	<u>P 123,014,336</u>	<u>P 128,824,213</u>
<i>Financial Liabilities:</i>			
Deposit liabilities	P 7,017,079	P 105,400,632	P 112,417,711
Corporate notes payable	-	2,995,353	2,995,353
Accrued expenses and other liabilities	18,494	1,411,104	1,429,598
	<u>P 7,035,573</u>	<u>P 109,807,089</u>	<u>P 116,842,662</u>

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(b) Interest Rate Risk

Interest rate risk is the probability of decline in net interest earnings as a result of an adverse movement of interest rates.

In measuring interest rate exposure from an earnings perspective, the Bank calculates the Earnings at Risk (EAR) to determine the impact of interest rate changes on the Bank's accrual portfolio. The EAR is the potential decline in net interest income due to the adverse movement in interest rates. To quantify interest rate exposure, the statement of financial position is first classified into interest rate sensitive and non-interest rate sensitive asset and liability accounts and then divided into pre-defined interest rate sensitivity gap tenor buckets with corresponding amounts slotted therein based on the term to next re-pricing date (the re-pricing maturity for floating rate accounts) and remaining term to maturity (the equivalent re-pricing maturity for fixed rate accounts).

The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR. A negative interest rate sensitivity gap position implies that EAR increases with a rise in interest rates, while a positive interest rate sensitivity gap results in a potential decline in net interest rate income as interest rates fall. To supplement the EAR, the Bank regularly employs sensitivity analysis on the Bank's interest rate exposure.

To mitigate interest rate risk, the Bank follows a prudent policy on managing resources and liabilities so as to ensure that exposure to interest rate risk are kept within acceptable levels. The BOD has also approved the EAR Limit which is reviewed regularly.

The analyses of the groupings of resources, liabilities, capital funds and off-book financial position items as of December 31, 2022 and 2021 based on the expected interest realization or recognition follows (amounts in thousands):

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
2022						
<i>Resources:</i>						
Cash and other cash items	P -	P -	P -	P -	P 1,247,987	P 1,247,987
Due from BSP	5,700,000	-	-	-	402,229	6,102,229
Due from other banks	2,887,525	-	-	-	2,328,138	5,215,663
Trading and investment securities	34,987	598,927	117,528	12,947,215	469,042	14,167,699
Loans and other receivables – net	57,025,475	17,708,400	11,214,379	17,593,279	-	103,541,533
Other resources*	-	-	-	-	4,274,955	4,274,955
Total Resources	65,647,987	18,307,327	11,331,907	30,540,494	8,722,351	134,550,066

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
<i>Liabilities and Equity:</i>						
Deposit liabilities	P 36,616,593	P 18,435,606	P 7,947,712	P 2,897,271	P 48,628,977	P 114,526,159
Bills payable	-	-	1,000,000	500,000	-	1,500,000
Accrued expenses and other liabilities	9,658	457,549	1,443	-	3,478,924	3,947,574
Total Liabilities	36,626,251	18,893,155	8,949,155	3,397,271	52,107,901	119,973,733
Equity	-	-	-	-	14,576,333	14,576,333
Total Liabilities and Equity	36,626,251	18,893,155	8,949,155	3,397,271	66,684,234	134,550,066
On-book Gap	29,021,736	(585,828)	2,382,752	27,143,223	(57,961,883)	-
Cumulative On-book Gap	29,021,736	28,435,908	30,818,669	57,961,883	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	1,186,305	1,186,305
Off-book Gap	-	-	-	-	(1,186,305)	(1,186,305)
Net Periodic Gap	29,021,736	(585,828)	2,382,752	27,143,223	(59,148,188)	(1,186,305)
Cumulative Total Gap	P 29,021,736	P 28,435,908	P 30,818,660	P 57,961,883	(P 1,186,305)	P -
2021						
<i>Resources:</i>						
Cash and other cash items	P -	P -	P -	P -	P 1,430,788	P 1,430,788
Due from BSP	15,961,702	-	-	-	792,326	16,754,028
Due from other banks	1,046,093	-	-	-	2,428,877	3,474,970
Trading and investment securities	80,002	34,927	292,663	14,559,821	387,983	15,355,396
Loans and other receivables – net	54,367,069	14,964,246	11,592,835	10,750,394	-	91,674,544
Other resources*	-	-	-	-	3,342,548	3,342,548
Total Resources	71,454,866	14,999,173	11,885,498	25,310,215	8,382,522	132,032,274
<i>Liabilities and Equity:</i>						
Deposit liabilities	27,767,057	9,839,239	3,270,455	4,073,346	67,467,614	112,417,711
Corporate notes payable	-	-	2,995,353	-	-	2,995,353
Accrued expenses and other liabilities	-	-	-	-	2,156,130	2,156,130
Total Liabilities	27,767,057	9,839,239	6,265,808	4,073,346	69,623,744	117,569,194
Equity	-	-	-	-	14,463,080	14,463,080
Total Liabilities and Equity	27,767,057	9,839,239	6,265,808	4,073,346	84,086,824	132,032,274
On-book Gap	43,687,809	5,159,934	5,619,690	21,236,869	(75,704,302)	-
Cumulative On-book Gap	43,687,809	48,847,743	54,467,433	75,704,302	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	502,701	502,701
Off-book Gap	-	-	-	-	(502,701)	(502,701)
Net Periodic Gap	43,687,809	5,159,934	5,619,690	21,236,869	(76,207,003)	(502,701)
Cumulative Total Gap	P 43,687,809	P 48,847,743	P 54,467,433	P 75,704,303	(P 502,701)	P -

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.

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(c) Price Risk

In measuring the magnitude of exposures related to the Bank's trading portfolio arising from holding of government and other debt securities, the Bank employs VaR methodology. VaR is an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Bank uses a 99% confidence level for this measurement, i.e., losses could exceed the VaR in one out of 100 trading days.

In calculating the severity of the market risk exposure for fixed income securities, the Bank takes into account the cash flow weighted term or modified duration of the securities comprising the portfolio, the yield to maturity, and mark-to-market value of the component securities position in the trading book. As the VaR methodology requires a minimum historical period of reckoning with market movements from a transparent discovery platform, the Bank uses yield and price data from Bloomberg in the calculation of the volatility of rates of return and security prices, consistent with BSP valuation guidelines.

In assessing market risk, the Bank scales the calculated VaR based on assumed defeasance or holding periods that range from one day and ten days consistent with best practices and BSP standards.

As a prudent market risk control and compliance practice, the BOD has approved a market risk limit system which includes: (i) VaR limit on a per instrument and portfolio; (ii) loss limit on per investment portfolio, (iii) off-market rate limits on per instrument type; and, (iv) holding period for investment securities.

In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

The following table shows the VaR position and ranges of the Bank's financial assets at FVPL and at FVOCI portfolios as at December 31 (amounts in thousands):

	2022	2021
VaR Position:		
Financial assets at FVPL	P 2,222,021	P 2,482,213
Financial assets at FVOCI	10,820,217	11,989,396
VaR Ranges:		
Minimum	131,139	91,264
Maximum	169,777	171,283
Average	151,310	132,670

Stress test on the December 31, 2022 and 2021 portfolio shows the potential impact on profit and capital funds of parallel increase in interest rates of financial assets at FVPL and at FVOCI as follows (in thousands):

2022				
Currency	Current Market Value	Sensitivities		
		+100 bps	+300 bps	+500 bps
Philippine peso	P 9,827,165	(P 463,059)	(P 1,389,178)	(P 2,315,297)
US dollar	3,215,073	(355,560)	(1,066,681)	(1,777,801)
Total	P 13,042,238	(P 818,619)	(P 2,455,859)	(P 4,093,098)
2021				
Currency	Current Market Value	Sensitivities		
		+100 bps	+300 bps	+500 bps
Philippine peso	P 10,733,588	(P 554,256)	(P 1,662,768)	(P 2,771,281)
US dollar	3,738,021	(451,726)	(1,355,179)	(2,258,631)
Total	P 14,471,609	(P 1,005,982)	(P 3,017,947)	(P 5,029,912)

(d) Liquidity Risk

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder.

A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

The analysis of the cash flow gap analysis of resources, liabilities, capital funds and off-book financial position items as of December 31, 2022 and 2021 follows (amounts in thousands).

	<u>Less than One Month</u>	<u>One to Three Months</u>	<u>Three Months to One Year</u>	<u>More than One Year</u>	<u>Total</u>
2022					
<i>Resources:</i>					
Cash and other cash items	P 1,247,987	P -	P -	P -	P 1,247,987
Due from BSP	5,700,000	-	-	402,229	6,102,229
Due from other banks	5,215,663	-	-	-	5,215,663
Trading and investment securities	2,268,158	598,927	117,528	11,183,086	14,167,699
Loans and other receivables	4,515,101	5,665,549	14,102,966	79,257,917	103,541,533
Other resources*	3,518,917	820	3,467	751,751	4,274,955
Total Resources	<u>22,465,826</u>	<u>6,265,296</u>	<u>14,223,961</u>	<u>91,594,983</u>	<u>134,550,066</u>
<i>Liabilities and Equity:</i>					
Deposit liabilities	10,736,931	4,123,390	5,579,979	94,085,859	114,526,159
Corporate notes payable	-	-	1,000,000	500,000	1,500,000
Accrued expenses and other liabilities	1,906,899	1,983,356	57,319	-	3,947,574
Total Liabilities	<u>12,643,830</u>	<u>6,106,746</u>	<u>6,637,298</u>	<u>94,585,859</u>	<u>119,973,733</u>
Equity	-	-	-	14,576,333	14,576,333
Total Liabilities and equity	<u>13,703,541</u>	<u>6,106,746</u>	<u>6,637,298</u>	<u>108,102,481</u>	<u>134,550,066</u>
On-book Gap	<u>8,762,285</u>	<u>158,550</u>	<u>7,586,663</u>	<u>(16,507,498)</u>	<u>-</u>
Cumulative On-book Gap	<u>8,762,285</u>	<u>8,920,835</u>	<u>16,507,498</u>	<u>-</u>	<u>-</u>
Contingent Resources	-	-	-	-	-
Contingent Liabilities	<u>(284,899)</u>	<u>(901,406)</u>	<u>-</u>	<u>-</u>	<u>(1,186,305)</u>
Off-book Gap	<u>284,899</u>	<u>901,406</u>	<u>-</u>	<u>-</u>	<u>1,186,305</u>
Net Periodic Gap	<u>9,047,184</u>	<u>1,059,956</u>	<u>7,586,663</u>	<u>(16,507,498)</u>	<u>1,186,305</u>
Cumulative Total Gap	<u>P 9,047,184</u>	<u>P 10,107,140</u>	<u>P 17,693,803</u>	<u>P 1,186,305</u>	<u>P -</u>

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	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
2021					
<i>Resources:</i>					
Cash and other cash items	P 1,430,788	P -	P -	P -	P 1,430,788
Due from BSP	15,961,702	-	-	792,326	16,754,028
Due from other banks	3,474,970	-	-	-	3,474,970
Trading and investment securities	2,546,342	34,927	292,663	12,481,464	15,355,396
Loans and other receivables	3,888,154	4,546,503	12,224,260	71,015,627	91,674,544
Other resources*	91,410	172,148	6,063	3,072,927	3,342,548
Total Resources	27,393,366	4,753,578	12,522,986	87,362,344	132,032,274

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
<i>Liabilities and Equity:</i>					
Deposit liabilities	P 97,058,339	P 8,969,261	P 2,323,395	P 4,066,716	P 112,417,711
Corporate notes payable	-	-	2,995,353	-	2,995,353
Accrued expenses and other liabilities	1,278,142	10,760	168,575	698,653	2,156,130
Total Liabilities	98,336,481	8,980,021	5,487,323	4,765,369	117,569,194
Equity	-	-	-	14,463,080	14,463,080
Total Liabilities and equity	98,336,481	8,980,021	5,487,323	19,228,449	132,032,274
On-book Gap	(70,943,115)	(4,226,443)	7,035,663	68,133,895	-
Cumulative On-book Gap	(70,943,115)	(75,169,558)	(68,133,895)	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	498,002	4,699	-	-	502,701
Off-book Gap	(498,002)	(4,699)	-	-	(502,701)
Net Periodic Gap	(71,441,117)	(4,231,142)	7,035,663	68,133,895	(502,701)
Cumulative Total Gap	(P 71,441,117)	(P 75,672,259)	(P 68,636,596)	(P 502,701)	P -

The MCO measures the maximum funding requirement the Bank may need to support its maturing obligations. To ensure that the Bank maintains a prudent and manageable level of cumulative negative gap, the Bank maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the Bank's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance to MCO Limits is monitored and reported to the BOD and senior management. In case of breach in the MCO Limit, the Risk Management Center elevates the concern to the BOD through the ROC for corrective action.

Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis.

More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

Pursuant to applicable BSP regulations, the Bank is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP. The BSP also requires the Bank to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.4.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Bank maintains significant exposure. Specifically, the Bank ensures that its measurement, monitoring, and control systems account for these exposures as well. The Bank sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Bank also assesses its access to foreign exchange markets when setting up its risk limits.

4.4.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations, or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss.

Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The ROC of the Bank assists management in meeting its responsibility to understand and manage operational risk exposures.

The ROC applies a number of techniques to efficiently manage operational risks. Among these are enumerated as follows:

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up-to-date with different operational risk issues, challenges and initiatives.
- With ROC's bottom-up self-assessment process, which is conducted at least annually, areas with high-risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).
- KRIs are used to monitor the operational risk profile of the Bank and of each business unit and alert the management of impending problems in a timely fashion.
- Internal loss information is collected, reported, and utilized to model operational risk.
- The ROC reviews product and operating manuals, policies, procedures, and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) Reputational Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels or processes may generate adverse public opinion such that it seriously affects the Bank's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Bank adopted a reputation risk monitoring and reporting framework to manage public perception.

