PHILIPPINE BUSINESS BANK
a savings bank
Making Things Happen... Today!

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You may also reach us thru our
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PBB is regulated by the Bangko Sentral ng Pilipinas
Consumer Protection and Market Conduct Office
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About the Cover

Empowering Dreams:
A Legacy of Unwavering Support for SMEs

PBB's thrust is to empower the country's small and medium enterprises.

SMEs are the backbone of most economies, driving growth, creating jobs, and boosting innovation and competitiveness. PBB serves the SMEs throughout the Philippines, with everything from credit management to advisory and investment services. As well as providing all the banking services the clients expect, PBB uses its branch network and expertise to add more value for the SMEs wherever possible to empower their dreams.

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 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 158 branches as of December 31, 2023 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 the 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 145 in 2018 to 158 as of December 31, 2023. As a result, PBB's deposit base and loan portfolio grew over the years.

About Us

in Php Millions	2018	2023	CAGR
Net loans and receivables	75,530.4	117,563.9	9.3%
Deposit liabilities	77,251.1	126,718.7	10.4%

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	2018	2023	CAGR
At fair value through profit or loss	1,816.8	6,782.3	30.1%
Available-for-sale	2,279.7	13,765.4	43.3%
Held-to-maturity	771.1	1,501.3	14.3%
Trading and investment securities	**4,867.6**	**22,049.0**	**35.3%**

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 %	2018	2019	2020	2021	2022	2023
Non-performing loans ratio	1.75%	2.33%	4.07%	4.33%	5.37%	5.70%

The Bank's NPL ratio stood at 5.70% as of 2023.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 92.78% in 2023.

in %	2018	2019	2020	2021	2022	2023
Loans-to-deposit ratio	97.77%	91.66%	88.93%	81.55%	90.41%	92.78%

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

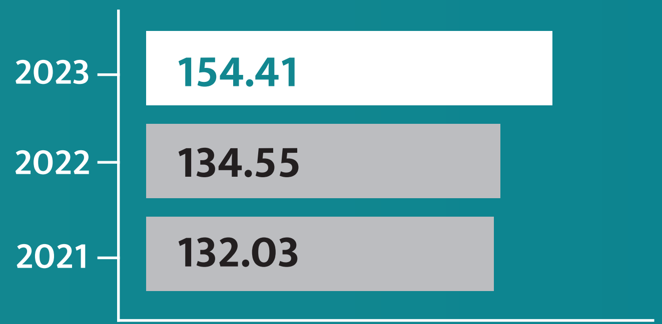
in %	2018	2019	2020	2021	2022	2023
Equity, in Billions	11.36	12.87	13.88	14.46	14.58	**18.02**
Tier 1 CAR	14.01%	12.80%	13.27%	11.08%	13.06%	**12.25%**
CAR	14.99%	13.70%	14.15%	11.82%	13.85%	**13.15%**

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.

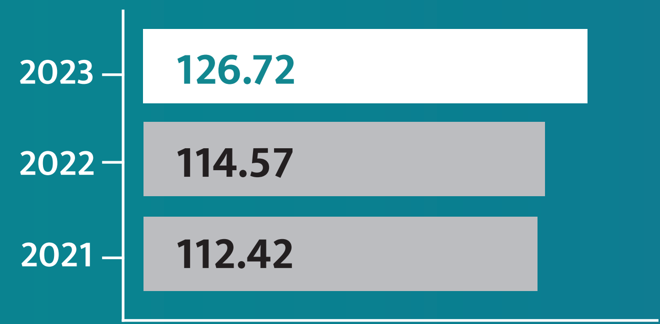
6. Highly competent and experienced management team
With significant oversight from the Board of Directors, PBB is managed and run by officers who have extensive experience in banking operations from leading universal and commercial banks in the country. With the experience and track record of officers, 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

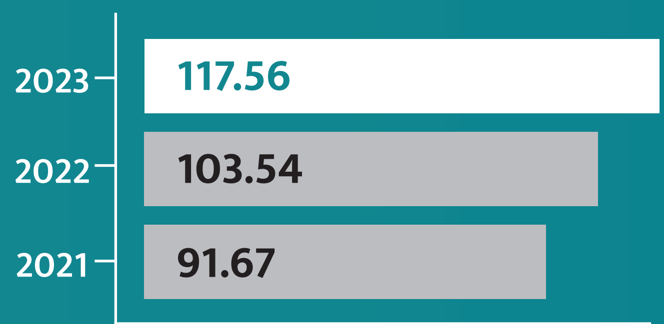
Total Resources
(in billion Pesos)



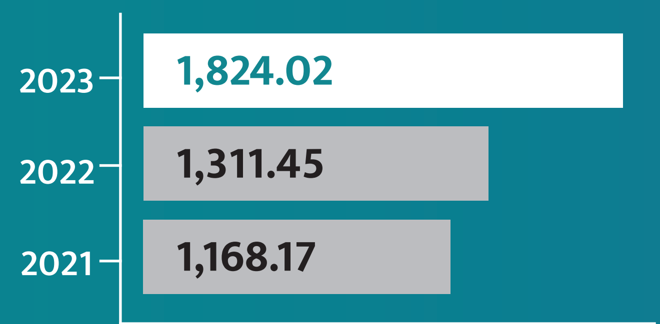
Total Deposit Liabilities
(in billion Pesos)



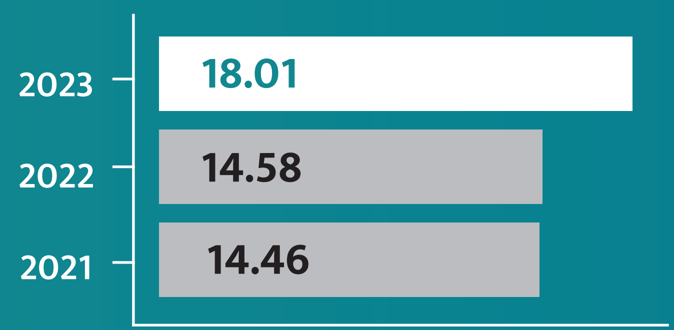
Total Loans
(in billion Pesos)



Net Income
(in million Pesos)



Capital Fund
(in billion Pesos)



Financial Summary

in Php millions, except per share data	31-Dec-23	31-Dec-22	% growth
Profitability			
Net interest income	6,421	5,547	15.8
Non-interest income	981	544	80.3
Non-interest expenses	(4,009)	(3,408)	17.6
Core income	3,105	2,683	0.6
Pre-tax pre-provision profit	3,393	2,683	26.5
Provision for impairment losses or Impairment losses	(1,053)	(821)	28.4
Net income	1,824	1,311	39.1
Selected balance sheet data			
Liquid assets	32,035	26,734	19.8
Loans and other receivables	117,564	103,542	13.5
Assets	154,414	134,550	14.8
Deposits	126,719	114,526	10.6
Equity	18,014	14,576	23.6
Per common share data			
Net income per share:			
Basic	2.23	1.85	20.5
Diluted	2.23	1.85	20.5
Book value	21.25	17.05	24.6
Others			
Headcount	1,748	1,660	5.3
Officers	795	734	8.3
Staff	953	926	2.9
Selected Ratios			
Return on equity	11.19%	9.03%	
Return on assets	1.26%	0.98%	
Net Tier 1 CAR	12.25%	13.06%	
Capital adequacy ratio	13.15%	13.85%	

Letter to the Shareholders from the Chairman Emeritus

Dear Fellow Shareholders,

We Make Things Happen Today!

This is the Bank's vision. It conveys our fundamental optimism and the role we play in supporting economic growth, contributing to the country's prosperity, and helping clients to achieve their financial goals.

The year 2023 has seen further challenges and uncertainty for all of us. The ongoing Russia-Ukraine war and US-China tensions, the Israel-Hamas conflict further heightened the lingering geopolitical uncertainties; the global interest rates stayed higher for longer as central banks tightened policy stance.

The country has also experienced natural disasters across the provinces resulting in significant financial and social impacts to many people. As we are confronted with all these problems, we have realized that we are an integral part of this community and as a Bank we always stand beside our clients to sail through the problems together for greater economic prosperity.

Despite these headwinds, PBB delivered a record operating performance in 2023. We are pleased to share an extraordinarily strong year of earnings with a net income of Php1.824 billion.

My Commitment

PBB promises to do right by our stakeholders, including clients, colleagues and the community. It reflects our long-term strategy, the Bank's intent to intensify investment by targeting to obtain a universal banking license in the near future. With the universal banking license, it will reinforce PBB's commitment to facilitate economic flows within the country and to support businesses across generations.

Beyond the traditional role of a financial institution, PBB is dedicated to connecting with consumers on a personal level. We understand the importance of financial well-being, and our initiatives focus on educating our clients to make informed decisions about their financial futures. Through various outreach programs from the AMY Foundation – where we will continuously provide support to deserving students in the form of tuition scholarships and school stipends that they may reach their full potential for a brighter tomorrow, community workshops and financial literacy programs, including financial advisories as we continue to empower individuals to achieve their financial goals.

My Belief

As the founder of the AMY Foundation, I am a believer of building a strong learning foundation for the younger generation. The foundational learning is critical for a student's later learning. A strong learning foundation is the ladder to ensure a future where they can adapt and thrive, it paves the way to a future where they can make decisions and continue to be critical, creative thinkers and doers and an asset to the community.

My Purpose and Values

It is with great pride that I share the news of PBB receiving its first Golden Arrow Award on September 28, 2023. This award recognizes the Top Performing Publicly Listed Companies (PLCs) in the Philippines under the 2022 ASEAN Corporate Governance Standards (ACGS).