(b) Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Bank's operations and financial reporting. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness, and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions.

In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguarding the integrity of the Bank by maintaining a high level of regulatory compliance.

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The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Corporate Governance and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, RA No. 10365, RA No. 10927 and RA No. 11521, in March 2003, June 2012, February 2013, June 2016 and July 2020 (which effected in February 2021), respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5million within one banking day, exceeding P1 million for transactions (in cash or other equivalent monetary instrument) with or involving jewelry dealers, dealers in precious metals/precious stones; exceeding P5million for casino cash transactions; and exceeding P7.5 million for cash transaction with or involving real estate developers or brokers. The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No.10168. In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction.

In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to conduct watchlist screening and risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer requires senior management approval.

The Bank's procedures for compliance with the AMLA are set out in its MTPP. The Bank's Chief Compliance Officer, through the Anti-Money Laundering Unit (AMLU) and Compliance Testing Unit (CTU), monitors AMLA compliance and conducts regular compliance testing of business units.

All banking units are required to submit to the Compliance Office certificates of compliance with the applicable banking laws, rules, regulations and standards including the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Chief Compliance Officer regularly reports to the Board through the Corporate Governance Committee the results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT AND BSP REPORTING COMPLIANCE

5.1 Capital Management and Regulatory Capital

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. PBB, being a stand-alone thrift bank, is required under BSP regulations to comply with Basel 1.5. Under this regulation, the qualifying capital account of the Bank should not be less than an amount equal to 10% of its risk weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio consists of Tier 1 capital plus Tier 2 capital elements net of the required deductions from capital such as:

- (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- (b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
- (c) deferred tax asset net of deferred tax liability;
- (d) goodwill;
- (e) sinking fund for redemption of redeemable preferred shares; and,
- (f) other regulatory deductions.

Risk weighted assets is the sum of the Bank's credit risk weighted assets, operational risk weighted assets, and market risk weighted assets. The latter was due to the Bank's authority to engage in derivatives as end-user under a Type 3 Limited End-User Authority. Risk weighted assets are computed using the standardized approach for credit and market risks while basic indicator approach with modification was used for operational risk.

The following are the risk-based capital adequacy of the Bank as of December 31, 2022, 2021 and 2020 as reported to the BSP (amounts in millions):

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Net Tier 1 Capital	P 14,710	P	13,254	P	12,939
Tier 2 Capital	893		893		858
Total Qualifying Capital	<u>P 15,603</u>	P	<u>14,147</u>	P	<u>13,797</u>
Risk Weighted Assets:					
Credit Risk Weighted Assets	P 101,812	P	109,690	P	85,745
Operational Risk Weighted Assets	8,793		7,927		6,375
Market Risk Weighted Assets	<u>2,015</u>		<u>2,055</u>		<u>5,379</u>
Total Risk-Weighted Assets	<u>P 112,620</u>	P	<u>119,672</u>	P	<u>97,499</u>
Capital ratios:					
Total qualifying capital expressed as percentage of total risk-weighted assets	13.9%		11.8%		14.2%
Net Tier 1 capital expressed as percentage of total risk-weighted assets	13.1%		11.1%		13.3%

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

The Bank's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

A bank's regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital equivalent to 50% of the following:

- (a) Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;
- (b) Investments in debt capital instruments of unconsolidated subsidiary banks;
- (c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;
- (d) Reciprocal investments in equity of other banks/enterprises; and,
- (e) Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Provided, that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

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As of December 31, 2022 and 2021, the Bank has no exposure in item (a) to item (e) above. There were no material changes in the Bank's management of capital during the current year.

As of December 31, 2022 and 2021, the Bank has satisfactorily complied with the capital-to-risk assets ratio.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects (mainly in the recognition of deferred tax assets). Thrift banks with head office in the National Capital Region and have more than 50 branches are required to comply with the minimum capital requirement of P2.0 billion. The Bank has complied with the minimum capital requirement at the end of each reporting period.

5.2 Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks, and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019. However, the Bank was only able to comply with the MLR requirement starting June 2019.

On April 7, 2020, the BSP issued Memorandum No. M-2020-020, *Reduction in the Minimum Liquidity Ratio in Response to Covid-19*, which reduced the MLR for stand-alone thrift banks, rural banks and cooperative banks from 20% to 16% until December 31, 2020. On December 1, 2020, the BSP issued an extension on the effectivity of the temporary reduction of MLR thru Memorandum No. M-2020-085 until December 31, 2021. Furthermore, Memorandum No. M-2022-004, *Extension of BSP Prudential Relief Measures*, further extended the reduction of MLR to 16% for stand-alone thrift banks, rural banks and cooperative banks until December 31, 2022.

The Bank's MLR are analyzed below (amounts in millions except MLR figure).

	<u>2022</u>	<u>2021</u>
Eligible stock liquid assets	P 25,873	P 39,631
Total qualifying liabilities	<u>118,968</u>	<u>135,734</u>
MLR	<u>21.75%</u>	<u>29.20%</u>

5.3 Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Based III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% and shall be complied with at all times.

The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which include on-balance sheet and securities financing transactions exposures and off-balance sheet items.

The Bank's Basel III leverage ratio as reported to the BSP are as follows:

	<u>2022</u>	<u>2021</u>
Tier 1 Capital	P 12,988	P 12,966
Exposure measure	<u>132,656</u>	<u>150,663</u>
Leverage ratio	<u>9.79%</u>	<u>8.61%</u>

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying values and fair values of the financial assets and financial liabilities in the statements of financial position:

	Notes	Carrying Values	Fair Values
December 31, 2022:			
<i>Financial Assets</i>			
At amortized cost:			
Cash and other cash items	9	P 1,247,987,230	P 1,247,987,230
Due from BSP	9	6,102,228,578	6,102,228,578
Due from other banks	10	5,215,663,162	5,215,663,162
Investment securities – net	11	1,125,460,677	1,117,453,416
Loans and other receivables – net	12	103,541,533,397	96,243,658,498
Other resources	15	159,277,091	159,277,091
At fair value:			
FVPL securities	11	2,222,021,039	2,222,021,039
FVOCI securities	11	10,820,216,925	10,820,216,925
		P 130,434,388,099	P 123,128,505,939
<i>Financial Liabilities</i>			
At amortized cost:			
Deposit liabilities	16	P 114,526,159,478	P 114,045,686,752
Accrued expenses and other liabilities	19	2,755,200,476	2,755,200,476
Bills payable	17	1,500,000,000	1,491,148,004
		P 118,781,359,954	P 118,292,035,232
December 31, 2021:			
<i>Financial Assets</i>			
At amortized cost:			
Cash and other cash items	9	P 1,430,787,675	P 1,430,787,675
Due from BSP	9	16,754,028,342	16,754,028,342
Due from other banks	10	3,474,970,323	3,474,970,323
Investment securities – net	11	883,787,046	886,085,840
Loans and other receivables – net	12	91,674,544,156	98,565,014,525
Other resources	15	134,486,746	134,486,746
At fair value:			
FVPL securities	11	2,482,213,020	2,482,213,020
FVOCI securities	11	11,989,395,564	11,989,395,564
		P 128,824,212,872	P 135,716,982,035
<i>Financial Liabilities</i>			
At amortized cost:			
Deposit liabilities	16	P 112,417,711,167	P 154,133,982,421
Corporate notes payable	18	2,995,352,640	2,995,352,640
Accrued expenses and other liabilities	19	1,429,598,435	1,429,598,435
		P 116,842,662,242	P 158,558,933,496

The Bank concluded that the carrying amounts of foregoing other financial assets and financial liabilities which are measured at amortized cost approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Bank's debt securities are determined based on the procedures and methodologies discussed in Note 7.2.

Notes to Financial Statements

6.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets, presented in the statements of financial position at gross amounts, are covered by enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position	Related amounts not set-off in the statements of financial position		
		Financial Instruments	Collateral received	Net amount
December 31, 2022				
Loans and receivables – net	P103,541,533,397	(P 6,631,799,046)	P -	P 96,909,734,351
Deposit liabilities	114,526,159,478	(5,681,799,046)	-	108,844,360,432
Bills payable	1,500,000,000	(950,000,000)	-	550,000,000
December 31, 2021				
Loans and receivables– net	P 91,674,544,156	(P 3,317,211,176)	P -	P 88,357,332,980
Deposit liabilities	112,417,711,167	(3,317,211,176)	-	109,100,499,991

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Bank and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

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

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

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

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument, which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

7.2 Financial Instruments Measured at Fair Value

The table shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2022 and 2021 (amounts in millions).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Financial assets at FVPL				
Corporate debt securities	P 1,753	P -	P -	P 1,753
Government debt securities	<u>469</u>	<u>-</u>	<u>-</u>	<u>469</u>
	<u>P 2,222</u>	<u>P -</u>	<u>P -</u>	<u>P 2,222</u>
Financial assets at FVOCI				
Government debt securities	P 9,980	P -	P -	P 9,980
Corporate debt securities	<u>841</u>	<u>-</u>	<u>-</u>	<u>841</u>
	<u>P 10,821</u>	<u>P -</u>	<u>P -</u>	<u>P 10,821</u>
<u>December 31, 2021</u>				
Financial assets at FVPL				
Corporate debt securities	P 2,094	P -	P -	P 2,094
Government debt securities	<u>388</u>	<u>-</u>	<u>-</u>	<u>388</u>
	<u>P 2,482</u>	<u>P -</u>	<u>P -</u>	<u>P 2,482</u>
Financial assets at FVOCI				
Government debt securities	P 11,180	P -	P -	P 11,180
Corporate debt securities	<u>809</u>	<u>-</u>	<u>-</u>	<u>809</u>
	<u>P 11,989</u>	<u>P -</u>	<u>P -</u>	<u>P 11,989</u>

Derivative financial assets are categorized within Level 2 and are determined through valuation techniques using the net present value computation.

The fair value of the debt securities of the Bank is determined as follows:

- (a) Fair values of peso and foreign-denominated government debt securities issued by the Philippine government, are based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithm of direct observations or observed comparables.
- (b) Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the Philippine Dealing System (PDS) or based on the direct reference price per Bloomberg at the end of each reporting period; hence, categorized within Level 1.

Debt securities will be categorized within Level 2 if prices include inputs from observed comparables or from direct observations but did not meet the active market criteria.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Notes to Financial Statements

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (amount in millions).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
<i>Financial Assets:</i>				
Cash and other cash items	P 1,248	P -	P -	P 1,248
Due from BSP	6,102	-	-	6,102
Due from other banks	5,216	-	-	5,216
Investment securities at amortized cost	1,117	-	-	1,117
Loans and other receivables	2,395	-	93,849	96,244
Other financial assets	116	-	44	160
	<u>P 16,194</u>	<u>P -</u>	<u>P 93,893</u>	<u>P 110,087</u>
<i>Financial Liabilities:</i>				
Deposit liabilities	P -	P -	P 114,046	P 114,046
Bills payable	1,491	-	-	1,491
Accrued expenses and other liabilities	-	-	2,755	2,755
	<u>P 1,491</u>	<u>P -</u>	<u>P 116,801</u>	<u>P 118,292</u>
<u>December 31, 2021</u>				
<i>Financial Assets:</i>				
Cash and other cash items	P 1,431	P -	P -	P 1,431
Due from BSP	16,754	-	-	16,754
Due from other banks	3,475	-	-	3,475
Investment securities at amortized cost	886	-	-	886
Loans and other receivables	2,538	-	96,027	98,565
Other financial assets	91	-	43	134
	<u>P 25,175</u>	<u>P -</u>	<u>P 96,070</u>	<u>P 121,245</u>
<i>Financial Liabilities:</i>				
Deposit liabilities	P -	P -	P 154,134	P 154,134
Corporate notes payable	-	-	2,995	2,995
Accrued expenses and other liabilities	-	-	1,430	1,430
	<u>P -</u>	<u>P -</u>	<u>P 158,559</u>	<u>P 158,559</u>

The fair values of financial assets and financial liabilities not presented at fair value in the statements of financial position are determined as follows:

(a) *Cash and Other Cash Items*

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines (see Note 9). Other cash items include cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) Due from BSP and Other Banks and SPURRA

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements while SPURRA pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(c) Investment Securities at Amortized Cost

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg and PDS.

(d) Loans and Other Receivables

Loans and other receivables are net of impairment losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

(e) Other Financial Assets

Other financial assets pertain to foreign currency notes and coins, security deposits and petty cash fund which are included in the Other Resources account. Due to their short duration, the carrying amounts of these items in the statements of financial position are considered to be reasonable approximation of their fair values.

(f) Deposits Liabilities and Borrowings

The estimated fair value of deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of short-term bills payable approximate their fair values. For corporate notes payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid or based on their cost which management estimates to approximate their fair values.

(g) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities classified as financial liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Due to their short-duration, management ascertained that the fair values of these short-term liabilities approximate their carrying values.

7.4 Fair Value Measurement of Investment Properties Carried at Cost

The total estimated fair values of the Bank's investment properties, categorized under Level 3 of the fair value hierarchy amount to P2,031.7 million and P1,030.3 million as of December 31, 2022 and 2021, respectively (see Note 14).

The fair value of these investment properties was determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

Notes to Financial Statements

(b) Fair Value Measurement for Building and Improvements

The Level 3 fair value of the buildings and improvements included in Investment Properties was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance, and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

8. SEGMENT REPORTING

The Bank's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Bank in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies the Bank's three service lines as primary operating segments.

- (a) *Consumer Banking* – includes auto financing, home financing, and salary or personal loans;
- (b) *Corporate Banking* – includes term loans, working capital credit lines, bills purchase and discounting lines; and,
- (c) *Treasury Operations* – manages liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities.

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

8.1 Analysis of Primary Segment Information

The contribution of these various business activities to the Bank's revenues and income for the years 2022, 2021 and 2020 are as follows (amounts in millions):

	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Total</u>
2022				
Net interest and other income				
From external customers				
Interest income	P 501	P 5,161	P 918	P 6,580
Interest expense	(78)	(810)	(144)	(1,032)
Net interest income	423	4,351	774	5,548
Non-interest income	64	664	99	827
	<u>487</u>	<u>5,015</u>	<u>873</u>	<u>6,375</u>
Expenses				
Operating expenses excluding depreciation and amortization	185	2,528	692	3,405
Impairment losses	73	748	-	821
Depreciation and amortization	17	245	66	328
	<u>275</u>	<u>3,521</u>	<u>758</u>	<u>4,55</u>
Segment operating income	<u>P 212</u>	<u>P 1,494</u>	<u>P 115</u>	<u>P 1,821</u>

	<u>Consumer</u>	<u>Corporate</u>	<u>Treasury</u>	<u>Total</u>
Total resources and liabilities				
Total resources	<u>P 7,242</u>	<u>P 98,766</u>	<u>P 27,063</u>	<u>P 133,071</u>
Total liabilities	<u>P 6,441</u>	<u>P 87,852</u>	<u>P 25,681</u>	<u>P 119,974</u>
<u>2021</u>				
Net interest and other income				
From external customers				
Interest income	P 132	P 5,454	P 748	P 6,334
Interest expense	(17)	(721)	(100)	(838)
Net interest income	115	4,733	648	5,496
Non-interest income	9	370	128	507
	<u>124</u>	<u>5,103</u>	<u>776</u>	<u>6,003</u>
Expenses				
Operating expenses excluding depreciation and amortization	133	1,913	1,074	3,120
Impairment losses	18	729	-	747
Depreciation and amortization	14	204	88	306
	<u>165</u>	<u>2,846</u>	<u>1,162</u>	<u>4,173</u>
Segment operating income	<u>(P 41)</u>	<u>P 2,257</u>	<u>(P 386)</u>	<u>P 1,830</u>
Total resources and liabilities				
Total resources	<u>P 6,076</u>	<u>P 87,265</u>	<u>P 37,427</u>	<u>P 130,768</u>
Total liabilities	<u>P 5,319</u>	<u>P 76,387</u>	<u>P 35,863</u>	<u>P 117,569</u>
<u>2020</u>				
Net interest and other income				
From external customers				
Interest income	P 646	P 5,871	P 586	P 7,103
Interest expense	(134)	(1,220)	(122)	(1,476)
Net interest income	512	4,651	464	5,627
Non-interest income	9	341	808	1,158
	<u>521</u>	<u>4,992</u>	<u>1,272</u>	<u>6,785</u>
Expenses				
Operating expenses excluding depreciation and amortization	178	2,060	681	2,919
Impairment losses	232	2,104	-	2,336
Depreciation and amortization	15	210	55	280
	<u>425</u>	<u>4,374</u>	<u>736</u>	<u>5,535</u>
Segment operating income	<u>P 96</u>	<u>P 618</u>	<u>P 536</u>	<u>P 1,250</u>
Total resources and liabilities				
Total resources	<u>P 7,246</u>	<u>P 83,621</u>	<u>P 27,642</u>	<u>P 118,509</u>
Total liabilities	<u>P 6,284</u>	<u>P 72,521</u>	<u>P 27,085</u>	<u>P 105,891</u>

Notes to Financial Statements

8.2 Reconciliation

Presented below is a reconciliation of the Bank's segment information to the key financial information presented in its financial statements (amounts in millions).

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net interest and other income			
Total segment revenues	P 6,375	P 6,003	P 6,785
Unallocated income	<u>119</u>	<u>59</u>	<u>12</u>
Net interest and other income as reported in profit or loss	<u>P 6,494</u>	<u>P 6,062</u>	<u>P 6,797</u>
Profit or loss			
Total segment operating income	P 1,821	P 1,830	P 1,250
Unallocated profit(loss)	<u>41</u>	<u>(37)</u>	<u>(53)</u>
Net profit before tax as reported in profit or loss	<u>P 1,862</u>	<u>P 1,793</u>	<u>P 1,197</u>
Resources			
Total segment resources	P 133,071	P 130,768	P 118,509
Unallocated assets	<u>1,479</u>	<u>1,264</u>	<u>1,258</u>
Total resources	<u>P 134,550</u>	<u>P 132,032</u>	<u>P 119,767</u>
Liabilities			
Total segment liabilities	P 119,974	P 117,569	P 105,891
Unallocated liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>P 119,974</u>	<u>P 117,569</u>	<u>P 105,891</u>

The Bank has no intersegment revenues during 2022, 2021 and 2020.

9. CASH AND CASH EQUIVALENTS

This account is composed of the following (see also Note 4.3.3):

	Notes	<u>2022</u>	<u>2021</u>
Cash and other cash items		P 1,247,987,230	P 1,430,787,675
Due from BSP			
Mandatory reserves		400,931,278	792,326,215
Other than mandatory reserves		<u>5,701,297,300</u>	<u>15,961,702,127</u>
Due from other banks	10	5,215,663,162	3,474,970,323
Securities purchased under			
Reversed repurchase agreement	12	2,394,635,343	2,538,411,628
Foreign currency notes and coins on hand	15	<u>115,675,334</u>	<u>91,409,702</u>
		<u>P 15,076,189,647</u>	<u>P 24,289,607,670</u>

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines. Other cash items include cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 16).

Due from BSP other than mandatory reserves bears annual effective interest rates as follows:

<u>2022</u>	<u>2021</u>	<u>2020</u>
3.75% – 4.25%	1.5% – 2.0%	1.5% – 4.0%

The total interest income earned in 2022, 2021 and 2020 amounted to P182.3 million, P202.1 million and P116.1 million, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

10. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	<u>2022</u>	<u>2021</u>
Local banks	P 3,794,059,572	P 2,323,873,120
Foreign banks	1,421,603,590	1,151,097,203
	<u>P 5,215,663,162</u>	<u>P 3,474,970,323</u>

Interest rates on these deposits range from 0.05% to 6.25% per annum in 2022, from 0.06% to 1.50% per annum in 2021 and from 0.13% to 1.50% per annum in 2020. The total interest income earned in 2022, 2021 and 2020 amounted to P35.8 million, P2.8 million and P8.1 million, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

11. TRADING AND INVESTMENT SECURITIES

The components of this account are presented below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Financial assets at FVPL	11.1	P 2,222,021,039	P 2,482,213,020
Financial assets at FVOCI	4.3.2, 11.2	10,820,216,925	11,989,395,564
Investment securities at amortized cost – net	4.3.2, 11.3	1,125,460,677	883,787,046
		<u>P 14,167,698,641</u>	<u>P 15,355,395,630</u>

Interest income on trading and investment securities consists of:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Investment securities at FVPL			
Government debt securities	P 74,227,351	P 96,776,353	P 75,863,938
Corporate bonds	19,344,197	75,409,678	43,633,414
Investment securities at FVOCI			
Government debt securities	461,354,034	275,910,094	240,068,725
Corporate bonds	25,672,766	59,363,525	55,279,605
Investment securities at amortized cost			
Government debt securities	29,191,239	29,026,227	30,032,388
Corporate bonds	27,502,666	6,862,672	17,089,218
	<u>P 637,292,253</u>	<u>P 543,348,549</u>	<u>P 461,967,288</u>

Trading gains (losses) – net consist of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Investment securities at FVPL			
Realized	P 5,351,266	(P 250,260,387)	P 309,469,887
Unrealized	(406,996,881)	(20,725,999)	95,223,781
	(401,645,615)	(270,986,386)	404,693,668
Investment securities at FVOCI	(607,336)	17,016,471	344,639,026
	<u>(P 402,252,951)</u>	<u>(P 253,969,915)</u>	<u>P 749,332,694</u>

Notes to Financial Statements

11.1 Investment Securities at FVPL

The account is composed of the following:

	<u>2022</u>	<u>2021</u>
Corporate bonds	P 1,752,979,314	P 2,094,229,968
Government debt securities	469,041,725	387,983,052
	<u>P 2,222,021,039</u>	<u>P 2,482,213,020</u>

Effective interest rates of investment securities at FVPL range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Government debt securities	3.0% – 9.3%	1.3% – 2.6%	2.5% – 6.3%
Corporate bonds	2.8% – 7.3%	2.8% – 7.3%	3.0% – 7.3%

11.2 Investment Securities at FVOCI

The account is composed of the following:

	<u>2022</u>	<u>2021</u>
Government debt securities	P 9,979,504,483	P 11,179,968,102
Corporate bonds	840,712,442	809,427,462
	<u>P 10,820,216,925</u>	<u>P 11,989,395,564</u>

Effective interest rates of investment securities at FVOCI range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Government debt securities	2.4% – 6.9%	2.5% – 7.3%	4.8% – 5.8%
Corporate bonds	3.3% – 4.9%	3.0% – 7.2%	3.7% – 5.8%

The Bank has recognized impairment losses amounting to P6.6 million in 2022 and is presented as part of NUGL in the 2022 statement of comprehensive income. No similar transaction transpired in 2021 and 2020. As of December 31, 2022, and 2021 and 2020, the allowance for impairment amounted to P10.8 million, P4.2 million and P4.2 million, respectively. A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown in Note 4.3.8.

In compliance with current banking regulations relative to the Bank's trust functions, certain securities of the Bank, with a face value of P130.0 million, P144.8 million and P145.0 million as of December 31, 2022, 2021 and 2020, respectively, are deposited with the BSP (see Note 27).

Changes in the investment securities at FVOCI are summarized below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 11,989,395,564	P 4,950,635,772
Fair value losses - net	(1,404,660,931)	(566,144,785)
Additions	296,476,107	16,899,893,203
Maturities	(200,000,000)	(9,063,541,111)
Foreign currency revaluation	197,693,919	74,935,545
Amortization of premium	(58,687,734)	(44,802,460)
Disposals and redemptions	-	(261,580,600)
Balance at end of year	<u>P 10,820,216,925</u>	<u>P 11,989,395,564</u>

The reconciliation of NUGL on investment securities at FVOCI reported in equity is shown in Note 21.5.

11.3 Investment Securities at Amortized Cost

This account is composed of the following:

	Notes	2022	2021
Government securities		P 548,861,486	P 631,915,575
Corporate bonds		589,898,283	253,489,411
	4.3.2	1,138,759,769	885,404,986
Allowance for impairment	4.3.2, 28	(13,299,092)	(1,617,940)
		<u>P 1,125,460,677</u>	<u>P 883,787,046</u>

The reconciliation of the carrying amounts of investment securities at amortized cost in are presented below.

	2022	2021
Balance at beginning of year	P 883,787,046	P 825,405,715
Additions	520,953,694	208,273,009
Maturities and redemptions	(292,032,610)	(155,825,123)
Amortization of discount	24,433,699	5,933,445
Impairment during the year	(11,681,152)	-
Balance at end of year	<u>P 1,125,460,677</u>	<u>P 883,787,046</u>

Effective interest rates of investment securities at amortized cost range from:

	2022	2021	2020
Government debt securities	3.6% - 8.1%	1.4% - 7.5%	3.5% - 8.1%
Corporate bonds	3.8% - 7.3%	3.7%	4.0% - 6.2%

12. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Notes	2022	2021
Receivable from customers:			
Loans and discounts		P 104,562,986,705	P 91,995,855,801
Unearned discount		(195,092,794)	(143,364,376)
		104,367,893,911	91,852,491,425
Customers' liabilities on acceptances, letters of credit and trust receipts		475,500,889	5,182,455
		<u>104,843,394,800</u>	<u>91,857,673,880</u>
Other receivables:			
SPURRA	9	2,394,635,343	2,538,411,628
Accrued interest receivable		1,104,104,007	1,031,264,167
Accounts receivable		109,803,002	360,123,269
Deficiency claims receivable		58,643,482	59,116,639
Sales contract receivable		23,755,833	42,335,023
		<u>3,690,941,667</u>	<u>4,031,250,726</u>
Allowance for ECL	4.3.2, 28	(108,534,336,467)	(95,888,924,606)
		<u>4,992,803,070</u>	<u>(4,214,380,450)</u>
		<u>P 103,541,533,397</u>	<u>P 91,674,544,156</u>

Notes to Financial Statements

SPURRA are secured by certain treasury bills of the BSP. SPURRA, which represent loans and receivables from BSP as of December 31, 2022 and 2021, arise from overnight lending of excess liquidity.

A summary of the Bank's maximum exposure to credit risk on loans and other receivables is disclosed in Note 4.3.7.

The breakdown of receivable from customers as to type of security is disclosed in Note 32.e.

Of the total loans and discounts of the Bank as of December 31, 2022 and 2021, 88.8% and 81.0%, respectively, are subject to periodic interest repricing.

Annual effective interest rates range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Loans and discounts	0.0% – 189.7%	0.0% – 189.7%	0.8% – 189.7%
Other receivables	5.0% – 12.0%	2.0% – 12.0%	3.34% – 12.0%

The total interest income earned amounted to:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Loans and discounts	P 5,661,250,576	P 5,581,166,828	P 6,507,773,693
Other receivables	62,958,081	5,171,325	9,210,892
	<u>P 5,724,208,657</u>	<u>P 5,586,338,153</u>	<u>P 6,516,984,585</u>

Interest income recognized on impaired loans and other receivables amounted to P161.4 million, P19.0 million and P98.1 million in 2022, 2021 and 2020, respectively.

As of December 31, 2022, two loan receivables amounting to P475.0 million each are assigned as collateral to secure borrowings under rediscounting privileges (see Note 17). These loan receivables have an interest rate of 5.11% and matures on April 24, 2024 and September 9, 2024, respectively. There is no related ECL allowance required on these loan receivables. No similar transactions in 2021.

Certain qualified micro, small and medium enterprises (MSME) loans with outstanding balance of P9,000.7 million and P8,356.6 million (gross of allowance for impairment) as of December 31, 2022, and 2021, respectively, were used as alternative compliance with the BSP reserve requirement (see Note 16).