This prestigious award is a testament to our commitment to deliver banking excellence to our clients and communities. And you can count on us to never rest upon our laurels, and instead to work tirelessly to improve the quality of our service and customer experience.

My sincere wish is for PBB to become an even stronger partner in your financial journey, cementing its position as a bank with "MALASAKIT." Yes, malasakit is evident in the workplace. As the Chairman Emeritus, I express Malasakit to my employees by putting their welfare before anything else. While delivery of results and hitting targets are top priorities, I do not forget that people should always come first. The success of the Bank is their success. Malasakit is manifested by the employees, they go about their jobs as if they are the owners of the company. On their own, they look for ways to achieve targets, cut down expenses and make the working place as safe and fun for everybody. They go the extra mile, extend work hours, take on additional tasks, not because they were told to by their superiors but because they want to contribute to the success of the Bank. They find meaning and purpose in what they do and want to contribute, thus, PBB's success is attributed to them.

PBB is a highly-trusted Bank. Our robust balance sheet, prudent risk management and talented workforce allow us to be well-poised to support our clients and pursue growth opportunities. We enter the new year with confidence as we are committed to deliver enduring value to our stakeholders.

"PBB promises to do right by our stakeholders, including clients, colleagues and the community. It reflects our long-term strategy, the Bank's intent to intensify investment by targeting to obtain a universal banking license in the near future."

My Utmost Thanks

I would like to thank our Board of Directors and the entire Management team whose dedication to our stakeholders and clients has allowed us to sustain the company's growth.

I extend my gratitude to our dedicated employees who exemplify our purpose and values in the market-place. To our shareholders, clients and communities, I humbly thank you for your continued trust and support. PBB is more than just a financial institution: We Empower Dreams! We empower the country's small and medium enterprises. We empower you.

My sincere thanks to the Bangko Sentral ng Pilipinas who has always been pro-active and played a pivotal role to keep the stability and resilience in the banking system by taking various preemptive and prudential measures throughout the period.

Sincerely,

Ambassador Alfredo M. Yao
Chairman Emeritus

Message from the Chairman and Vice Chairman & President/CEO

Dear Shareholders,

The global economy averted a hard landing in 2023, interest rates hiked seven times in 2022. Elevated interest rates dampened consumer and investment demand, and inhibited global trade. US-China tensions, the ongoing Russia-Ukraine war, as well as the Israel Hamas conflict, added to the uncertainty.

Against this backdrop, the Philippines' full-year 2023 GDP growth was the strongest among major Asian economies. The Philippines finished strong in 2023 with a full-year gross domestic product (GDP) growth rate of 5.6 percent, outpacing major economies in Asia, such as China (5.2 percent), Vietnam (5.0 percent), and Malaysia (3.8 percent) based on the latest available data.

The Philippine Business Bank, on the other hand, continued to reap benefits from its twenty six years of banking service, with net profit and return on equity at record highs.

A Record Year

For the year, PBB delivered record total income of Php 1.824 billion, a 39.1 percent jump from last year's Php1.311 billion earned, as core income reached Php3.1 billion.

PBB's financial performance remained resilient in 2023. Net interest income of Php5.547 billion in 2022 rose to Php6.421 billion in 2023, up 15.8 percent. Core income reached Php3.105 billion. Pre-tax pre-provision profit was at Php3.393 billion, a 26.5 percent increase year-on-year. Profit before tax rose by 25.6 percent to Php2.339 billion in 2023.

The Bank's asset quality remained stable, with total net loans and receivables at Php117.6 billion from Php103.5 billion in the same period last year, increased by 13.5 percent. Despite challenging macroeconomic conditions in 2023, deposit liabilities were Php126.7 billion from Php114.5 billion in 2022. Low-cost deposits ("CASA") ended at Php68.3 billion, while time deposits ("TD") reached Php58.4 billion reflecting clients' confidence and trust in us. Total resources totaled Php154.4 billion as of December 2023, up by 14.8 percent.

PBB's capital position strengthened with Common Equity Tier 1 Capital Adequacy Ratio improving to 12.25 percent for the fourth quarter. The Bank's capital adequacy ratio ("CAR") was 13.1 percent and minimum liquidity ratio ("MLR") at 25.8 percent in December 2023, both above the statutory requirement of 10.0 percent and 20.0 percent, respectively.

Shareholders' equity was at Php18.0 billion, equivalent to a book value per share of Php21.25 net of the preferred shares. Returns on assets and equity improved to 1.18 percent and 10.13 percent owing to net income growth. Net interest margin ("NIM") stood at 4.63 percent, 30 basis points higher than 2022's 4.33 percent.

PBB's outstanding performance in 2023 was driven by the Bank's asset expansion, improved interest rate margins, and lower cost-to-income ratio. The Bank's performance despite the stiff competition in the industry is indicative of PBB's expansion to a full-service financial institution. Maintaining its core income, generating trading gains and fee income, and growing its PTPP and net income is a testament to PBB's resiliency and discipline.

Positioning for Growth

At our annual strategy session last November, the Board and Management reviewed the Bank's progress on its business strategy and transformation journey. Our focus for the next few years will be to leverage the product capabilities and systems built up over the years, and to use these as a springboard to propel PBB towards the next chapter of growth.

With the banking industry facing dynamic changes, particularly in global economic flows, digital currencies and sustainability, it is vital that we keep pace with developments and capitalize on growth opportunities.

2023 was a significant year for the Bank as we scaled up our regional business after the launch of the "SAVE, EARN and DRIVE" online electronic raffle, marking the successful conclusion of a dynamic raffle "CASA" promo endeavor. The promotion projected an MTD ADB during the 3-month promo of Php1.4 billion, the actual MTD ADB as of May 31, 2023 which was the end of the promo period reached Php2.7 billion, a testament of our clients' confidence and trust in us.

Excelling in Meeting Corporate Governance Standards

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.

When PBB received its first Golden Arrow Award on September 28, 2023, at Okada Manila, we became more focused on executing our corporate strategy well as this recognition is a reflection of PBB's unwavering commitment to transparency, accountability, and excellence.

> "For the year, PBB delivered record total income of Php 1.824 billion a 39.1 percent jump from last year's Php1.311 billion earned, as core income reached Php3.1 billion."

MAKING BIGGER STEPS IN OUR SUSTAINABILITY COMMITMENT

The Board is committed to guiding the Bank to drive the sustainability agenda.

We will work in alignment with the communities where we operate to support their aspirations. We will also remain steadfast in our diversity commitments.

Message from the Chairman and Vice Chairman & President/Ceo

Building PBB into a leading financial services partner for a sustainable future requires investments in our people and technology. While we watch our expenses closely, we will not shy away from making strategic investments. We will build up our talent pool of bankers and relationship managers throughout the regions, and help employees progress in their careers and make them more resilient.

In 2022, we announced that we had completed phase one of our core banking roadmap. That included an investment to accelerate digital transformation. Phase two is well under way.

Taking Care of Our Own

People are our greatest asset to the Bank's long-term growth and success. Guiding the Bank to foster a culture of care, growth and trust, growing our own timber and future-proofing our workforce remain key to the Board and Management. In this regard, we continue to provide opportunities for our colleagues to grow professionally and in their personal lives.

As Management's way of giving back to all the employees, PBB has strengthened an in-house communication program where regular communication with the President/CEO and fellow colleagues take place via online platform – "ONLINE KAPIHAN." The President/CEO is always ready to listen, and lines are open to regular dialogue.

Fostering a culture of care - Malasakit, a Filipino core value, is cultivated in PBB. Malasakit, embodies the Filipino's utmost concern for others manifested in the Filipino social and cultural concept of kapwa. PBB is transforming the workplace with empathy and care.

Embedding malasakit in the workplace is not just about implementing a new policy or ticking a box. It is about weaving a thread of empathy, care, and genuine concern into the very fabric of the organization. It is about creating an environment where employees do not just come to work; they come to a place where they feel valued, heard, and supported.

Cultivating malasakit is not a one-off campaign. It is a continuous journey, a commitment to nurturing an environment where everyone feels like they belong and matter. From the Chairman Emeritus, who leads by example, the Management fosters open communication, encourages collaboration, and recognizes acts of kindness.

We believe in supporting our people to realize their full potential. Before the year ended, learning initiatives for key officers of the Bank launched the accelerated 5-Day MBA program. The top-rated five-day seminar, equipped the participants with the essentials of high-level business courses, the 5 disciplines are: finance, strategy, marketing, management and leadership. These 'MBA subjects' and the high-level skills approach are what leaders need to become efficient leaders and successors of Philippine Business Bank. Our learning partner in this intervention is no less than the industry leader in training and development, Guthrie-Jensen Global Training Consultant.

Moving Forward

Macroeconomic and geopolitical uncertainties remain. We need to keep a close eye on geopolitics, particularly the impact of the Israel-Hamas conflict on oil prices.

Although we remain watchful, we take heart that PBB continues to be resilient. The Bank is consistently upgrading capabilities for the future. Senior management believes that the Bank's approach of further strengthening its dominant position in the SME market, and sustaining its growth momentum will help establish and position PBB towards its ultimate goal of becoming a major player in the Philippine financial services sector.

Acknowledgements

PBB will not be where we are today without our colleagues' dedication. We would like to express our appreciation to our colleagues for their commitment and hard work in the past year. Our colleagues have displayed collaboration and unity to support our clients and one another.

We would also like to thank the Board for its wise counsel and support to the PBB Management in navigating the various challenges.

Finally, thank you to our clients and shareholders for your belief in PBB. I look forward to your continued support as we focus our efforts on becoming the bank of choice of the SMEs.

Philippine Business Bank, MAKING THINGS HAPPEN... TODAY!