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2022 and 2021 are shown below.

	<u>Land</u>	<u>Building</u>	<u>Furniture Fixtures and Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold Improvements</u>	<u>Right-of-use Asset</u>	<u>Total</u>
December 31, 2022							
Cost	P 90,802,205	P 181,811,222	P 645,220,653	P 160,226,285	P 707,140,278	P 653,989,851	P 2,439,190,494
Accumulated depreciation and amortization	-	(83,134,095)	(512,999,133)	(113,510,563)	(654,256,847)	(366,971,777)	(1,730,872,415)
Net carrying amount	<u>P 90,802,205</u>	<u>P 98,677,127</u>	<u>P 132,221,520</u>	<u>P 46,715,722</u>	<u>P 52,883,431</u>	<u>P 287,018,074</u>	<u>P 708,318,079</u>
December 31, 2021							
Cost	P 90,802,205	P 179,106,104	P 605,828,278	P 170,877,667	P 690,929,772	P 541,876,739	P 2,279,420,765
Accumulated depreciation and amortization	-	(78,214,390)	(469,161,081)	(132,311,518)	(628,368,432)	(349,560,324)	(1,657,615,745)
Net carrying amount	<u>P 90,802,205</u>	<u>P 100,891,714</u>	<u>P 136,667,197</u>	<u>P 38,566,149</u>	<u>P 62,561,340</u>	<u>P 192,316,415</u>	<u>P 621,805,020</u>
January 1, 2021							
Cost	P 90,802,205	P 139,077,249	P 595,348,440	P 164,952,138	P 664,504,260	P 491,151,973	P 2,145,836,265
Accumulated depreciation and amortization	-	(70,789,215)	(438,858,170)	(127,395,421)	(594,437,226)	(224,390,093)	(1,455,870,125)
Net carrying amount	<u>P 90,802,205</u>	<u>P 68,288,034</u>	<u>P 156,490,270</u>	<u>P 37,556,717</u>	<u>P 70,067,034</u>	<u>P 266,761,880</u>	<u>P 689,966,140</u>

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 is shown below.

	<u>Land</u>	<u>Building</u>	<u>Furniture Fixtures and Equipment</u>	<u>Transportation Equipment</u>	<u>Leasehold Improvements</u>	<u>Right-of-use Asset</u>	<u>Total</u>
Balance at January 1, 2022 net of accumulated depreciation and amortization	P 90,802,205	P 100,891,714	P 136,667,197	P 38,566,149	P 62,561,340	P 192,316,415	P 621,805,020
Additions	-	4,033,804	43,905,449	29,534,805	18,258,754	228,888,547	324,621,359
Disposals	-	-	(3,550,351)	(5,366,940)	(767,129)	-	(9,684,420)
Depreciation and amortization charges for the year	-	(6,248,391)	(44,800,775)	(16,018,292)	(27,169,534)	(134,186,888)	(228,423,880)
Balance at December 31, 2022 net of accumulated depreciation and charges for the year	<u>P 90,802,205</u>	<u>P 98,677,127</u>	<u>P 132,221,520</u>	<u>P 46,715,722</u>	<u>P 52,883,431</u>	<u>P 287,018,074</u>	<u>P 708,318,079</u>
Balance at January 1, 2021 net of accumulated depreciation and amortization	P 90,802,205	P 68,288,034	P 156,490,270	P 37,556,717	P 70,067,034	P 266,761,880	P 689,966,140
Additions	-	80,513,154	48,147,875	40,567,552	26,921,644	50,724,767	246,874,992
Disposals	-	(41,754,470)	(20,701,054)	(21,814,360)	(440,010)	-	(84,709,894)
Depreciation and amortization charges for the year	-	(6,155,004)	(47,269,894)	(17,743,760)	(33,987,328)	(125,170,232)	(230,326,218)
Balance at December 31, 2021 net of accumulated depreciation and charges for the year	<u>P 90,802,205</u>	<u>P 100,891,714</u>	<u>P 136,667,197</u>	<u>P 38,566,149</u>	<u>P 62,561,340</u>	<u>P 192,316,415</u>	<u>P 621,805,020</u>
Balance at January 1, 2020 net of accumulated depreciation and amortization	P 90,802,205	P 70,466,621	P 148,156,743	P 50,739,485	P 94,907,961	P 298,290,049	P 753,363,064
Additions	-	3,376,242	63,646,029	11,853,995	13,918,854	80,913,835	173,708,955
Disposals	-	-	(5,301,233)	(3,771,733)	(881,656)	-	(9,954,622)
Depreciation and amortization charges for the year	-	(5,554,829)	(50,011,269)	(21,265,030)	(37,878,125)	(112,442,004)	(227,151,257)
Balance at December 31, 2020 net of accumulated depreciation and charges for the year	<u>P 90,802,205</u>	<u>P 68,288,034</u>	<u>P 156,490,270</u>	<u>P 37,556,717</u>	<u>P 70,067,034</u>	<u>P 266,761,880</u>	<u>P 689,966,140</u>

Notes to Financial Statements

As of December 31, 2022 and 2021, the cost of the Bank's fully depreciated bank premises, furniture, fixtures, and equipment that are still used in operations amounts to P282.5million and P214.3 million, respectively.

The BSP requires that investment in bank premises, furniture, fixtures, and equipment do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2022 and 2021, the Bank has satisfactorily complied with this requirement.

The Bank leases office space for its branches. Leases have terms ranging from one to 20 years with renewal options and annual escalation rates from 3% to 10% in 2022 and 4% to 10% in 2021. The Bank has 159 and 164 total number of right-of-use assets with an average remaining life of two years and one year as of December 31, 2022 and 2021, respectively.

Each lease imposes a restriction that the right-of-use assets can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those premises in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Bank's business expansion unit's strategy and the economic benefit of exercising the option exceeds the expected overall cost.

14. INVESTMENT PROPERTIES

Investment properties consist of various land and buildings and improvements acquired through foreclosure or dacion as payment of outstanding loans by the borrowers.

The gross carrying amounts and accumulated depreciation and allowance for impairment of investment properties at the beginning and end of 2022 and 2021 are shown below.

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
December 31, 2022			
Cost	P 1,217,176,034	P 494,655,876	P 1,711,831,910
Accumulated depreciation	-	(119,345,473)	(119,345,473)
Allowance for impairment	(263,348,376)	(71,866,992)	(335,215,368)
Net carrying amount	<u>P 953,827,658</u>	<u>P 303,443,411</u>	<u>P 1,257,271,069</u>
December 31, 2021			
Cost	P 845,301,059	P 237,523,654	P 1,082,824,713
Accumulated depreciation	-	(88,699,529)	(88,699,529)
Allowance for impairment	(258,493,111)	(75,927,116)	(334,420,227)
Net carrying amount	<u>P 586,807,948</u>	<u>P 72,897,009</u>	<u>P 659,704,957</u>
January 1, 2021			
Cost	P 489,175,815	P 125,950,955	P 615,126,770
Accumulated depreciation	-	(79,515,180)	(79,515,180)
Allowance for impairment	(30,485,508)	(5,245,891)	(35,731,399)
Net carrying amount	<u>P 458,690,307</u>	<u>P 41,189,884</u>	<u>P 499,880,191</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2022 and 2021 are shown below.

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and impairment	P 586,807,948	P 72,897,009	P 659,704,957
Additions	484,202,972	303,787,452	787,990,424
Disposals	(101,183,262)	(43,015,770)	(144,199,032)
Depreciation for the year	-	(30,225,280)	(30,225,280)
Impairment losses	(16,000,000)	-	(16,000,000)
Balance at December 31, 2022, net of accumulated depreciation and impairment	<u>P 953,827,658</u>	<u>P 303,443,411</u>	<u>P 1,257,271,069</u>
Balance at January 1, 2021, net of accumulated depreciation and impairment	P 458,690,307	P 41,189,884	P 499,880,191
Additions	379,456,225	133,573,194	513,029,419
Disposals	(23,330,981)	(12,561,872)	(35,892,853)
Depreciation for the year	-	(18,622,972)	(18,622,972)
Impairment losses	(228,007,603)	(70,681,225)	(298,688,828)
Balance at December 31, 2021, net of accumulated depreciation and impairment	<u>P 586,807,948</u>	<u>P 72,897,009</u>	<u>P 659,704,957</u>
Balance at January 1, 2020, net of accumulated depreciation and impairment	P 454,714,482	P 39,653,717	P 494,368,199
Additions	15,058,824	12,746,243	27,805,067
Disposals	(11,082,999)	(235,715)	(11,318,714)
Depreciation for the year	-	(10,974,361)	(10,974,361)
Balance at December 31, 2020, net of accumulated depreciation and impairment	<u>P 458,690,307</u>	<u>P 41,189,884</u>	<u>P 499,880,191</u>

As of December 31, 2022 and 2021, additional investment properties amounted to P788.0 million and P513.0 million, respectively. Meanwhile, investment properties still subject to redemption by the borrowers based on the prescribed redemption period by the relevant law amounted to P526.0 million and P172.2 million, respectively.

Gain on disposal of investment properties amounted to P2.3 million, P9.9 million and P5.1 million in 2022, 2021 and 2020, respectively, which were presented as part of Gain (Loss) on sale of properties under Miscellaneous Income(Expense) in the statements of profit or loss (see Notes 22.1 and 22.2).

In 2022 and 2021, the Bank recognized additional impairment losses resulting from decline in fair value of certain investment properties due to factors such the continuing pandemic and changes in the property market.

Expenses incurred on investment properties include real property taxes and depreciation. Real property taxes incurred on these investment properties amounted to P56.4 million, P37.7million and P19.7 million in 2022, 2021 and 2020, respectively, and are presented as part of Miscellaneous, as Litigation on asset acquired, under Other Expenses in the statements of profit or loss (see Note 22.2). Depreciation recognized are included in Depreciation and amortization under Other Expenses in profit or loss.

The total estimated fair values of the Bank's investment properties amount to P2,031.7million and P1,030.3 million as of December 31, 2022 and 2021, respectively (see also Note 7.4).

Notes to Financial Statements

15. OTHER RESOURCES

This account consists of the following as of December 31:

	Notes	2022	2021
Branch licenses	15.2	P 250,800,000	P 250,800,000
Goodwill	15.3	121,890,408	121,890,408
Foreign currency notes and coins on hand	6	115,675,334	91,409,702
Prepaid expenses		109,005,718	55,422,792
Computer software – net	15.1	86,908,147	117,577,998
Other acquired assets – net	15.4	67,839,997	75,061,542
Security deposits	6	43,601,757	43,077,044
Club shares		38,000,000	38,000,000
Stationery and supplies		29,685,034	28,192,348
Due from head office or branches		-	65,094,128
Sundry debits		-	3,886,784
Miscellaneous	15.5	90,833,627	30,027,172
		954,240,022	920,439,918
Allowance for impairment		(1,654,737)	(1,654,737)
		P 952,585,285	P 918,785,181

15.1 Computer Software

The movements in computer software are shown below.

	2022	2021
Balance at beginning of year	P 117,577,998	P 127,441,973
Additions	16,418,729	35,893,357
Amortization	(47,088,580)	(45,757,332)
Balance at end of year	P 86,908,147	P 117,577,998

15.2 Branch Licenses

In 2019 and 2016, the Bank have opened branches in Metro Manila, Southern Luzon, Vis-Min, CAMANAVA, and Central Luzon. The total cost of branch licenses amounted to P0.3 million in 2019 and P1.8 million in 2016.

On February 27, 2014, the Bank received the approval from the BSP of its application for new licenses. This is in line with the Bank's branch expansion program for which it has allocated a portion of its IPO proceeds to cover the cost of new licenses in the following areas plus processing fees which amounted to P2.2 million: CAMANAVA, Vis-Min Area, Central Luzon and Southern Luzon. In November 2011, the Monetary Board of BSP approved the request of the Bank to establish 15 branches in selected restricted cities in Metro Manila for a total consideration of P226.5 million which was paid by the Bank to the BSP in January 2012.

In December 2011, the Bank acquired four licenses from Prime Savings Bank, Inc. for a total consideration of P20.0 million.

As indicated in Notes 2.11, 2.19 and 3.2(f), branch licenses are tested for impairment annually.

The recoverable amount of the CGU has been based on Value-in-Use (VIU) calculation using the excess projected net income from forecasts approved by the Bank's management covering a five-year period and a terminal growth rate. The key assumptions used in the estimation of the VIU in 2022 and 2021 include using a discount rate of 13.9% and 10.0%, respectively, and terminal value growth rate of 6.0% and 6.5%, respectively.

Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project excess net income. Future net income and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the discounted excess earnings is the weighted average cost of capital and was determined by reference to the BVAL rate of treasury bond, adjusted for a risk premium. The terminal growth rate was determined based on the average annual GDP growth rate.

The recoverable amount has been based on fair value reflecting market conditions less costs to sell. The Bank used the prevailing price of the special licensing fees as required by the BSP before acceptance of branch application. As of December 31, 2022 and 2021, the Bank has assessed that the recoverable amount of these branch licenses is the same as the carrying value; hence, no impairment loss is required to be recognized in the statements of profit or loss.

15.3 Goodwill

Goodwill arose from the following acquisitions:

Rural Bank of Kawit (RBK)	P	59,513,648
Kabalikat Rural Bank, Inc. (KRBI)		49,878,393
Bataan Savings and Loan Bank, Inc. (BLSB)		12,498,367
	P	<u>121,890,408</u>

In September 2014, as part of the Bank's expansion strategy, the BOD approved the acquisition of all the assets and assumption of all the obligation of RBK in exchange for P15.0 million. Upon approval by the BSP on February 1, 2016, the Bank recognized the assets and liabilities of RBK at their fair values, resulting in the recognition of P59.5 million goodwill.