Sincerely,

Jeffrey S. Yao
Chairman of the Board

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

Principal Business Activities

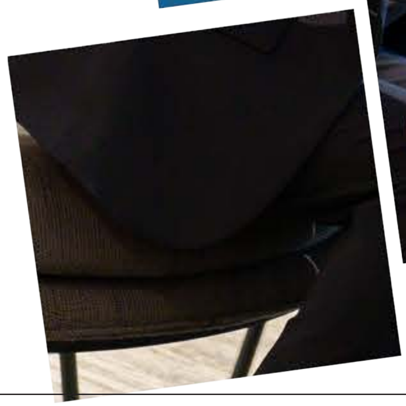
PBB provides close to a full range of banking services and products, including cash management, retail and corporate lending, deposit products, international trade finance, treasury, and trust products.

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

The 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 commits to the country's economic developments, and contributes 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 is a sales support team of the branches for their depositors and target customers who are needing auto loans, housing loans and salary deducted loans. The group works hand in hand with the branches on customer acquisition, retention and maintenance.

In early 2022, the Department of Education relaxed the restrictions against Private Lending Institutions (PLIs) that granted license to provide loans to their employees. The bank, being a licensed member of the DepEd saw an opportunity in this segment and invested on resources. The initial efforts in growing the business with the DepEd were quite a success in 2022. From a meager P32M volume in 2021 to a copious volume of P825M in 2022, it has continually grown to P1.5B in 2023. This revived loan product is being seen as one of the main generators of revenue of the bank in the future.

The onslaught of the pandemic was so severe to consumers that it resulted to massive defaults in loans in almost all banks during and even after its end. 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 profiles 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 way far better than industry levels since the pandemic up to the latest BSP data.

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. Payroll account
5. SSS Pensioners' account
6. Peso Time Deposit
7. Hi-5 Time Deposit
8. Dollar Time Deposit
9. Hi-Green Deposit
10. Dollar Savings Account
11. Chinese Yuan/ Renminbi Savings Account
12. Campus Savers
13. Digital Banking (on-going enhancement)
14. Referrals of Trust Services' products/investments, Insurance business, FX buy and sell, and Consumer products such as Auto, Housing, Salary, and Makaguro Loans

Principal Business Activities

The group is composed of: (1) Branch Banking Group (BBG) which grows deposit levels, generates and services loan referrals, and sells trust and treasury products, they are assisted by the BBG Support Group in their administrative, expansion/relocations, marketing campaign and technical concerns; and (2) Retail Sales Group (RSG) which supplements and complements the marketing and sales effort of the Branch Banking Group.

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.

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 the 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 and is under the management of the Asset Management Committee;
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 2023

Program / Course Title	Description	Target Participants
2023 Compliance Re-Tooling Program	An online seminar that reiterates and discusses the duties and responsibilities of a Compliance Coordinator	Identified Compliance Coordinators
5-Day MBA	A 5-day condensed online MBA course covering the following topics: Strategy, Finance, Marketing, Management, and Executive Leadership	Identified successors
Advanced Sales: Consultative Selling & Negotiations Workshop	An online seminar that discusses the difference between traditional and consultative selling techniques, strategic account planning, responses to varying negotiation scenarios, and navigation of the stages of negotiation	Business Managers, Relationship Managers, and Sales Officers
AMLA Orientation	An online training activity that orients participants on the pertinent policies and regulations pertaining to Anti-Money Laundering	Newly-hired employees
AMLA Refresher	An online training program that provides participants with a review and updates on current Anti-Money Laundering policies and regulations	Employees identified as due for AMLA refresher
Basic Financial Analysis	An online seminar that equips participants with the knowledge of the elements of the basic financial reports as the initial step of understanding the business of the borrower	Mid-level Relationship Managers
Business Managers' Development Program (BMDP)	A developmental program consisting of several relevant modules conducted to train and prepare identified qualified participants to assume the position of Business Manager	BSH's, Sales Officers, and RM's who are identified as qualified to undergo training to become Business Managers

Operational Highlights

Program / Course Title	Description	Target Participants
Counterfeit Detection	An online seminar that provides participants with the knowledge and skills needed to identify counterfeit Philippine Peso / US Dollar / Renminbi bills	Branch staff
Credit Risk Training	An online training activity that discusses the various aspects concerning the management of credit risk	Mid-level Relationship Managers
Economic Briefing	An online seminar that discusses how inflation and Gross Domestic Product drives monetary rates to foster stability and growth	Business Managers
Economics 101	An online seminar that aims to develop the participants' ability to apply the concepts, tools, and techniques of economics in analyzing and interpreting business decisions	Head Office and branch staff
Economics Outlook	An online pocket session that discusses relevant projections and forecasts concerning the economy with regard to their effect on banking	Head Office and branch senior officers
Emergency Drill Orientation	An online seminar that orients participants on basic skills and procedures pertaining to fire and earthquake safety, and bomb threats	Selected branch officers and staff
Essential Leadership Skills for Emerging Leaders (Intermediate 1)	An online 3-day seminar that provides participants with the necessary knowledge and skills on leadership, particularly in the areas of problem-solving & decision-making, communication effectiveness, and people management	Identifed successors (Unit Heads, junior Relationship Managers, Branch Service Heads)
Executive Leadership for High-Performing Teams (Intermediate 2)	An online 3-day seminar that provides participants with the necessary knowledge and leadership skills, particularly in the areas of change management, coaching & mentoring, people management, and communication effectiveness	Identifed successors (Section Heads, senior and mid-level Relationship Managers, Business Managers)
Executive Leadership Seminar (Advanced 1)	An online 3-day seminar that provides participants with the necessary knowledge and leadership skills, particularly in the areas of change management, analytical & strategic thinking, coaching & mentoring, and people management.	Identifed successors (Center Heads, Area Operations Heads, Region Heads)
First Aid & Basic Life Support Seminar	A 2-day face-to-face training course that provides participants with basic first aid knowledge and skills that they can use when responding to emergency situations	Identified First Aiders from Head Office and Metro Manila branches
Fraud Detection	An online seminar that provides participants with the necessary knowledge and skills in detecting fraudulent documents	Branch staff, Marketing Assistants

Program / Course Title	Description	Target Participants
General Banking Laws	An online training course that discusses the pertinent laws, regulations, and policies that govern banking	Head Office and branch junior officers and staff
Information Security Awareness for Junior Officers	An online seminar discussing the various relevant policies and guidelines pertaining to information security	Head Office and branch junior officers
Information Security Awareness Seminar for Senior Officers	An online seminar discussing online security threats and countermeasures	Head Office and branch senior officers
Kapihan with the President	A series of online pocket "town hall" meetings with the Vice Chairman / President & CEO covering updates on the Bank's status and other employment-related concerns	Head Office and branch officers and staff
Medicard Wellness Sessions	A series of online pocket sessions covering various matters concerning health and wellness	Head Office and branch officers and staff
Relationship Managers' Development Program (RMDP)	A developmental program consisting of several relevant modules conducted to train and prepare Marketing Assistants to assume the position of Relationship Manager	Marketing Assistants from Lending Groups who are identified to undergo training to become Relationship Managers
Service First is L.O.V.E.	An online seminar workshop which impart the fundamentals of customer service – service attitude and service delivery.	Head Office and branch staff
Signature Verification	An online seminar that provides participants with the necessary knowledge and skills in detecting fraudulent signatures and forged documents	Branch staff, Marketing Assistants
Supervision Strategies	An online seminar that provides participants with the basic leadership principles and skills needed in supervising a team	Head Office senior staff (with the rank of 4A and 4B) who are being considered / prepared for promotion to first-level officer position
Sustainability Training	An online training activity that discusses the overview of fundamental principles and concepts of sustainability, sustainable banking strategies, effective stakeholder engagement, and sustainability reporting, among others.	Senior officers, members of the Board of Directors
Zoom Orientation for New Employees (ZONE)	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 employees

Operational Highlights

External Training Courses / Programs in 2023

TITLE	DATE OF SEMINAR	# OF PAX	PROVIDER
102nd BAP Treasury Certification Program	February 13 - March 3, 2023	1	Ateneo De Manila University
103rd Treasury Certification Program	May 8-25, 2023	1	Ateneo De Manila University
10th Capital Markets and Fixed Income Securities Course	November 7, 9, 16, 22, and 25, 2023	1	Finex Academy
11th National Fraud Conference 2023	November 16-17, 2023	1	Association of Certified Fraud Examiners (ACFE)
12th Treasury Operations Certificate Program	May 31, 2023 - June 1-3, 8-10, 2023	1	Ateneo De Manila University
13th CIA Virtual Seminar Series with Masterclass	July 1,8,15,22,2023 - August 5,12,19,2023 - Sept.2,16,19,2023	1	Institute of Internal Auditors Philippines, Inc
15th Winning Formula on Extraordinary Leadership and Team Development for Managerial Success	February 23, 2023	1	Ariva Academy
17th Batch Online Synchronous MCLE Seminar of IBP	June 23, 24, 30 and July 1, 2023	1	Integrated Bar of the Philippines Quezon City Chapter
5-Day MBA	February 20-24, 2023	1	Guthrie-Jensen Consultants, Inc.
9th Capital Markets and Fixed Income	August 8-30, 2023	4	Finex Academy
A Zero Trust Extended (ZTX) Approach	March 30, 2023	2	One Identitty
Advance AML/CTF/CPF (AML Testing, AML Investigation & STR, IRA Implementation)	April 27, 2023	1	BAIPHIL
Advanced Excel Training for Bankers	May 18-19, 2023	2	BAIPHIL
Advanced Supervisory Skills for Credit and Collection Personnel	May 25, 2023	2	Credit Management Association of the Philippines
Advanced Supervisory Skills for Credit and Collection Personnel	November 23, 2023	4	Credit Management Association of the Philippines
Agile Auditing 101: An Introduction	April 15, 2023	1	Institute of Internal Auditors Philippines, Inc