KRBI, which is located in Sta. Maria Bulacan, Philippines, was acquired in 2010, which also resulted in the recognition of goodwill amounting to P49.9 million.

In July 2015, the Bank entered into a Sale and Purchase Agreement with BLSB, whereby the Bank acquired all the assets of BLSB and assumed the payment of all its obligation. The agreed purchase price was P68.8 million which has been fully paid by the Bank in 2015. On July 12, 2017, the BSP approved the acquisition; hence, the Bank recognized the assets and liabilities of BLSB at their approximate fair values resulting in the recognition of P12.5 million goodwill.

The Bank acquired the foregoing smaller banks with the objective of availing the branch incentives under the Strengthening Program for Rural Bank Plus; and, its expected future economic benefits and synergies that will result from incorporating the operations of these acquired rural banks with that of the Bank which expands its presence in the small and medium enterprise market. Accordingly, the Bank acquired them at a premium resulting in the recognition of goodwill.

As indicated in Notes 2.18 and 3.2(f), goodwill is tested for impairment annually. The Bank engaged a third-party specialist to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on VIU calculation using the cash flow projections from financial budgets approved by the Bank's senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities within the industry.

In 2022 and 2021, the discount rates applied to cash flow projections are 13.9% and 10.0%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are 6.0% and 6.5% for 2022 and 2021, respectively. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

As at December 31, 2022 and 2021, the Bank has assessed that the carrying amount of the goodwill is fully recoverable. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

15.4 Other Acquired Assets

This account pertains to chattel properties acquired by the Bank from defaulting borrowers. Movements of other acquired assets is shown below.

	<u>2022</u>	<u>2021</u>
Cost		
Balance at beginning of year	P 92,825,041	P 35,626,806
Additions	230,550,281	137,609,115
Disposals	(222,469,415)	(80,410,880)
Balance at end of year	<u>100,905,907</u>	<u>92,825,041</u>
Accumulated depreciation		
Balance at beginning of year	17,763,499	8,903,816
Depreciation	22,543,878	11,210,583
Disposals	(7,241,467)	(2,350,900)
Balance at end of year	<u>33,065,910</u>	<u>17,763,499</u>
	<u>P 67,839,997</u>	<u>P 75,061,542</u>

Notes to Financial Statements

As of December 31, 2022 and 2021, additional repossessed chattel properties amount to P230.6 million and P137.6 million, respectively. Among these, repossessed chattel properties still subject to redemption by the borrowers based on the prescribed redemption period by the amounted to P4.7 million and P20.3million, respectively.

Loss on disposal of the assets amounted to P18.9 million and P1.8 million in 2022 and 2020, respectively, and gain on disposal of the assets amounted to P0.1 million in 2021 were presented in the statements of profit or loss as part of Gain(Loss) on sale of properties under Miscellaneous Income (Expenses) [see Notes 22.1 and 22.2].

15.5 Miscellaneous

Miscellaneous includes various deposits, petty cash fund, creditable withholding taxes and other assets.

16. DEPOSIT LIABILITIES

The classification of the Bank's deposit liabilities as to currency follows:

	<u>2022</u>	<u>2021</u>
Philippine peso	P 106,999,561,254	P 105,400,631,735
Foreign currencies	7,526,598,224	7,017,079,432
	<u>P 114,526,159,478</u>	<u>P 112,417,711,167</u>

Annual interest rates on deposit liabilities range from:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Philippine peso	0.1% – 6.3%	0.1% – 1.5%	0.1% – 1.5%
Foreign currencies	0.1% – 4.0%	0.1% – 1.0%	0.1% – 0.9%

The total interest expense amounted to:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Time	P 942,058,513	P 587,522,775	P 1,191,974,953
Savings	20,171,069	56,654,969	59,904,351
Demand	13,811,856	37,148	113,933
	<u>P 976,041,438</u>	<u>P 644,214,892</u>	<u>P 1,251,993,237</u>

Deposit liabilities as of December 31, 2022 and 2021 include those that are from DOSRI as of December 31, 2022 and 2021 (see Note 24.1).

Under existing BSP regulations, the Bank is subject to reserve requirement equivalent to 3.0% of non-FCDU deposit liabilities. On April 6, 2012, the BSP issued an amendment to the existing provisions as to the eligibility of cash and deposit accounts with BSP as forms of reserve requirements. As indicated in the amendment, cash and other cash items are no longer considered as eligible reserves.

Pursuant to BSP Circular No. 1087, *Alternative Compliance with the Reserve Requirements of Banks and Non-bank Financial Institutions with Quasi-banking Functions*, the Bank used qualified MSME loans as allowable alternative compliance with the reserve requirement both in 2022 and 2021 (see Note 12).

The Bank's available reserves as of December 31, 2022 and 2021 amount to P9,401.6 million and P9,148.9 million, respectively, and is compliant with these BSP regulations (see Notes 9 and 12).

17. BILLS PAYABLE

On July 11, 2022, the Bank obtained unsecured, short-term bills payable with a total of P1,000million from the Land Bank of the Philippines which composed of two unsecured short-term bills both with principal amounts of P500 million bearing an interest of 3.50% and 4.25% per annum, which are payable quarterly with maturity dates of October 7, 2022 and July 6, 2023, respectively. On October 7, 2022, when the short-term bills payable matured and was settled, the Bank obtained another P500 million, from the same local bank bearing an interest of 4.90% per annum, which are payable quarterly with maturity date of September 29, 2023.

On October 20, 2022, the Bank obtained a rediscounting bill payable from the same bank amounting to P500 million bearing an interest rate of 4.75% per annum with maturity date of September 9, 2024. This bill is secured with certain loans and receivables of the Bank (see Notes 6.2 and 12).

In 2020, the outstanding balance of bills payable availed in 2019 with annual interest rate ranging from 5.75% to 4.50% were fully settled.

The total interest expense for the year ended December 31, 2022, and 2020 amounted to P25.2 million and P23.3 million, respectively, and is recognized as part of Interest Expense in the 2022 and 2020 statements of profit or loss. No similar transaction in 2021.

18. CORPORATE NOTES PAYABLE

On March 20, 2019, the BOD approved the authorization of the Bank to arrange a debt program of up to P10,000.0 million to finance the Bank's growing funding requirements. In July 2019, the Bank issued unsecured corporate notes with principal amount of P3,000.0 million bearing an interest ranging from 5.2% to 5.5% per annum, payable quarterly with maturity date of July 31, 2022.

On January 17, 2022, the Bank fully paid the outstanding amount of its corporate notes payable. Unamortized bond issue cost amounted to P4.7million as of December 31, 2021 (nil in 2022). The related amortization of the bond issue cost is recorded as part of Interest Expense on Corporate Notes Payable in the statements of profit or loss. The total interest expense in 2022, 2021, and 2020 amounted to P6.4 million, P171.2 million, and P171.7 million, respectively.

The financial covenant, as stipulated in the terms of the corporate notes, requires the Bank to maintain a minimum risk-based capital adequacy ratio. As of December 31, 2022 and 2021, the Bank is compliant with the covenant.

19. ACCRUED EXPENSES AND OTHER LIABILITIES**19.1 Accrued Expenses and Other Liabilities**

The breakdown of this account follows:

	Notes	2022	2021
Accrued expenses		P 853,596,078	P 739,160,760
Manager's checks		614,264,001	328,280,215
Bills purchase		535,250,054	-
Accounts payable		485,606,125	435,428,790
Outstanding acceptances		468,649,993	5,182,455
Lease liabilities	19.2	333,084,279	249,826,430
Income tax payable		231,558,886	139,397,340
Payment orders payable		145,912,544	958,503
Withholding taxes payable		67,675,812	39,937,869
Post-employment defined benefit obligation	23.2	58,493,927	75,815,072
Due to BSP		55,876,619	51,055,370
Others		97,605,195	91,087,284
		P 3,947,573,513	P 2,156,130,088

Accrued expenses include primarily accruals on interest on corporate notes payable, Agri-agra penalty, profit sharing of the employees, other employee benefits, utilities, janitorial and security services fees.

Bills purchase represent the checks presented for encashment pending the clearing process of the Bank to allow its clients to meet their needs for liquidity.

Notes to Financial Statements

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

Payment orders payable represents the amount transmitted by the Bank to a beneficiary's bank which is issued upon its receipt of the payment order as instructed by the sender.

Others primarily include SSS and Pag-IBIG premiums and loans payable, sundry credits and unclaimed balances.

19.2 Lease Liabilities

The movements in the lease liability recognized are as follows:

	Notes	2022	2021
Balance at beginning of year		P 249,826,430	P 310,084,402
Additions		228,888,547	50,724,767
Payments of principal portion of lease liability	31	(145,630,698)	(110,982,739)
Balance at end of year		<u>P 333,084,279</u>	<u>P 249,826,430</u>

The total interest expense incurred on the lease liability amounted to P20.6 million, P19.7million and P25.5 in 2022, 2021 and 2020, respectively, and is presented as part of Others under the Interest Expense section of statements of profit or loss.

As at December 31, 2022 and 2021, the Bank has no committed leases which have not yet commenced.

The Bank has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P42.1 million and P67.4 million and P25.1 million for 2022, 2021 and 2020, respectively, and is presented as part of Occupancy under Other Expenses in the statements of profit or loss.

At December 31, 2022 and 2021, the Bank is committed to short-term leases, and the total commitment at that date is nil and P24.8 million, respectively.

The maturity analysis of lease liabilities at December 31, 2022and 2021 is as follows:

	2022			2021		
	Lease Payments	Finance Charges	Net Present Value	Lease Payments	Finance Charges	Net Present Value
First year	P 152,915,448	P 14,328,896	P 138,586,552	P 110,820,718	P 12,450,964	P 98,369,754
Second year	100,829,234	7,926,537	92,902,697	84,395,223	6,066,168	78,329,055
Third year	59,980,299	4,168,463	55,811,836	44,982,196	2,361,270	42,620,926
Fourth year	31,694,514	2,013,435	29,681,079	21,346,363	777,233	20,569,130
Fifth year	11,133,492	636,861	10,496,631	3,054,412	298,575	2,755,837
Beyond fifth year	6,252,218	646,734	5,605,484	7,316,286	134,558	7,181,728
	<u>P 362,805,205</u>	<u>P 29,720,926</u>	<u>P 333,084,279</u>	<u>P 271,915,198</u>	<u>P 22,088,768</u>	<u>P 249,826,430</u>

20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

Notes	2022			2021			
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total	
Financial Resources							
Cash and other cash items	9	P 1,247,987,230	P -	P 1,247,987,230	P 1,430,787,675	P -	P 1,430,787,675
Due from BSP	9	6,102,228,578	-	6,102,228,578	16,754,028,342	-	16,754,028,342
Due from other banks	10	5,215,663,162	-	5,215,663,162	3,474,970,323	-	3,474,970,323
Loans and other receivables	12	55,978,963,250	47,562,570,147	103,541,533,397	40,035,907,534	51,638,636,622	91,674,544,156
Financial assets at FVPL	11.1	2,222,021,039	-	2,222,021,039	2,482,213,020	-	2,482,213,020
Financial assets at FVOCI	11.2	324,998,274	10,495,218,651	10,820,216,925	203,379,945	11,786,015,619	11,989,395,564
Investments at amortized cost	11.3	426,085,876	699,374,801	1,125,460,677	204,150,171	679,636,875	883,787,046
Other resources	15	115,675,334	43,601,757	159,277,091	91,409,702	43,077,044	134,486,746
		<u>P71,633,622,743</u>	<u>P58,800,765,356</u>	<u>P130,434,388,099</u>	<u>P 64,676,846,712</u>	<u>P64,147,366,160</u>	<u>P128,824,212,872</u>
Non Financial Resources							
Bank premises, furniture, fixtures and equipment - net	13	P -	P 708,318,079	P 708,318,079	P -	P 621,805,020	P 621,805,020
Investment properties - net	14	-	1,257,271,069	1,257,271,069	-	659,704,957	659,704,957
Deferred tax assets - net	24	-	1,356,780,139	1,356,780,139	-	1,142,253,206	1,142,253,206
Other resources	15	138,690,752	654,617,442	793,308,194	178,210,870	606,087,565	784,298,435
		<u>138,690,752</u>	<u>3,976,986,729</u>	<u>4,115,677,481</u>	<u>178,210,870</u>	<u>3,029,850,748</u>	<u>3,208,061,618</u>
		<u>P71,772,313,495</u>	<u>P62,777,752,085</u>	<u>P134,550,065,580</u>	<u>P 64,855,057,582</u>	<u>P67,177,216,908</u>	<u>P132,032,274,490</u>
Financial Liabilities							
Deposit liabilities	16	P109,802,114,829	P 4,724,044,649	P114,526,159,478	P108,350,995,546	P 4,066,715,612	P112,417,711,167
Bills Payable	17	1,000,000,000	500,000,000	1,500,000,000	-	-	-
Corporate notes payable	18	-	-	-	-	2,995,352,640	2,995,352,640
Accrued expenses and other liabilities	19	2,616,613,924	138,586,552	2,755,200,476	1,278,141,759	151,456,676	1,429,598,435
		<u>113,418,728,753</u>	<u>5,362,631,201</u>	<u>118,781,359,954</u>	<u>109,629,137,305</u>	<u>7,213,524,937</u>	<u>116,842,662,242</u>
Non Financial Liabilities							
Accrued expenses and other liabilities	19	299,234,698	893,138,339	1,192,373,037	179,335,209	547,196,444	726,531,653
		<u>P113,717,963,451</u>	<u>P 6,255,769,540</u>	<u>P119,973,732,991</u>	<u>P109,808,472,514</u>	<u>P 7,760,721,381</u>	<u>P117,569,193,895</u>

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Number of Shares		Amount	
	2022	2021	2022	2021
Preferred shares – P10 par value				
Authorized – 130,000,000 shares				
Issued and outstanding	<u>62,000,000</u>	<u>62,000,000</u>	<u>P620,000,000</u>	<u>P 620,000,000</u>
Common shares – P10 par value				
Authorized – 870,000,000 shares				
Issued and outstanding	<u>643,750,094</u>	<u>643,750,094</u>	<u>P6,437,500,940</u>	<u>P6,437,500,940</u>

The Bank's preferred shares are nonvoting, nonconvertible, and are redeemable at the option of the Bank. These shares are entitled to dividend of noncumulative 8.0% per annum.