TITLE	DATE OF SEMINAR	# OF PAX	PROVIDER
Asian Confederation of Institutes of Internal Auditor (ACIIA) Regional Conference	October 11-13, 2023	2	Institute of Internal Auditors Philippines, Inc.
Association of Bank Compliance Officers	July 22, 29, Aug 5, 12, 19, 26 Sept. 2, 9, 2023	2	De La Salle University, Taft Ave, Manila
Auditing Risk Management: A Practical Approach	May 27, 2023	1	Institute of Internal Auditors Philippines, Inc
Banks Internal Audit Conference 2023	June 30, 2023	1	Institute of Internal Auditors Philippines, Inc
Basic Course on Corporate Governance for Banks	June 05, 2023	1	BAIPHIL
Best Practices Guide to Construction Law and Crafting Contracts	August 17 & 18, 2023	1	Center for Global Best Practices Foundation, Inc.
Best Practices in Detecting Fake Certificates of Land Title	July 28, 2023	1	Center for Global Best Practices Foundation, Inc.
Boosting Productivity Through Secure Collaboration	July 5, 2023	1	Eastern Communication
BSP Cir. No. 1120: Amendments to Regulations on the Open Foreign Exchange	May 11, 2023	2	BAIPHIL
BSP Guidelines on the implementation of the Environment & Social Risk Management System	April 12, 2023	2	BAIPHIL
BSP-CTB Training Program on AMLA Updates 2023 (IRA and UARR)	July 12, 2023	6	Chamber of Thrift Banks (CTB)
Certificate Course for Tax Compliance Specialist	August 15, 22 & 29- September 5, 12 & 22, 2023	1	Center for Global Best Practices Foundation, Inc.
Certified CCTV Operations Specialist Review Program	May 13-14 & 20-21, 2023	1	Philippine Society for Industrial Security, Inc.
Certified in Risk and Information Systems Control (CRISC) Examination and Certification	November 3, 2023 & November 13, 2023	1	ISACA
Certified Information Systems Security Professional (CISSP) Certification	August 19, 2023	1	ISC2
Certified Internal Auditor Exam Registration (Part 2)	August 14, 2023	1	Institute of Internal Auditors
Certified Internal Auditor Exam Registration (Part 3)	November 3, 2023	1	Institute of Internal Auditors

Operational Highlights

TITLE	DATE OF SEMINAR	# OF PAX	PROVIDER
CISA Review Course	June 24, 2023 - August 26, 2023	1	ISACA
CISCO 1	October 22, 2022 - February 4, 2023	2	Mapua University
Cisco Security Summit 2023	November 2, 2023	1	Cisco
Compliance Framework	June 7, 2023	2	BAIPHIL
Computation of Withholding Tax on Compensation and How to file form 1601C and 1604CF and Annual Alphalist of Employees	May 29, 2023	1	PICPA-CDO CHAPTER
Condominium Law of the Philippines	July 11 & 12, 2023	1	Center for Global Best Practices Foundation, Inc.
Credit Risk Management	May 26, 2023	1	BAIPHIL
Customer First! The Essential of Customer Service	August 9 & 10, 2023	2	Ateneo De Manila
Customer Service Excellence	October 5, 2023	4	SAS Management Inc.
Cybersecurity Tour: Managed Security & VAPT	March 16, 2023	2	Microphase Corporation
Data Breach Management	October 25, 2023	4	Credit Management Association of the Philippines, Inc.
Data Storage System You'll Love	July 12, 2023	5	Seagate Storage Solutions and Services
Data Subject Right	September 19, 2023	3	Credit Management Association of the Philippines, Inc.
DevOps Foundation	July 3-4, 2023	1	Environmental Compliance Consultants Int'l Corp. (APEX GLOBAL)
DOLE Learning Session on Wage Distortion	August 31, 2023	1	PMAP Office - Mandaluyong City
DPO Course 4: NPC Circulars	November 21, 2023	2	Credit Management Association of the Philippines, Inc.

TITLE	DATE OF SEMINAR	# OF PAX	PROVIDER
Effective Audit Reporting and Issues Monitoring	October 28, 2023	1	Institute of Internal Auditors Philippines, Inc.
Effective Collection Techniques	November 21, 2023	3	Insurance Institute for Asia and the Pacific, Inc.
Effective Credit and Collection Policy Formulation	June 15, 2023	5	Credit Management Association of the Philippines
Embracing Agility for the Modern-Day Internal Auditors	July 28, 2023	1	Institute of Internal Auditors Philippines, Inc
Exceptional Employee Onboarding: How to Create a Seamless Onboarding Experience in a Hybrid Workplace	November 9, 2023	1	Ariva Academy
Fortinet APAC Cybersecurity Summit 2023	September 14, 2023	1	Fortinet
Fortinet APAC Universal ZTNA and SASE Summit	October 12, 2023	1	Fortinet
Fortinet Asia Security Automation Summit 2023	March 08, 2023	1	Fortinet
FRAUD RISK MANAGEMENT from an Internal Auditor's Perspective	June 17, 2023	1	Institute of Internal Auditors Philippines, Inc
FY 2024 FS Preparation Workshop Day 1 (AM) and Day 2 (PM)	October 23, 2023	1	P&A Grant Thornton
GTAG 2: IT Change Management	November 4, 2023	1	Institute of Internal Auditors Philippines, Inc.
How to be an Effective Auditor-In-Charge	May 13, 2023	1	Institute of Internal Auditors Philippines, Inc
Incident, Problem and Change Management	October 18, 2023	1	SAS Management
Independent Assurance Assessment of Retail Branch Banking's AML Regulatory Compliance Culture & Ethical Culture and their AML Risk Governance & Controls	June 22-23, 2023	1	BAIPHIL
Information Security Awareness	September 14, 2023	1	Fortinet
Information Security Governance and the Role of Internal Audit	November 21, 2023	1	Institute of Internal Auditors Philippines, Inc.

Operational Highlights

TITLE	DATE OF SEMINAR	# OF PAX	PROVIDER
Institute of Internal Auditors-Philippines 2nd General Membership Meeting	May 31, 2023	2	Institute of Internal Auditors Philippines, Inc
Intermediate Excel Training for Bankers	August 31 - September 1, 2023	3	BAIPHIL
Internal Audit Quality Assessment Workshop	July 25-29, 2023	1	Institute of Internal Auditors Philippines, Inc
IT AUDIT 102: Upgrading your IT Knowledge Base	August 19, 2023	1	Institute of Internal Auditors Philippines, Inc
IT Security Awareness	December 13, 2023	3	SAS Management Inc.
Managing Technology & Cybersecurity Risk	March 09, 2023	4	BAIPHIL
Market Risk Management	April 14, 2023	2	BAIPHIL
Microsoft Power BI Data Analyst	September 13, 15 & 18-21, 2023	3	Active Learning
MS Advanced Excel	September 28-29, 2023	1	SAS Management Inc.
MS VBA Excel 2013	December 11-13, 2023	1	SAS Management Inc.
Occupational First Aid and Basic Life Support - CPR with Automated External Defibrillator (AED)	November 13-14, 2023	1	Philippine Red Cross Nueva Ecija Chapter
Occupational First Aid and BLS CPR with AED	October 5-6, 2023	1	Philippine Red Cross -Cavite Chapter
Occupational First Aid and BLS CPR with AED Training	October 17-18, 2023	1	Philippine Red Cross - Santiago City Chapter
Occupational First Aid and BLS CPR with AED Training	October 24-25, 2023	1	Philippine Red Cross - Tarlac Chapter
Occupational First Aid and BLS-CPR with AED	October 19-20, 2023	1	Philippine Red Cross - Cebu City Chapter
Occupational First Aid and BLS-CPR with AED	October 4-5, 2023	1	Philippine Red Cross - Bohol Chapter
Occupational First Aid and BLS-CPR with AED	October 19-20, 2023	6	Philippine Red Cross - Cebu City Chapter
Occupational First Aid and BLS-CPR with AED Training	October 27-28, 2023	1	Philippine Red Cross Calamba Chapter

TITLE	DATE OF SEMINAR	# OF PAX	PROVIDER
Occupational First Aid w/ Basic Life Support Training	November 11-12, 2023	2	Philippine Red Cross - Davao del Norte Chapter
Occupational First Aid with Basic Life Support Training	November 22-23, 2023	1	Philippine Red Cross Ilocos Norte Chapter
Performing Preliminary Survey & Risk Control Assessment	April 19-20, 2023	1	Institute of Internal Auditors Philippines, Inc
Project Management Fundamentals	December 4-5, 2023	2	Phoenix One Knowledge Solutions, Inc.
Property Appraisal	October 19-20, 2023	3	Credit Management Association of the Philippines, Inc.
Remedial and Legal Accounts Management	November 16, 2023	6	Credit Management Association of the Philippines, Inc.
Review of IT General Controls	September 9, 2023	1	ISACA Manila Chapter
Secure Operatonal Technology Summit 2023	March 15, 2023	1	Fortinet
Securing the Future of Digital Transformation	August 2, 2023	5	FORTINET
Software Testing	January 29 - February 26, 2023	2	UP System IT Foundation
Standard First Aid and Basic Life Suport - Cardiopulmonary Resuscitation with AED Training	December 1-4, 2023	1	Philippine Red Cross La Union-San Fernando City Chapter
Standard First Aid and Basic Life Support -CPR with AED Training	November 13-16, 2023	1	Philippine Red Cross - Santiago City Chapter
Standard First Aid and BLS CPR/AED Training	November 22-25, 2023	1	Philippine Red Cross - Ormoc City Chapter
The Financial Consumer Protection Act of 2022 and its Implementing Rules and Regulations	May 05, 2023	10	BSP-CTB
Webinar on Accounting for Non-Accountants with FS	March 16-17, 2023	1	BAIPHIL
Webinar on Basics of Trust	February 18, 2023	1	BAIPHIL
Withholding Taxes, Subjects and Applications	September 7-8, 2023	3	Tax and Accounting Center, Inc.

Corporate Social Responsibility

ROLL UP YOUR SLEEVES AND SAVE LIVES (BLOOD DONATION DRIVE)

Since its inception in 2016, PBB has focused on creating awareness about the benefits of blood donation. The Human Resources Group in cooperation with Philippine Red Cross Caloocan City Chapter held its first mass blood donation during PBB's 19th anniversary celebration on February 10 – 12, 2016. With its slogan: "The Gift of Blood is The Gift of Life" this project is a reminder to all that the need for blood and blood products is constant and there is always a demand for blood donors.

PBB recognizes the importance of blood donation as a civic responsibility, and the Bank strives to imbibe this responsibility within the community.

This year, 22 blood bags were obtained and PBB has donated hundreds of units of blood since 2016. Leading by example, PBB encourages the community to participate in the blood donation process and contribute towards the health and well-being of those in need.

Donating blood is a simple and painless process that takes only a short amount of time but has a significant impact on the community. It is as simple as saving lives by rolling up your sleeves. When an individual donates blood, they are not only helping those in need, but they are also contributing to the overall health of the community.

The Bank's annual blood donation drive is an excellent opportunity for members of the community, and employees of the Bank to come together and contribute towards a common goal of saving lives. The drives are held across PBB's office sites, making it convenient and accessible for individuals to participate.

Corporate Social Responsibility

2023 GIFT GIVING

Renewing a year-end tradition, the AMY Foundation is throwing a Christmas party again to bring the kids back together

After years of Covid-related cancellations and the desire of the AMY Foundation to bring the kids back together, the kids' Christmas party has staged a comeback.

On December 28, 2023, the party was enjoyed by 100 kids from Barangays 121, 124, and 103 in Caloocan. The kids were in celebratory mood a while they happily participated in the parlor games. Instead of the traditional "eating, drinking and dancing" soiree, the AMY Foundation added activities — "choose the toys that you want" instead of giving out toys randomly to the kids, "pick a book," and giving away loot bags full of sweets and lollies.

ORIENTATION FOR NEW SCHOLARS FOR SY 2023 - 2024

On August 4, 2023 fourteen (14) newly accepted scholars attended the AMY Foundation's Orientation.

During this planned social activity, the Executive Director was formally introduced to the attendees to socialize with them and to answer their questions. The Meet & Greet was a day filled with new learning, and sharing of inspirational and emotional life lessons.

PLAQUE OF APPRECIATION RECEIVED BY AMB. ALFREDO M. YAO

Amb. Alfredo M. Yao, the founding Chairman of the AMY Foundation is the recipient of the Plaque of Appreciation given by the ICCT Colleges Foundation.

The plaque is given in honor of the foundation's continuous support to the academic and scholarship program of ICCT.

ICCT has been a partner school of the AMY Foundation since 2003. This 20-year partnership has produced seventy eight (78) college graduates and is presently supporting ten (10) more enrolled AMY Scholars for SY 2022-2023.

Event Highlights

PBB CELEBRATES 26 YEARS OF UNWAVERING SUPPORT

To commemorate Philippine Business Bank's 26 years, PBB has committed its unwavering support to its clients. Since 1997 the Bank has helped people improve their lives and build our communities. PBB's business banking team is dedicated to serving the community and their business leaders — no matter how large or small a local business may be.

PBB has come a long way. More than a decade ago, PBB first laid claim to ambitions to become the bank of choice of the SMEs and to be a listed company. Since then, the Bank's growth and successes have earned accolades.

"This is who we are - a local bank in the communities we serve and proud of it. We exist today to learn and understand the needs of our customers and communities and then work hard to provide products and services," remarked Rolando R. Avante, vice chairman and president/CEO of PBB.

"Our record performance in a climate of continuing growth is testament to the soundness of our strategy. Our balance sheet is healthy, with capital, liquidity and asset quality remaining strong.

We want to be known for delivering possibilities, sparking joy, creating an impact beyond banking and changing lives for the better. As the bank continues to grow from strength to strength, we firmly believe that we have a responsibility to play a purposeful, positive role in the communities we are present in, and to shape the future of banking," Mr. Avante added.

PBB celebrates its 26 years of unwavering support to local communities and SMEs and enabling Filipinos to succeed and reach their dreams. At PBB, Making Things Happen...Today.

Event Highlights

STATE OF PHILIPPINE BANKS

"From our recovery from the pandemic, the banks play an important role in the development of the Philippine economy, "remarked Vice Chairman & President/CEO Mr. Rolando R. Avante as he was [again] interviewed by Ms. Michelle Ong of ANC's Market Edge on July 20, 2023.

PBB's net income rose by 22.59% year on year in the second quarter. The Bank's attributable net income stood at ₱380.43 million in the April-to-June period, higher than ₱310.33 million seen in the same period last year.

This brought PBB's net profit in the first half to ₱869.24 million, up by 40.14% year on year from ₱620.28 million. As a result, the Bank's return on average equity stood at 10.96%, while its return on average assets was at 1.28% at end-June.

According to RRA: "In the first half of 2023, PBB sustained solid top-line growth owing to better interest rate margins, healthy loan growth, and improved income on trading. The growth in the bank's deposits and loans was satisfactory, given the current market uncertainties evident in today's environment. PBB saw signs of tightening competition, especially in the lending business, but its customers have remained loyal to the Bank despite the aggressive stance of other banks."

PBB's net interest income in the second quarter grew by 30.1% to ₱1.56 billion from ₱1.2 billion, driven by higher interest earnings from loans and other receivables (70.33%), investment and trading securities (10.82%), and due from the Bangko Sentral ng Pilipinas (BSP) and other banks (61.7%).

"This is due to the increasing interest rate imposed by the BSP to manage the country's inflation rate," Mr Avante added.

PHILIPPINE BUSINESS BANK'S ANNUAL STOCKHOLDERS' MEETING

Philippine Business Bank Chairman, Mr. Jeffrey S. Yao called the meeting to order on Friday – May 26, 2023 through remote communication. 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 the loan portfolio's growth of 12.94% as credit activity began to gain momentum with the continued economic recovery and the resulting uptick in market demand for financing; deposit liabilities also increased to ₱114.5 billion while maintaining a CASA:TD ratio of 54:46; and additional earnings pushed equity growth to 4.11% ; PBB's fee based income increased year-on-year boosting 10.4% core income to ₱3.1billion.

Net income growth was driven by an improving economy reaching ₱1.3billion in YE23, highest the Bank has achieved since its incorporation.

For 2024, PBB 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 it serves its 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 26 years. PBB's thrust is to be the Bank of Choice of the SMEs.

(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. Lagua
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)

The ASM team with the Vice Chairman & PCEO, and the Corporate Secretary

Event Highlights

Representatives from the Yao Group of Companies:
(L-R) Judith Songlingco – Philippine Business Bank, Jane Najera – Zest-O, Miah Dionisio – Kitchen City, Clark Lee – RC Cola

PBB PARTICIPATES IN THE SILKROAD EXHIBIT

PBB, the financial arm of the Yao Group of Companies, participated and exhibited at the SilkRoad Philippines 2023 - the best of China Exhibition scheduled on October 13-15, 2023, at the World Trade Center Metro Manila. The event was an exceptional showcase of the best products from China and demonstrated culture, innovation, networking, and global business opportunities.

With an estimated 70 percent of the Chinese population in the Philippines coming from the Jinjiang community, SilkRoad Philippines 2023 was an effective platform to showcase products and services to the business community in the Philippines. The three-day expo brought over 350 exhibitors, offering countless business opportunities and potential leads.

PBB PARTICIPATES IN THE 49TH PBC&E

Philippine Business Bank (PBB) – the financial arm of the Yao Group of Companies, together with Zest-O, and Asiawide Refreshments Corp. (RC Cola) participated in the recently concluded 49th Philippine Business Conference and Expo of the Philippine Chamber of Commerce and Industry held at the Manila Hotel on October 25 and 26, 2023.

This year's theme: "Vision 2050: The Philippines – A First – World Economy" – highlights unity, competitiveness, and the Philippine agenda for sustainable economic development, and underscores Public-Private Partnership as the winning formula to deliver the promise of competitive environments, global integration of economies and value-added formulation of industries.

The conference gathered thought leaders, policymakers, national and LGU executives, top business leaders, and international leaders that resulted to be an interesting two-day discussion and sharing of insights geared toward achieving the 2050 vision. Traditionally, the PBC&E, the largest business conference in the country, opens with the Vice President of the Philippines and concludes with the Philippine President receiving a set of policy recommendations emanating from the various regional and industry consultations.

PBB is making a difference by widening its presence across the country. Operating 159 branches will help the Bank reach more people and more business partners, as PBB continues to go where the small and medium enterprises thrive.

L-R: SO Jennelyn Mendoza, Corp. Affairs Head Judith Songlingco, NCR BBG Head Marcia Guevara, BM Irene Valenuela, BMDP Trainee April Rose Sanana.

Event Highlights

PBB V. Chairman & PCEO Rolando R. Avante and Hyundai Laguna, Inc. President Ms. Christine Grace A. Sandig during the contract signing ceremony

PROMO HIGHLIGHT

PBB and Hyundai Laguna, Inc. Expand Strategic Partnership for the Future

Hyundai Laguna, Inc. of the Areza Group of Companies expands its strategic partnership with Philippine Business Bank (PBB), to lead their "customer-referral" market.