On February 17, 2017, the BOD approved the redemption of all the issued and outstanding preferred shares of the Bank at par value of P620.0 million through staggered redemption. However, as at December 31, 2022 and 2021, none of the preferred shares have been redeemed yet and the Bank has considered conversion of the preferred shares to common shares instead.

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On January 9, 2013, the PSE approved the Bank's application for the listing of its common shares. The approval covered the IPO of 101,333,400 unissued common shares of the Bank at P31.50 per share and the listing of those shares in the PSE's main board on February 19, 2013, its day of listing. The Bank offered its 101,333,400 unissued common to the public at the approved P31.50 per share resulting in the recognition of additional paid-in capital of P1,998.4million, net of transaction costs (see Note 21.4).

On August 16, 2021, during the special BOD meeting of the Bank, the BOD approved to increase its authorized capital stock with the intention of raising capital via stock rights offering. On September 30, 2021, during the special stockholders' meeting, the stockholders approved the increase in authorized capital stock from P10,000 million to P15,000.0 million divided into 1,370 million common shares with par value of P10 and 130 million preferred shares with par value of P10.

On May 21, 2021 and June 25, 2021, during the regular BOD meeting and annual stockholder's meeting, respectively, the BOD and stockholders approved the change of the preferred shares features from nonconvertible to convertible to common shares and from nonredeemable to redeemable. However, it did not materialize due to the complexities in the requirements. Hence, on April 20, 2022 and July 27, 2022, during the regular BOD meeting and annual stockholder's meeting, respectively, the BOD and stockholders re-approved the change of the preferred shares feature from nonconvertible to convertible to common shares. The changes in the features of preferred shares are still subject to BSP and SEC's approval as of the report date.

During the regular BOD meeting of the Bank on April 20, 2022, the BOD re-approved the increase in the Bank's authorized capital stock (ACS) in line with the continuing expansion of the Bank's core deposit-and-lending business since the application for increase of capital, as provided in the Revised Corporation Code, must be made within six months from approval of the BOD and shareholders. On July 27, 2022, during the annual stockholders' meeting, the stockholders also re-approved such increase in authorized capital stock. On November 28, 2022, the Bank received the certificate of authority from the BSP for the increase in ACS, and subsequently, on January 19, 2023, the Bank has obtained the necessary approval from the Securities and Exchange Commission (SEC).

On August 17, 2022, during the regular BOD meeting of the Bank, the BOD approved the offer consisting of P1,750,000,000 worth of shares, which (a) P1,250,000,000 shall consist of advance subscriptions by the Principal Shareholders out of the P5,000,000,000 increase in ACS of the Bank, by way of private placement; and (b) up to P500,000,000 stock rights offer (SRO) to eligible shareholders as of record date equivalent to 50,000,000 common shares at P10.00 per share, for the purpose of increasing capital and for general corporate requirements.

Related to the increase in ACS as discussed above, the Bank's principal shareholders have subscribed to P1,250.0million equivalent to 25% of the P5,000.0million increase in ACS. On September 21, 2022, the principal shareholders paid P312.5 million or 25% of the minimum paid-up capital increase requirement and is presented as Deposit on Future Stock Subscription in the 2022 statement of financial position. On September 26, 2022, the Bank filed the application for the increase in ACS with the SEC from P10,000million to P15,000 million. To support the increase in ACS, the Principal Shareholders subscribed to 125,000,000 shares through a private placement transaction.

On January 10, 2023, the Bank received P937.5 million from the Principal Shareholders as full payment. Subsequently, on January 20, 2023, the Bank issued the 125,000,000 shares to the Principal Shareholders following the receipt of SEC approval on the P5,000 million increase in ACS on January 19, 2023. Accordingly, after the private placement, the Bank's total outstanding and issued common shares is 768,750,094.

On February 13, 2023, the Bank received the Notice of Confirmation of Exempt Transaction from the SEC with respect to the Bank's stock rights offering. Subsequently, on February 22, 2023, the PSE has approved the Bank's application to list up to 50,000,000 common shares subject to its SRO which is offered to its eligible shareholders as of March 10, 2023, the record date. The offer period started on March 17, 2023 and ended on March 23, 2023.

As of December 31, 2022 and 2021, the Bank has 67 and 69 holders, respectively, of its listed common stock. The Bank has 643,750,094 common shares traded in the PSE as of December 31, 2022 and 2021 and its share price closed at P10.20 and P10.00, respectively, as at the same dates.

21.2 Dividends

On April 20, 2022, the Bank's BOD approved the declaration of cash dividend on preferred shares amounting to P118.8 million, which was fully paid on May 4, 2022 (see Note 29). The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2019 to 2021.

The cash dividends on preferred shares are analyzed as follows:

	No. of Shares		Per Share		Total
Tranche 1	1,200,000	P	24	P	28,800,000
Tranche 2	1,250,000		18		22,500,000
Tranche 3	3,750,000		18		67,500,000
				P	<u>118,800,000</u>

The Bank has no dividends in arrears on its preferred shares.

21.3 Appropriated Surplus

Reconciliation of appropriated surplus is as follows:

	<u>Trust Reserves</u>	<u>General Loan Loss Reserves</u>	<u>Total</u>
Balance at January 1, 2022	P 16,834,370	P 357,408,075	P 374,242,445
Appropriation during the year	<u>5,393,328</u>	<u>353,980,037</u>	<u>359,373,365</u>
Balance at December 31, 2022	<u>P 22,227,698</u>	<u>P 711,388,112</u>	<u>P 733,615,810</u>
Balance at January 1, 2021	P 12,514,382	P 34,299,996	P 46,814,378
Appropriation during the year	<u>4,319,988</u>	<u>323,108,079</u>	<u>327,428,067</u>
Balance at December 31, 2021	<u>P 16,834,370</u>	<u>P 357,408,075</u>	<u>P 374,242,445</u>
Balance at January 1, 2020	P 9,951,287	P 531,826,894	P 541,778,181
Appropriation during the year	2,563,095	-	2,563,095
Reversal during the year	<u>-</u>	<u>(497,526,898)</u>	<u>(497,526,898)</u>
Balance at December 31, 2020	<u>P 12,514,382</u>	<u>P 34,299,996</u>	<u>P 46,814,378</u>

Trust reserves represents portion of the Bank's income from trust operations were made in compliance with BSP regulations (see Note 27).

On August 16, 2003, the BOD approved the establishment of a sinking fund for the exclusive purpose of the redemption of redeemable preferred shares should the Bank opt to redeem the shares. However, as of December 31, 2022 and 2021, the sinking fund for the redemption of redeemable preferred shares is yet to be established.

21.4 Paid-in Capital from IPO

As mentioned in Note 21.1, the Bank's common shares were listed at the PSE in February 2013. The total proceeds received from the IPO amounted to P3,191.9 million which exceeded par value by P1,998.4 million, net of share issuance cost of P180.2 million. The excess over par value is presented as Additional Paid-in Capital in the statements of financial position.

21.5 Revaluation Reserves

Revaluation reserves pertain to the accumulated actuarial losses of post-employment defined benefit plan and unrealized fair value gains and losses on FVOCI securities.

	Notes	<u>NUGL on Securities at FVOCI</u>	<u>Accumulated Actuarial Losses</u>	<u>Total</u>
Balance at January 1, 2022		(P 125,395,426)	(P 86,999,212)	(P 212,394,638)
Fair value losses on FVOCI securities during the year	11.2	(1,404,660,931)	-	(1,404,660,931)
Expected credit losses for FVOCI securities	11.2	(6,564,187)	-	(6,564,187)
Fair value gains reclassified to profit or loss	11.2	607,336	-	607,336
Remeasurements of post-employment defined benefit plan	23.2	-	24,960,375	24,960,375
Other comprehensive income (loss)		(1,410,617,782)	24,960,375	(1,385,657,407)
Tax expense	25	-	(6,240,093)	(6,240,093)
		<u>(1,410,617,782)</u>	<u>18,720,282</u>	<u>(1,391,897,500)</u>
Balance at December 31, 2022		<u>(P 1,536,013,208)</u>	<u>(P 68,278,930)</u>	<u>(P 1,604,292,138)</u>

Notes to Financial Statements

	Notes	NUGL on Securities at FVOCI	Accumulated Actuarial Losses	Total
Balance at January 1, 2021		P 457,765,830	(P 89,321,633)	P 368,444,197
Fair value losses on FVOCI securities during the year	11.2	(566,144,785)	-	(566,144,785)
Fair value gains reclassified to profit or loss	11.2	(17,016,471)	-	(17,016,471)
Remeasurements of post-employment defined benefit plan	23.2	-	11,603,384	11,603,384
Other comprehensive income (loss)		(583,161,256)	11,603,384	(571,557,872)
Effect of change in lower tax rate		-	(6,380,117)	(6,380,117)
Tax expense	25	-	(2,900,846)	(2,900,846)
		<u>(583,161,256)</u>	<u>2,322,421</u>	<u>(580,838,835)</u>
Balance at December 31, 2021		<u>(P 125,395,426)</u>	<u>(P 86,999,212)</u>	<u>(P 212,394,638)</u>
Balance at January 1, 2020		P 387,886,373	(P 88,628,361)	P 299,258,012
Fair value gains on FVOCI securities during the year	11.2	414,518,483	-	414,518,483
Fair value gains reclassified to profit or loss	11.2	(344,639,026)	-	(344,639,026)
Remeasurements of post-employment defined benefit plan	23.2	-	(990,388)	(990,388)
Other comprehensive income (loss)		69,879,457	(990,388)	68,889,069
Tax income	25	-	297,116	297,116
		<u>69,879,457</u>	<u>(693,272)</u>	<u>69,186,185</u>
Balance at December 31, 2020		<u>P 457,765,830</u>	<u>(P 89,321,633)</u>	<u>P 368,444,197</u>

22. MISCELLANEOUS INCOME AND EXPENSES

22.1 Miscellaneous Income

This includes the following:

	Notes	2022	2021	2020
Trade finance charges		P 62,650,287	P 32,480,126	P 6,606,473
Trust fees	27	53,933,280	43,199,876	25,630,951
Foreign currency gains – net		44,648,107	84,504,397	33,737,895
Gain on sale of properties – net	14, 15.4	-	9,918,968	3,262,459
Others		56,995,282	26,407,279	4,404,316
		<u>P 218,226,956</u>	<u>P 196,510,646</u>	<u>P 73,642,094</u>

Others include rental of safe/night deposit box and dividend income.

22.2 Miscellaneous Expenses

This include the following:

	Notes	2022	2021	2020
Transportation and travel		P 100,763,779	P 110,140,390	P 117,844,264
Fines, penalties and other charges		77,092,877	96,280,380	84,035,000
Communication		68,456,000	74,118,818	63,675,782
Litigation on asset acquired	14	56,422,759	37,738,099	19,738,236
Banking fees		48,034,939	37,972,892	34,056,238
Information technology		47,913,679	51,824,352	35,283,039
Office supplies		21,101,151	14,690,620	15,325,867
Loss on sale of properties – net	14, 15.4	16,616,368	-	-
Amortization of deferred charges		3,508,772	4,824,561	877,193
Freight		3,238,319	4,837,154	2,909,459
Membership dues		3,050,210	5,961,276	1,925,192
Advertising and publicity		2,866,648	2,585,401	2,664,979
Donations and contributions		17,361	20,788	1,134,182
Others		43,281,311	54,579,752	126,976,280
		<u>P 492,364,173</u>	<u>P 495,574,483</u>	<u>P 506,445,711</u>

Others also include brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

23. EMPLOYEE BENEFITS

23.1 Salaries and Other Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are broken down below.

	Notes	2022	2021	2020
Salaries and wages		P 705,621,515	P 652,594,531	P 599,214,259
Bonuses		175,210,399	162,328,264	45,531,106
Social security costs		46,088,185	42,307,832	37,119,050
Post-employment defined benefit plan	23.2	40,967,463	41,244,233	41,062,356
Short-term medical benefits		40,140	1,085,340	309,960
Other short-term benefits		215,501,889	76,322,089	330,812,369
		<u>P 1,183,429,591</u>	<u>P 975,882,289</u>	<u>P 1,054,049,100</u>

23.2 Post-employment Benefit

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by the Bank's trust department that is legally separated from the Bank. The Bank's Retirement Plan Committee, in coordination with the Bank's trust department, who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

Notes to Financial Statements

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021.

The amounts of post-employment defined benefit obligation (see Note 19) recognized in the statements of financial position are determined as follows:

	<u>2022</u>		<u>2021</u>
Fair value of plan assets	P 306,774,356	P	286,806,438
Present value of the defined benefit obligation	(365,268,283)	(362,621,510)
	<u>(P 58,493,927)</u>	(P	<u>75,815,072)</u>

The movements in the present value of the post-employment defined benefit obligation are as follows:

	<u>2022</u>		<u>2021</u>
Balance at beginning of year	P 362,621,510	P	339,707,080
Current service cost	40,967,462		41,244,233
Interest expense	18,421,173		13,316,518
Benefits paid	(35,329,924)	(16,466,770)
Remeasurements:			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(39,995,010)	(23,244,329)
Experience adjustments	19,452,858		4,733,493
Changes in demographic assumptions	(869,786)	(3,331,285)
Balance at end of year	<u>P 365,268,283</u>	P	<u>362,621,510</u>

The movements in the fair value of plan assets are presented below.