The partnership commenced when PBB announced its deposit raffle promo "Save, Earn & Drive" where the grand prize is a Changan CS35 Lite. The promo period is from March 1, 2023 until May 30, 2023 and the grand draw will be on June 14, 2023.

"This partnership will allow customers to choose among the vehicular brands and models under the Areza Group umbrella and avail the auto loan directly to PBB's 157 branches," PBB V. Chairman & PCEO Rolando R. Avante stated.

"This solution provides customers with the convenience of acquiring requisite funding for their desired Hyundai or Changan car through a 'one-stop-shop' platform catering to all their vehicle purchase needs," Mr. Avante added.

Raffle Winners Announced: A Celebration of Community Impact

PBB is thrilled to announce the winners of the "SAVE, EARN and DRIVE" online Raffle, marking the successful conclusion of a dynamic raffle "CASA" promo endeavor. The raffle team members gathered for a joyous winner reveal party, highlighting the excitement surrounding the event.

Participants from across the three regions, along with the sponsor, contributed to the Php2.7 billion success of the Raffle. Four lucky winners were randomly selected via electronic raffle draw, each claiming fantastic prizes.

The winners and their prizes include:

- 3 winners of Php10,000.00 from qualified depositors maintaining their accounts from Luzon, Visayas and Mindanao for the minor prizes:

Visayas Winner: Marion Angela M. Arenas – Escario, Cebu Branch

Luzon Winner: Nancy G. Tan – Paso De Blas Branch

Mindanao Winner: John Paul Gonzales – Cagayan De Oro Branch

The "SAVE, EARN and DRIVE" Raffle not only offered depositors the allure of incredible prizes but also contributed significantly to impactful community initiatives, that is, fostering financial literacy.

The projected MTD ADB during the 3-month promo is Php1.4 billion, the actual MTD ADB as of May 31, 2023 which is the end of the promo period reached Php2.7 billion.

1 winner of a gray-colored Changan CS 35 lite 2022 model for the major prize: Zhenzhen Lin – Quintin Paredes Branch

Sustainability

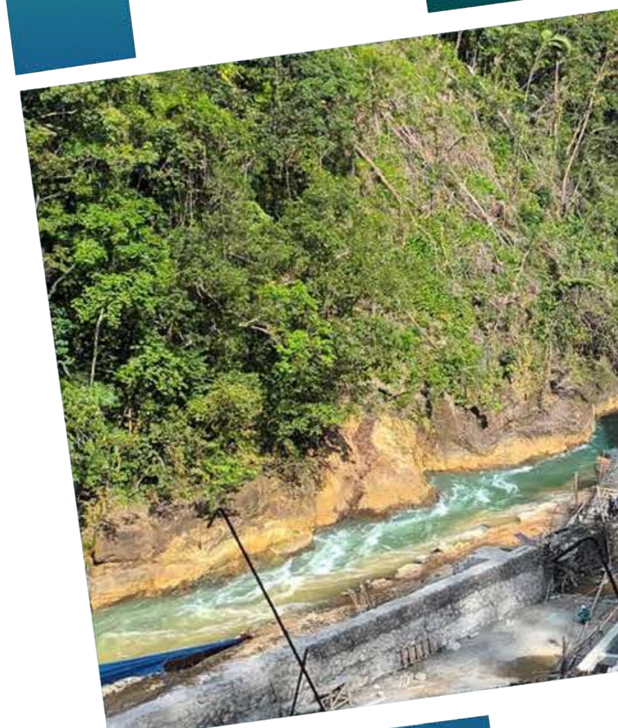
Philippine Business Bank: Integrating Sustainability into our Business

The Board is committed to guiding the Bank to drive the sustainability agenda.

PBB aims to catalyze funding and to support our clients on their transition journey. We are transforming our operating processes and deepening our collaboration with the larger ecosystem of stakeholders, including across all levels of government, economy and society.

In the recent years, a move towards green energy has grown and Samar needs this additional power supply to ensure not only household needs but also economic growth in the province. IRAYA Energy Corporation has been the proponent of one of the planned hydroelectric power plants in Samar. The project is aimed to produce 14.1 Megawatts of energy through the use of the natural resources of the province which is water. The project is situated in San Rafael, Taft, Eastern Samar.

Philippine Business Bank took part in this groundbreaking project by providing Php1.9 billion in sustainable financing.



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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.

Risk Management

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.

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)
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: • 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.	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.	Function that oversees compliance with policies by the other two roles. The role is usually conducted by Compliance or Internal Audit Center. Role is: • 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:

Metrics	Risk Area	Description
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	• 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	• 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	• 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	• 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	• 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.
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 are reported periodically to the ROC.

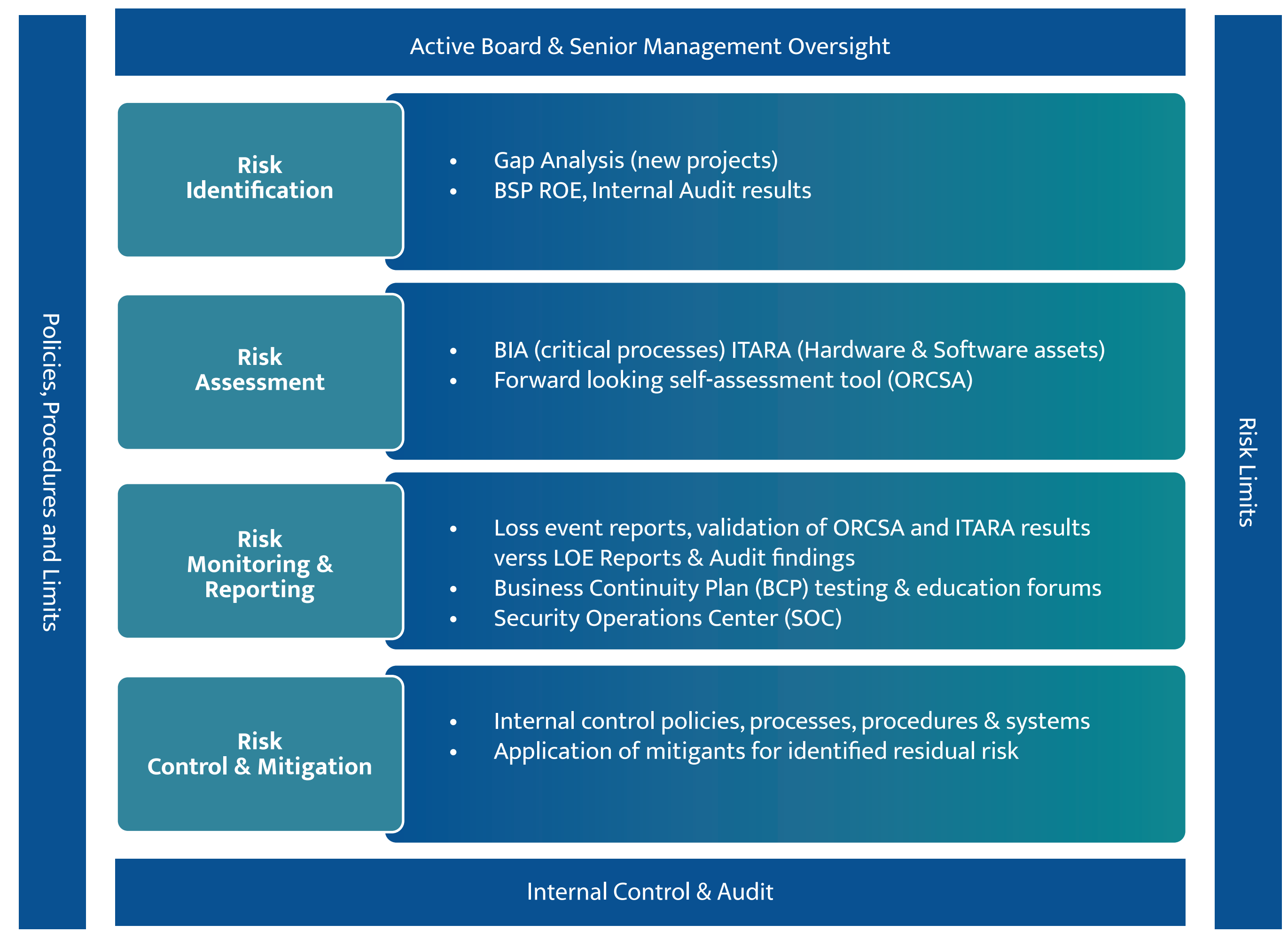
Operational Risk Management

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:

Enhanced IT and Operational Risk Management Framework



Risk Management

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

	2023	2022	2021
Capital Stock	8,808	7,370	7,057
Additional Paid-in Capital	1,998	1,998	1,998
Surplus	6,573	6,812	5,669
Total Tier 1 Capital	17,343	16,180	14,724
Less: Deferred tax assets net of deferred tax liability	1,621	1,349	1,349
Goodwill	122	122	122
Other intangible assets	101		
Defined benefits pension fund assets	(58)	-	-
	1,786	1,471	1,471
Net Tier 1 Capital	15,557	14,709	13,253
Tier 2 Capital			
General loan loss provision, limited to a maximum of 1% of Credit risk-weighted assets	1,144	893	893
Total Qualifying Capital	16,701	15,602	14,146
Net Tier 1 Capital	15,557	14,709	13,253
Preffered Shares	(620)	(620)	(620)
Common Equity Tier 1 Capital	14,937	14,089	12,633
Risk Weighted Assets			
Credit Risk Weighted Assets	113,928	101,812	109,690
Operational Risk Wighted Assets	9,162	8,793	7,927
Market Risk Wighted Assets	3,942	2,015	2,055
Total risk-Weighted Assets	127,032	112,620	119,672
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	13.1	13.9	11.8
Common Equity tier 1 capital as expressed as percentage of total risk-weighted assets	11.8	12.5	10.6
Capital Conservation Buffer as expressed as Common Equity tier 1 capital minus 6	5.8	6.5	4.6
Net Tier 1 capital expressed as percentage of total risk-weighted assets	12.2	13.1	11.1

Risk Management

Comparative risk-wighted assets by type of exposure as of December 31, 2023, 2022 and 2021

	2023			2022			2021		
	Credit Risk	Market Risk	Operational Risk	Credit Risk	Market Risk	Operational Risk	Credit Risk	Market Risk	Operational Risk
On-Balance Sheet	114,181			101,621			109,459		
Off-Balance Sheet	181			191			231		
Counterparty									
Interest Rate Exposure		3,648			1,330			1,575	
Equity Exposure									
Foreign Exchange Exposures		294			684			480	
Operational			9,162			8,793			7,927
Total	114,362	3,942	9,162	101,812	2,014	8,793	109,690	2,055	7,927
Capital requirement	11,436	394	916	10,181	201	879	10,969	206	793

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.

2023 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	588	7,565	1,134	9	9,296
Interest expenses	182	2,341	351		2,874
Net interest income	406	5,224	783	9	6,422
Non-interest income	37	286	250	191	764
	443	5,510	1,033	200	7,186
Expenses					
Operating expenses excluding depreciation and amortization	132	1,797	520	1,169	3,618
Impairment losses	76	977			1,053
Depreciation and amortizaton	16	222	74	44	356
	224	2,996	594	1,213	5,027
Segment operating income (loss)	219	2,514	439	(1,013)	2,159
Total resources and liabilities					
Total resources	8,123	110,779	32,040	1,737	152,679
Total liabilities	6,990	95,336	32,444	1,630	136,400

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 amortizaton	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

Risk Management

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	9	370	128	-	507
	124	5,089	776	14	6,003
Expenses					
Operating expenses excluding depreciation and amortization	54	1,937	301	1,575	3,867
Depreciation and amortizaton	14	152	88	52	306
	68	2,089	389	1,627	4,173
Segment operating income (loss)	56	3,000	387	(1,613)	1,830
Total resources and liabilities					
Total resources	6,008	86,286	37,007	1,467	130,768
Total liabilities	5,473	75,957	34,240	1,899	117,569

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:

1. **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. 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

As a publicly listed institution, Philippine Business Bank operates within the regulatory framework set by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission. This includes compliance with laws like the General Banking Law of 2000 and anti-money laundering regulations.

At Philippine Business Bank, a strong commitment to corporate governance is shared by the Board of Directors, management, staff, and shareholders. They understand that effective business management requires adherence to the highest ethical standards and full compliance with relevant laws and regulations. The institution places a significant emphasis on following corporate governance principles outlined in the Board-approved Manual on Corporate Governance. This manual delineates the roles, responsibilities, and procedures for both the Board of Directors and Management, ensuring transparency and accountability in decision-making processes.

In 2023, the Board approved a policy on interlocking directorship and officership to enhance transparency and address conflicts of interest. Moreover, the Bank established a Related Party Transactions (RPT) policy which guides the board with their decision-making processes. This policy sets thresholds and guidelines for transactions, with RPT Board-level and management committees overseeing approvals and compliance. Whistleblowing policies are integrated into RPT processes to promote ethical behavior and integrity within the organization. Regular reporting mechanisms to the RPT committee and monthly financial updates offer timely insights into performance and risks.

The Bank, as an Operator of Payment System, adheres to the BSP Corporate Governance Framework for OPS and the Sustainability Finance Framework implemented by the SEC and BSP, detailed in the Bank's Sustainability Report.

Looking ahead, Philippine Business Bank remains committed to continuous enhancement through thorough policy development, stringent oversight mechanisms, and ongoing training efforts to ensure sustainable value creation for stakeholders.

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.

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 endorsed 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

Major Responsibilities of the Bank's Board of Directors:

- Define the Bank's corporate culture and values
- Responsible for approving the Bank's objectives and strategies and in overseeing management's implementation thereof
- Responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel
- Responsible for approving and overseeing implementation of the Bank's corporate governance framework and risk 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.

Corporate Governance

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 is composed of eleven (11) members, majority of whom are 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, 2023:

Incumbent	Age	Nationality	Position with the Bank	Year of election	# of shares	%
Alfredo M. Yao	80	Filipino	Chairman Emeritus	2010	295,641,381	36.11%
Jeffrey S. Yao	55	Filipino	Chairman	2019	8,304,538	1.01%
Rolando R. Avante	64	Filipino	Vice Chairman and President / CEO	2019	3,112,922	0.38%
Leticia M. Yao	70	Filipino	Director	2009	4,787,510	0.58%
Roberto A. Atendido	76	Filipino	Director	2012	108,750	0.01%
Honorio O. Reyes-Lao	79	Filipino	Director	2010	254,998	0.03%
Benjamin R. Sta. Catalina, Jr.	76	Filipino	Director	2012	56,359	0.01%
Narciso D.L. Eraña	70	Filipino	Independent Director	2018	100	0.00%
Atty. Roberto C. Uyquiengco	75	Filipino	Independent Director	2018	1,000	0.00%
Benel D. Lagua	67	Filipino	Independent Director	2021	5,100	0.00%
Asterio L. Favis, Jr.	71	Filipino	Independent Director	2021	100	0.00%
Diosdado M. Peralta	71	Filipino	Independent Director	2022	121	0.00%

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, 80 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, 55 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, 64 years old)

Mr. Rolando R. Avante was appointed as Vice Chairman, President, and Chief Executive Officer in 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 to 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, 70 years old)

Dra. Leticia M. Yao was appointed to the Board in 1998 and last re-elected as Director on May 26, 2023.

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 took 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

Roberto A. Atendido (Filipino, 76 years old)

Mr. Roberto A. Atendido was appointed to the Board in 2006 and was last re-elected as Director on May 26, 2023.

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., Paper Industries Corp. of the Philippines, 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, 79 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, 75 years old)

Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board on 2012 and last re-elected as Director on May 26, 2023. 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 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 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 at the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management

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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

Narciso DL. Eraña (Filipino, 70 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 the 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, 75 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 which was 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, 67 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 an 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 list). 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, 71 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 as past Captain of the Ateneo NCCA High School Basketball Team (1970-1971).

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

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Diosdado M. Peralta (Filipino, 71 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 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 is empowered by the Board to oversee the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with applicable laws and regulations.

The Audit Committee is composed of five (5) members of the Board of Directors, who are all non-executive directors, majority of whom are independent directors, including the chairperson:

Among the significant duties and responsibilities of the Audit Committee are:

1. Overseeing the financial reporting process, practices and controls - ensures that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
2. Overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework - ensures that the systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets.
3. Overseeing the internal audit and external audit functions which include being responsible for the appointment/ selection, remuneration/ fees and dismissal/ replacement of the internal auditor and / or external auditor. The Audit Committee ensures the rotation of the lead audit partner every five (5) years and other audit partners every seven (7) years, and considers whether there should be regular rotation of the audit firm itself. The Audit Committee also reviews and approves the annual audited financial statements prepared by the external auditor and determines if Management has ensured that financial reports are in compliance with both the internal financial management standards and pertinent accounting standards, including regulatory requirements.
4. Overseeing the implementation of corrective actions - ensures that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues by auditors and other control functions.
5. Investigating significant issues/concerns raised by having explicit authority to investigate any matter within its terms, have full access to and cooperation by Management, and have full discretion to invite any director or executive officer to attend its meetings.
6. Establishing and maintaining mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.

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 a 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 the Bank and the trust officer.

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COMMITTEE MEMBERS

Executive Committee		
Chairman	Jeffrey S. Yao	Chairman
Members	Rolando R. Avante	Vice-Chairman & President/CEO
	Honorio O. Reyes-Lao	Director
	Benjamin R. Sta. Catalina, Jr.	Director
	Roberto A. Atendido	Director
	Roberto C. Uyquiengco	Independent Director
	Narciso DL Eraña	Independent Director
Audit Committee		
Chairman	Benel D. Lagua	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. Lagua	Independent Director
	Roberto C. Uyquiengco	Independent Director
	Roberto A. Atendido	Director
	Benjamin R. Sta. Catalina, Jr.	Director
	Honorio O. Reyes-Lao	Director
Corporate Governance Committee		
Chairman	Roberto C. Uyquiengco	Independent Director
Members	Benel D. Lagua	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.	Independent 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
	Arturo I. Lipio	Trust Officer

H. Directors' Attendance

Name of Directors	Board		Executive		Audit		Corporate Governance	
	Attended	%	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao	10	83%	12	100%				
Rolando R. Avante	12	100%	12	100%				
Roberto A. Atendido	10	83%					11	92%
Honorio O. Reyes-Lao	11	92%	12	100%	11	85%		
Benjamin R. Sta. Catalina, Jr.	10	83%			12	92%		
Dra. Leticia M. Yao	12	100%						
Narciso DL. Eraña	12	100%					12	100%
Atty. Roberto C. Uyquiengco	11	92%			12	92%	11	92%
Asterio L. Favis, Jr.	11	92%			11	85%		
Benel D. Lagua	11	92%			13	100%	13	100%
Diosdado M. Peralta	11	92%					12	100%
Total # of meetings held during the period (January 2023 to December 2023)	**12**	100%	**12**	100%	**13**	100%	**12**	100%

Name of Directors	Related Party Transactions		Risk Oversight		Trust	
	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao						
Rolando R. Avante					5	83%
Roberto A. Atendido			11	92%	6	100%
Honorio O. Reyes-Lao			12	100%		
Benjamin R. Sta. Catalina, Jr.	10	92%	12	100%		
Dra. Leticia M. Yao						
Narciso DL. Eraña	12	100%	12	100%		
Atty. Roberto C. Uyquiengco			11	92%		
Asterio L. Favis, Jr.			11	92%		
Benel D. Lagua			12	100%		
Diosdado M. Peralta	12	100%				
Total # of meetings held during the period (January 2023 to December 2023)	**12**	100%	**12**	100%	**6**	100%

Corporate Governance

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. Alcoseba 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, 2023:

Rolando R. Avante (Filipino, 64 years old)

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

Joseph Edwin S. Cabalde (Filipino, 54 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, 50 years old)

Mr. Reyes is Head of Commercial Banking Group. He has over 25 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, 57 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 standards 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 Futtaim 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

Reynaldo T. Boringot (Filipino, 65 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

Carlos Oliver L. Leytte (Filipino, 47 years old)

Mr. Carlos Oliver L. Leytte was appointed as the Retail Banking Segment Head in 2023 holding the rank of Senior Vice President.