	<u>2022</u>		<u>2021</u>
Balance at beginning of year	P 286,806,438	P	258,357,011
Contributions to the plan	37,133,819		37,943,819
Benefits paid	(35,329,924)	(16,466,770)
Interest income	14,615,586		10,548,545
Return on plan assets (excluding amounts included in net interest)	3,548,437	(3,576,167)
Balance at end of year	<u>P 306,774,356</u>	P	<u>286,806,438</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2022</u>		<u>2021</u>
Cash and cash equivalents	P 36,843,600	P	18,728,460
Corporate bonds	224,834,926		236,070,379
Equity securities	37,058,342		22,055,415
Accrued interest income	8,037,488		9,952,184
	<u>P 306,774,356</u>	P	<u>286,806,438</u>

The fair values of the above equity securities, government and corporate bonds are determined based on quoted market prices in active markets.

The plan assets earned actual return of P18.2 million and loss of P7.0 million in 2022 and 2021, respectively.

Plan assets include certain financial instruments of the Bank (see Note 24).

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current service cost	P 40,967,462	P 41,244,233	P 41,062,356
Net interest expense	3,805,587	2,767,973	3,058,046
	<u>P 44,773,049</u>	<u>P 44,012,206</u>	<u>P 44,120,402</u>
<i>Reported in other comprehensive income:</i>			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	(P 39,995,010)	(P 23,244,329)	(P 11,805,775)
Experience adjustments	19,452,858	4,733,493	(8,657,437)
Changes in demographic assumptions	(869,786)	3,331,285	4,580,568
Return on plan assets (Excluding amounts included in net interest expense)	(3,548,437)	3,576,167	16,873,032
	<u>(P 24,960,375)</u>	<u>(P 11,603,384)</u>	<u>P 990,388</u>

Current service cost is presented as part of Salaries and Other Employee Benefits (see Note 23.1) under the caption Other Expenses while net interest expense is presented as Interest Expense in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Discount rates	7.22%	5.08%	3.92%
Expected rate of salary increases	6.00%	6.00%	6.00%
Employee turnover	12.11%	11.83%	12.50%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 26 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon bond government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt and equity securities. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(i) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

Notes to Financial Statements

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described as follows.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2022 and 2021:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	+4.9%/-4.5%	P 17,737,097	(P 16,257,874)
Salary rate	+4.9%/-4.5%	(16,586,838)	17,775,229
Increase in DBO if no attrition rate	+7.4%	27,028,799	-
December 31, 2021			
Discount rate	+5.5%/-5.0%	P 18,074,235	(P 19,880,371)
Salary rate	+5.4%/-5.0%	(19,506,371)	18,087,352
Increase in DBO if no attrition rate	+35.2%	127,584,681	-

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Bank through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Bank actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As of December 31, 2022 and 2021, the plan is heavily invested in cash and cash equivalents and debt and equity securities. The Bank believes that cash and cash equivalents and debt and equity securities offer the best returns over the long term with an acceptable level of risk.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan currently is underfunded by P58.5 million based on the latest actuarial valuation. While there is no minimum funding requirement in the country, the Bank is funding its plan assets to manage the cash flow risk in about five years' time when a significant number of employees is expected to retire.

The Bank expects to pay P37.0 million as contribution to retirement benefit plan in 2022.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years follows:

	<u>2022</u>	<u>2021</u>
Within one year	P 129,262,753	P 115,034,793
More than one year to five years	185,346,585	147,415,576
More than five years to 10 years	321,353,929	301,319,359
	<u>P 635,963,267</u>	<u>P 563,769,728</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.7 years.

24. RELATED PARTY TRANSACTIONS

A summary of the Bank's transactions with related parties is presented below.

Related Party Category	Note	Amount of Transaction			Outstanding Balance	
		2022	2021	2020	2022	2021
Key management personnel:						
Deposit liabilities	24.1	(P 70,219,016)	P 23,381,665	P 18,910,570	P 32,072,650	P 104,250,875
Interest expense	24.1	215,806	468,908	1,055,506	-	-
Loans	24.2	(7,101,214)	7,996,369	5,443,377	9,857,038	16,958,252
Interest income	24.2	(846,286)	1,208,365	521,139	599,481	1,445,767
Compensation	24.4	193,106,967	201,006,922	173,943,541	-	-
Other related parties:						
Deposit liabilities	24.1	764,053,229	216,755,922	2,527,224,276	8,550,573,641	8,004,070,546
Interest expense	24.1	68,083,107	51,631,841	115,342,717	-	-
Loans	24.2	553,051,659	(559,959,065)	(401,154,581)	737,606,073	143,429,638
Interest income	24.2	(4,011,453)	20,662,763	28,111,843	18,078,593	22,090,046
Retirement fund:						
Contribution	24.3	37,943,819	37,943,819	37,133,819	-	-
Plan assets	24.3	24,139,206	28,449,427	26,350,572	306,774,356	286,806,438

Details of the foregoing transactions are as follows:

24.1 Deposits

The total balance of deposits are inclusive of the corresponding accrued interest as of December 31, 2022 and 2021.

Deposit liabilities transactions with related parties have similar terms with other counter parties (see Note 16). Annual interest rates on deposit liabilities range from 0.1% to 6.3% in 2022, 0.1% to 1.5% in 2021, and from 0.1% to 1.5% in 2020.

24.2 Loans

The Bank has loan transactions with its key management personnel and other related parties. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks and are normally settled in cash. Based on management's assessment as at December 31, 2022 and 2021, allowance for impairment of P8.7 million and P6.9 million, respectively, is recognized on the Bank's loans to key management personnel and other related parties.

Other information relating to the loans, other credit accommodations and guarantees granted to key management personnel and other related parties are presented in Note 32(f).

As of December 31, 2022 and 2021, the Bank has an approved line of credit to certain related parties totaling P749.2 million and P163.8 million, respectively, and all were used to guarantee the obligation of the respective related parties to other creditors up to the extent of the unused line of credit.

Notes to Financial Statements

24.3 Transactions with Retirement Fund

The Bank's transactions with its retirement fund as of December 31, 2022 and 2021 relate only to its contributions to the plan and certain placements made by the plan to the Bank.

The retirement plan assets are placed with the Bank, as administered by the Bank's trust department, comprise cash in bank, short-term placements, corporate bonds, and equity securities amounting to P306.8 million and P286.8 million in 2022 and 2021, respectively, as disclosed in Note 23.2.

Cash and cash equivalents include time deposits issued by the Bank amounting to P36.8 million and P11.4 million as of December 31, 2022 and 2021, respectively.

Equity securities include shares issued by the Bank with fair value of P37.0 million and P20.7 million as of December 31, 2022 and 2021, respectively.

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

24.4 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term benefits	P 193,106,967	P 184,540,152	P 167,058,946
Post-employment benefits	6,923,573	16,466,770	6,884,595
	<u>P 200,030,540</u>	<u>P 201,006,922</u>	<u>P 173,943,541</u>

The composition of the Bank's short-term benefits are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Salaries and wages	P 147,856,807	P 140,142,135	P 129,013,729
Bonuses	37,497,977	34,779,490	32,227,373
Social security costs	2,935,449	4,921,757	2,531,250
Other short-term benefits	4,816,734	4,696,770	3,286,594
	<u>P 193,106,967</u>	<u>P 184,540,152</u>	<u>P 167,058,946</u>

25. TAXES

The components of tax expense for the years ended December 31, 2022, 2021 and 2020 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 25% in 2022 and 2021 and 30% in 2020	P 635,251,297	P 571,455,784	P 662,222,544
Regular Banking Unit (RBU) FCDU	3,107,463	5,893,524	4,020,284
Final tax at 20% in 2022 and 2021 and 10% in 2020	133,438,308	126,607,501	219,087,325
Effect of change in tax rate	-	(64,856,483)	-
	<u>771,797,068</u>	<u>639,100,326</u>	<u>885,330,153</u>
Deferred tax income relating to origination and reversal of temporary differences	(220,767,026)	(197,519,954)	(626,951,138)
Effect of change in tax rate	-	183,146,703	-
	<u>(220,767,026)</u>	<u>(14,373,251)</u>	<u>(626,951,138)</u>
	<u>P 551,030,042</u>	<u>P 624,727,075</u>	<u>P 258,379,015</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in other comprehensive income</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	P 6,240,093	P 2,900,846	(P 297,116)
Effect of change in tax rate	<u>-</u>	<u>6,380,117</u>	<u>-</u>
	<u>P 6,240,093</u>	<u>P 9,280,963</u>	<u>(P 297,116)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax profit at 25% in 2022 and 2021 and 30% in 2020	P 465,619,884	P 448,223,855	P 359,178,571
Adjustment for income subjected to lower tax rates	(30,453,805)	(36,830,374)	(133,171,819)
Effect of change in tax rate	<u>-</u>	<u>118,130,386</u>	<u>-</u>
Tax effects of:			
Non-deductible expenses	174,694,555	122,335,653	108,588,680
Non-taxable income	(58,830,592)	(27,132,445)	(76,216,417)
Tax expense	<u>P 551,030,042</u>	<u>P 624,727,075</u>	<u>P 258,379,015</u>

In 2022 and 2021, the Bank is subject to minimum corporate income tax (MCIT) computed at 1% of gross income, net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2022 and 2021 as the RCIT was higher than MCIT in those years.

The net deferred tax assets as of December 31, 2022 and 2021 relate to the following:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
Allowance for impairment	P 1,331,077,627	P 1,136,091,936
Lease liabilities	83,271,070	62,456,608
Accumulated depreciation of investment properties	38,102,846	26,615,758
Provision for bonus and accrued leave conversion	19,748,687	19,748,687
Post-employment benefit liability	14,623,482	18,953,767
Unamortized past service cost	4,766,624	6,470,851
	<u>1,491,590,336</u>	<u>1,270,337,607</u>
Deferred tax liabilities:		
Right-of-use asset	(71,754,518)	(48,079,104)
Accrued interest receivable	(50,104,802)	(65,508,092)
Unamortized payments on documentary stamp tax	(7,173,764)	(8,720,092)
Gain on bargain purchase	(5,777,113)	(5,777,113)
	<u>(134,810,197)</u>	<u>(128,084,401)</u>
Net deferred tax assets	<u>P 1,356,780,139</u>	<u>P 1,142,253,206</u>

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The movements in net deferred tax assets for the years ended December 31 follow:

	Statements of Profit or Loss			Statements of Comprehensive Income		
	2022	2021	2020	2022	2021	2020
Impairment losses	(P 194,985,691)	P 3,181,276	(P 612,071,791)	P -	P -	P -
Amortization of right-of-use asset	23,675,414	(31,949,460)	(9,458,451)	-	-	-
Lease liabilities	(20,814,462)	30,568,713	10,068,687	-	-	-
Accrued interest income	(15,403,290)	(17,872,344)	(9,250,695)	-	-	-
Provision for director's bonus	-	3,949,737	-	-	-	-
Depreciation expense of investment properties	(11,487,088)	(90,059)	(3,001,760)	-	-	-
Post-employment benefit obligation	(1,909,808)	(3,829,710)	(2,095,975)	6,240,093	9,280,963	(297,116)
Unamortized past service cost	1,704,227	3,349,998	2,551,886	-	-	-
Gain on bargain purchase	-	(1,155,423)	-	-	-	-
Unamortized payments on documentary stamp tax	(1,546,328)	(525,979)	(3,693,039)	-	-	-
Deferred tax expense (income)	(P220,767,026)	(P 14,373,251)	(P 626,951,138)	P 6,240,093	P 9,280,963	(P 297,116)

As of December 31, 2022 and 2021, the Bank has unrecognized deferred tax assets amounting to P4.7 million and P1.9 million, respectively, relating to certain allowance for impairment. For the years ended December 31, 2022 and 2021, the Bank opted to claim itemized deductions.

26. COMMITMENTS AND CONTINGENT LIABILITIES

The following are the other commitment contingent liabilities of the Bank:

- In the normal course of the Bank's operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, and others, which are not reflected in the financial statements. See Note 32(h) for details.
- There are other commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable.

As of December 31, 2022 and 2021, management is of the opinion that losses, if any, from the foregoing items will not have a material effect on the Bank's financial statements.

27. TRUST OPERATIONS

The following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the statements of financial position since these are not resources of the Bank:

	2022	2021
Loans and other receivables	P 2,847,983,141	P 1,834,562,621
Due from banks	1,441,380,126	2,516,070,571
Investment securities	5,134,549,235	3,311,702,026
Other assets	2,484,000,000	2,484,000,000
	<u>P 11,907,912,502</u>	<u>P 10,146,335,218</u>

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

- Government bonds owned by the Bank with face value of P130.0 million and P144.8 million as of December 31, 2022 and 2021, respectively, are deposited with the BSP (see Note 11.2); and
- 10% of the trust income is transferred to appropriated surplus. This transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock (see Note 21.3). Additional reserve for trust functions amounted to P5.4 million, P4.3 million and P2.6 million in 2022, 2021 and 2020, respectively, and are presented as part of Appropriated Surplus in the Bank's statements of changes in equity.

Income from trust operations, shown as part of Miscellaneous Income in the statements of profit or loss, amounted to P53.9 million, P43.2 million and P25.6 million in 2022, 2021 and 2020, respectively (see Note 22.1).

28. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	2022	2021
Balance at beginning of year:			
Loans and other receivables	12	P 4,214,380,450	P 3,773,986,503
Investment properties	14	334,420,227	35,731,399
Investment securities			
at amortized cost	11.3	1,617,940	1,617,940
Other resources	15	1,654,737	1,654,737
		<u>4,552,073,354</u>	<u>3,812,990,579</u>
Impairment losses – net	11.3, 12, 14	820,614,023	747,357,300
Write-offs	12	(29,715,110)	(8,274,525)
		<u>790,898,913</u>	<u>739,082,775</u>
Balance at end of year:			
Loans and other receivables	12	4,992,803,070	4,214,380,450
Investment properties	14	335,215,368	334,420,227
Investment securities			
at amortized cost	11.3	13,299,092	1,617,940
Other resources	15	1,654,737	1,654,737
		<u>P 5,342,972,267</u>	<u>P 4,552,073,354</u>

29. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2022	2021	2020
Net profit	P 1,311,449,494	P 1,168,168,345	P 938,882,887
Dividends on preferred shares	(118,800,000)	-	-
Net profit attributable to common shareholders	1,192,649,494	1,168,168,345	938,882,887
Divided by the weighted average number of outstanding common shares	<u>643,750,094</u>	<u>643,750,094</u>	<u>643,750,094</u>
Basic earnings per share	<u>P 1.85</u>	<u>P 1.81</u>	<u>P 1.46</u>

As of December 31, 2022, 2021 and 2020, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

30. OTHER MATTERS

30.1 Continuing Impact of COVID-19 Pandemic on Bank's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Company is continuously improving and Company's operations is slowly going back to its pre-pandemic levels.

Notes to Financial Statements

The management will continue to take the following actions to continually improve the Bank's operations:

- Perform comprehensive review of loan accounts to assess reprieved businesses and industry due to COVID-19 situation;
- Ensure continued access to credit facilities for clients with resilient and sustainable businesses amid the COVID-19 situation. The Bank toproactively work with clients for the restructuring of loan terms to address temporary tightness/liquidity problems; and,
- Continue to focus on its products, processes, and people. The Bank continues to deepen its relationships with SME businesses, offer product bundling and cross-selling, and shift from traditional marketing to digital banking and online selling. In terms of process, the Bank remains committed to taking a customer-driven and personalized marketing approach, reducing turn-around times, and revisiting its loan policies to adopt best practices. The Bank supports the training of its people via online courses, strengthening rewards and recognition systems, and upskilling employees.

As the economy continue with its recovery from pandemic-related issues in 2022, the Bank saw more normalized operations and increasingly positive results. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

30.2 Impact of Russia-Ukraine conflict

The Ongoing Russia and Ukraine War started February 2022 has caused a surge in World crude oil and commodity prices, resulting in high record imports and trade deficit in the Philippines. This global inflation triggered the US Federal Open Market Committee to implement aggressive rate hikes, strengthening the US dollar to a record high of P59.00. In response, the BSP implemented local policy rate hikes totaling 350 basis points in 2022, with additional 50 bps in February 2023 and another 25 bps in March 2023 to manage domestic inflation and align with US Federal hikes to stabilize the peso exchange rate. These policy rate hikes have increased the cost of deposits and led the unrealized market losses in the Bank's investment and trading securities at FVOCI portfolio due to market fluctuations. Despite these measures, the BSP expects inflation to remain above its target of 2% to 4% until December 2023 largely driven by the high prices of consumer prices.

To mitigate the increase in cost of funds incurred by banks, the BSP is closely monitoring demand for higher interest rates and evaluating its loan pricing scheme. Specifically, the Bank anticipates higher loan demand in 2023 due to the continuous improvement on the Philippine economy and to post a better-than-expected GDP growth of 7.6% in 2022 and continue its resiliency in 2023.

The Bank is also focusing on embracing the digitalization and plans to launch its mobile banking product in 2023 to maintain its competitive edge among peer banks.

Lastly, the Treasury Department of the Bank is positioning itself to strengthen its banking books portfolio and trading books beginning 2023, as BSP has been closely monitoring the inflationary pressures and has implemented several policy measures to help manage inflation, this measures will help the policy makers to reach its goal of 2% to 4% inflation target in 2023 and may seriously consider pausing its policy rate hikes by end of first half of the year and remain neutral up to the end of this year.

31. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

31.1 Significant Non-cash Transactions

Significant non-cash transactions in 2022 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P228.9 million (see Notes 13 and 19) relating to renewal of leases.
- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P788.0 million and P230.6 million, respectively (see Notes 14 and 15.4).

Significant non-cash transactions in 2021 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P50.7 million (see Notes 13 and 19) relating to renewal of leases.
- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P513.0 million and P137.6 million, respectively (see Notes 14 and 15.4).

Significant non-cash transactions in 2020 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P80.9 million (see Notes 13 and 19) relating to renewal of leases.
- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P27.8 million and P24.0 million, respectively (see Notes 14 and 15.4).

31.2 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of the Bank's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bills Payable (see Note 17)	Corporate Notes Payable (see Note 18)	Lease Liabilities (see Note 19)	Total Financing Activities
Balance at January 1, 2022	P -	P 2,995,352,640	P 249,826,430	P 3,245,179,070
Cash flow from financing activities –				
Availments	2,000,000,000	-	-	2,000,000,000
Payments / redemption	(500,000,000)	(3,000,000,000)	(145,630,698)	(3,645,630,698)
Non-cash financing activities:				
Amortization of discount	-	4,647,360	-	4,647,360
Additions to lease liabilities	-	-	228,888,547	228,888,547
Balance at December 31, 2022	<u>P 1,500,000,000</u>	<u>P -</u>	<u>P 333,084,279</u>	<u>P 1,833,084,279</u>
Balance at January 1, 2021	P -	P 2,987,685,274	P 310,084,402	P 3,297,769,676
Cash flow from financing activities –				
Payments / redemption	-	-	(110,982,739)	(110,982,739)
Non-cash financing activities:				
Amortization of discount	-	7,667,366	-	7,667,366
Additions to lease liabilities	-	-	50,724,767	50,724,767
Balance at December 31, 2021	<u>P -</u>	<u>P 2,995,352,640</u>	<u>P 249,826,430</u>	<u>P 3,245,179,070</u>
Balance at January 1, 2020	P 612,523,250	P 2,980,423,657	P 343,646,694	P 3,936,593,701
Cash flow from financing activities:				
Availments	2,000,000,000	-	-	2,000,000,000
Payments / redemption	(2,612,523,250)	-	(114,476,127)	(2,726,999,377)
Non-cash financing activities:				
Amortization of discount	-	7,261,617	-	7,261,617
Additions to lease liabilities	-	-	80,913,835	80,913,835
Balance at December 31, 2020	<u>P -</u>	<u>P 2,987,685,274</u>	<u>P 310,084,402</u>	<u>P 3,297,769,676</u>

32. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some indicators of the Bank's financial performance.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Return on average capital			
<u>Net profit</u>	9.0%	8.2%	7.0%
Average total capital accounts			
Return on average resources			
<u>Net profit</u>	1.0%	0.9%	0.8%
Average total resources			

Notes to Financial Statements

	2022	2021	2020
Net interest margin			
<u>Net interest income</u>	4.3%	4.5%	5.0%
<u>Average interest earning resources</u>			

(b) *Capital Instruments Issued*

As of December 31, 2022 and 2021, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL follows (amounts in thousands):

	2022		2021	
	Amount	Percentage	Amount	Percentage
Wholesale and retail trade	P 38,146,775	36.5%	P 33,421,613	36.3%
Real estate activities	16,512,161	15.8%	15,784,545	17.1%
Manufacturing	12,800,637	12.2%	10,540,381	11.5%
Construction	7,330,580	7.0%	6,053,936	6.6%
Transportation and storage	6,121,292	5.9%	6,990,355	7.6%
Electricity, gas, steam and air-conditioning supply	4,757,477	4.5%	4,963,672	5.4%
Financial and insurance activities	4,363,124	4.2%	3,278,448	3.6%
Accommodation and food service activities	3,308,648	3.2%	2,655,107	2.9%
Water supply, sewerage, waste management and remediation activities	2,667,819	2.6%	2,467,987	2.7%
Administrative and support services	2,532,306	2.4%	2,399,622	2.7%
Consumption	1,843,519	1.8%	536,465	0.6%
Agriculture, forestry and fishing	1,321,665	1.3%	1,154,213	1.3%
Professional, scientific, and technical activities	735,066	0.7%	247,919	0.3%
Mining and quarrying	658,407	0.6%	52,210	0.1%
Information and communication	255,067	0.2%	305,538	0.3%
Education	227,863	0.2%	260,058	0.3%
Human health and social service activities	63,890	0.1%	45,499	0.1%
Arts, entertainment and recreation	20,110	0.0%	152,210	0.1%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	5,074	0.0%	3,331	0.0%
Other service activities	889,188	0.9%	670,609	0.8%
	P 104,560,668	100%	P 91,983,718	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below and in the succeeding page (in thousands).

	2022		
	Non-Performing	Total Loan performing	Portfolio
Gross carrying amount:			
Corporate	P 92,554,189	P 4,865,761	P 97,419,950
Consumer	6,391,124	749,594	7,140,718
	98,945,313	5,615,355	104,560,668
Allowance for ECL	(1,454,933)	(3,362,421)	(4,817,354)
Net carrying amount	P 97,490,380	P 2,252,934	P 99,743,314

	2021		
	Non-Performing	Total Loan performing	Portfolio
Gross carrying amount:			
Corporate	P 77,657,629	P 2,912,246	P 80,569,875
Consumer	10,347,137	1,066,706	11,413,843
	<u>88,004,766</u>	<u>3,978,952</u>	<u>91,983,718</u>
Allowance for ECL	(566,568)	(3,324,675)	(3,891,243)
Net carrying amount	<u>P 87,438,198</u>	<u>P 654,277</u>	<u>P 88,092,475</u>

As at December 31, 2022 and 2021, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow(in thousands):

	2022	2021
Gross NPLs	P 5,615,355	P 3,978,952
NPLs fully covered by allowance for impairment	(3,362,421)	(3,324,67)
	<u>P 2,252,934</u>	<u>P 654,277</u>

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

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written off.

Restructured loans amount to P5,012.8 million and P1,370.0 million as of December 31, 2022 and 2021, respectively. The related allowance for credit loss of such loans amounted to P330.5million and P22.7 million as of December 31, 2022 and 2021, respectively.

Interest income recognized on impaired loans and receivables amounted to P161.4 million and P19.0 million in 2022 and 2021, respectively.

(e) *Analysis of Loan Portfolio as to Type of Security*

As to security, receivable from customers, gross of allowance and unearned discount, are classified into the following (amounts in thousands):

	2022	2021
Secured:		
Real estate mortgage	P 39,086,194	P 45,773,388
Chattel mortgage	6,873,037	9,191,885
Deposit hold-out	5,681,799	3,304,536
	<u>51,641,030</u>	<u>58,269,809</u>
Unsecured	<u>52,919,638</u>	<u>33,713,909</u>
	<u>P 104,560,668</u>	<u>P 91,983,718</u>

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

Notes to Financial Statements

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31, 2022 and 2021 in accordance with BSP reporting guidelines (amounts in thousands):

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2022	2021	2022	2021
Total outstanding loans	P 702,982	P 709,762	P 748,463	P 853,192
% of loans to total loan portfolio	0.67%	0.8%	0.71%	0.93%
% of unsecured loans to total DOSRI/related party loans	7.0%	8.3%	6.21%	12.58%
% of past due loans to total DOSRI/related party loans	0.0%	0.0%	3.0%	3.0%
% of non-performing loans to total DOSRI/related party loans	0.0%	0.0%	3.0%	6.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

(g) *Secured Liabilities and Assets Pledged as Security*

As of December 31, 2022, certain loan and other receivables of the Bank amounting to P950.0 million were used to secure a P500.0 million long-term bills payable. As of December 31, 2021, there are no assets pledged by the Bank as security for liabilities.

(h) *Contingencies and Commitments Arising from Off-balance Sheet Items*

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2022 and 2021 are as follows:

	2022	2021
Investment management accounts	P 10,221,845,347	P 8,308,580,613
Trust and other fiduciary accounts	1,618,211,721	1,814,508,813
Outstanding letters of credit	1,529,583,090	747,471,735
Unit investment trust fund	21,684,433	23,245,786
Outward bills for collection	4,661,575	1,012,942
Items held for safekeeping	88,546	123,946
Items held as collateral	162,885	12,315
Late payment/deposits received	-	2,480,000
Other contingent accounts	2,237,701,579	625,213,351

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) *Gross Receipts Tax*

In lieu of the value-added tax, the Bank is subject to the Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code, which is imposed on banks, non-banks financial intermediaries and finance companies.

In 2022, the Bank reported total GRT amounting to P336,265,315 [see Note 33(c)].

GRT is levied on the Bank's lending income, which includes interest, commission and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rates of either 5% or 1% of the related income.

(b) Documentary Stamp Tax

The Bank is enrolled under the Electronic Documentary Stamp Tax (e-DST) System starting July 2010. In 2022, DST remittance thru e-DST amounted to P803,398,935, while DST on deposits for remittance amounted to P324,862,667. In general, the Bank's DST transactions arise from the execution of debt instruments, lease contracts and deposit liabilities.

DST on loan documents and letters of credit in 2022 amounting to P478,536,268 were charged to borrowers and these were properly remitted by the Bank.

DST accruing to the Bank amounted to P282,493,764 and is presented as part of the Taxes and licenses in the 2022 statement of profit or loss [see Note 33(c)].

(c) Taxes and Licenses

Details of taxes and licenses for the year ended December 31, 2022 follow:

	<u>Notes</u>		
DST	33(b)	P	282,493,764
Gross receipts tax	33(a)		336,265,315
Business tax			23,768,810
Real property tax			3,540,947
Miscellaneous			<u>1,012,060</u>
		P	<u>647,080,896</u>

DST includes unamortized amount of P28.7 million recognized as deductible in full for income tax purposes.

(d) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2022 are shown below.

Final	P	184,864,503
Compensation and benefits		100,893,484
Expanded		<u>46,299,907</u>
	P	<u>332,057,894</u>

(e) Deficiency Tax Assessments and Tax Cases

As of December 31, 2022, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.

(f) Other Required Tax Information

The Bank did not have any transactions in 2022 which are subject to excise tax, customs duties, and tariff fees.