He started his banking career in 1999 at Chinabank as a senior trader; 2002 at Standard Chartered Bank under investment relations. He continued his career at BDO under the Business Development Dept. in 2003. In 2006 he was promoted to Head of the Trust Marketing Dept. at RCBC. He shifted to private banking of Export Bank in 2007 as its Group Head. In 2010, Carlos transferred to PNB as a Branch Head with an AVP rank; Area Head/SAVP; Region Head/ FVP; and eventually became the Deputy Head of the International Banking and Remittance Group with an FVP rank in 2023.

He obtained his degree in Business Management & Entrepreneurship from San Beda University in 1998 and pursued his Masters in Business Administration at the Ateneo Graduate School of Business. In 2022 – 2023, he finished his Management Development Program at the Asian Institute of Management.

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

Rosendo G. Sia (Filipino, 67 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

Corporate Governance

Maria Lourdes G. Trinidad (Filipino, 56 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 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. She headed the Special Initiatives of RCBC'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, 53 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 De La Salle University.

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

Atty. Sergio M. Ceniza (Filipino, 57 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 overall 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

Rodel P. Geneblazo (Filipino, 52 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 25 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

Arturo I. Lipio, Jr. (Filipino, 57 years old)

Mr. Arturo I. Lipio Jr. joined PBB as First Vice President and the Head of Trust and Investment Center in July 2023.

Art brings his thirty years of banking experience to PBB. Prior to joining PBB, he worked with United Coconut Planters Bank as an Assistant Vice President under Investment Banking in 2000, then became the Head of Treasury in 2006. In 2013, Art was promoted to the First Vice President position and the Head of Debt, and later on became the Chief of Trust in 2019 where he headed a team of account officers that provided coverage to the group's institutional and personal trust accounts, including employee benefit plans, corporate and personal investment management accounts, personal management trusts, pre-need trusts UITFs, and other fiduciary arrangements.

He started his career with Pacific Farms, Inc. as a Technical Assistant in 1988; Metrobank Venture Capital as an Operations Assistant in 1992; BA Finance Corporation under Corporate Planning in 1993; All Asia Capital & Trust as an Investment Manager in 1994; then Citibank NA as an Asst. Vice President /Investment Banker in 1996; and worked as a financial consultant of Wellex Group in 1999.

Art graduated from the University of the Philippines - Diliman with a degree in Bachelor of Science in Fisheries major in Business Management. He took his Master of Business Administration degree from the same university and a place on the dean's list. He is a Certified Trust Professional, Certified Fixed Income Salesman, and Certified Treasury Professional.

Committee(s): Management and Trust

Eduardo R. Que (Filipino, 62 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 the 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

Miami V. Torres (Filipino, 61 years old)

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

She has 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, 67 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, 56 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

Laurence R. Rapanut (Filipino, 61 years old)

Ms. Laurence R. Rapanut is the Head of Branch Operations & Control Group with the rank of Vice President. She was the former head of the Internal Audit Department of PBB. Her work experiences include: Junior Audit Examiner of Far East Bank and Trust Company from June 1983 to January 1988; Junior Audit Examiner to Branch Controller of First Philippine International Bank from September 1988 to January 1995; Branch Accountant – Assistant Manager to Senior Assistant Manager of Westmont Bank from April 1996 to December 2000; and Senior Assistant Manager to Manager of United Overseas Bank from January 2001 to January 2006. She joined PBB in March 2006 as Supervising Audit Examiner - Manager of Internal Audit Center.

Ms. Rapanut finished her BSBA Accounting degree from the University of the East.

Committee(s): Management

Atty. Roberto S. Santos (Filipino, 74 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, updates 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, 60 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, 51 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, brand marketing, 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.

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 – Dasmarinas, 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.

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

Nancy L. Soriano (Filipino, 45 years old)

Ms. Nancy L. Soriano was appointed Head of the Human Resources Group with the rank of Senior Assistant Vice President in November of 2023. She joined PBB in 2008 as a branch head and achieved the Branch of the Year Award in 2011. She was promoted to Service Quality Center Head in 2014 under the Human Resources Group.

Prior to joining PBB, Nancy was a Relationship Manager at Winbank, Inc. in 2008. She started her career at Merchants Savings and Loan Association, Inc. as branch personnel in 2004 where she handled the operations of the branch and was promoted to the branch head position.

Moving to the Human Resources Group, she handled the training and development, and the consumer protection where she attended to the complaints of both internal and external clients of the Bank. She was appointed OIC upon the retirement of HRG Head in May 2023 then assumed the head position in November.

She graduated from the Philippine Normal University with a degree in Bachelor of Science in Psychology major in Guidance and Counseling in 2003.

Committee(s): Employee Discipline and Management

Corporate Governance

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.

L. ORIENTATION AND EDUCATION PROGRAM

The Bank holds an annual corporate governance seminar, with the next session planned for April 2024. This seminar plays a crucial role in developing a capable Board of Directors and Senior Management team. They learn to craft a robust strategy that safeguards stakeholder interests and ensures profitable business operations.

In line with our commitment to sustainability, we also arrange seminars on sustainable finance frameworks. These sessions equip our leadership team with the tools and knowledge needed to spearhead initiatives that produce positive environmental and social impacts. By emphasizing sustainability principles in our core business practices, we promote responsible financial management and contribute to societal progress.

PBB is dedicated to advancing corporate governance through innovation, sustainability, and technology. The Bank firmly believes that investing in the development of our people is vital to enhance corporate governance. Recognizing that attracting and retaining top talent is key to our long-term success, we have intensified our efforts to provide continuous training and development opportunities for our directors, officers, and employees. This ensures they possess the necessary skills and knowledge to uphold the highest standards of corporate governance.

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 *Officer/ employee availment of Late Retirement is on a case-two-case basis subject to Management's approval*	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%

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 Piipinas (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 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:
- o Education and training;
- o Work experience;
- o Technical competence; and
- o 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:
- o Ready in one (1) to three (3) years; and
- o 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 to 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 the 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.

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 apply 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 suppliers 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

Internal audit is an independent, objective assurance and consulting function designed to examine, evaluate, and improve the effectiveness of internal control, risk management, governance systems, and processes of PBB by bringing a systematic, disciplined approach which helps the management and the Board of Directors in protecting the PBB and its reputation as well as to add value and improve the PBB's operation. The internal audit function assesses and complements operational management, risk management, compliance and other control functions.

Internal Audit Center (IAC) determines whether PBB's network of risk management, control, and governance processes, as designed and represented by management, is adequate and efficiently functioning in a manner to ensure, among which, that:

1. Risks are appropriately identified and managed.
2. Significant financial, managerial, and operating information is accurate, reliable, and timely.
3. Operations and system functionalities are in compliance with PBB's code of conduct, policies, standards, procedures, and applicable laws and regulations, including adequacy and effectiveness of controls associated with money laundering and terrorist financing.
4. Resources are acquired economically, used efficiently, and adequately protected.
5. Significant regulatory issues impacting the organization are recognized and addressed properly.

All activities within PBB are subject to Internal Audit review. Internal auditors have full and free access to any records (manual or electronic), information systems, physical properties, personnel, and to the Audit Committee. All processes, systems, units, and activities, including outsourced services, fall within the overall scope of the internal audit function.

IAC governs itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the definition of Internal Auditing. IAC likewise observes the requirements of the regulator in its operations.

IAC is headed by the Chief Audit Executive who functionally reports to the Board of Directors through the Audit Committee.

The significant responsibilities of Internal Audit include:

- Preparation and implementation of an annual plan, which identifies audits, allows flexibility to accommodate special projects, and allocates time for participation in audit projects;
- Reporting to the Audit Committee significant issues, and internal control weaknesses, resulting from its evaluations, appraisals, and reviews, including status of the annual audit plan and the sufficiency of IAC's resources;
- Investigation of significant suspected fraudulent activities within the organization and notify Management and the Audit Committee of the results on a timely basis;
- Performance of consulting services beyond Internal Audit's assurance services to assist management in meeting its objectives. (i.e., counsel, facilitation, process design, training, and advisory services);
- Establishment of a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has been apprised of and has accepted the risk of not taking action;
- Maintenance of professional audit staff with sufficient knowledge, skills, experience, and professional qualifications/certifications to meet the requirements of regulations.

IAC takes pride in its 2023 milestones, the most significant of which follows:

a. Upgraded rating of "Acceptable" in the 2023 BSP Examination. This is a significant improvement considering the preceding two unsatisfactory BSP assessments in 2021 and 2018.

   As cited by BSP, the new IAC Management implemented notable reforms and remedial actions to comply with the Letter of Commitment, including amendment of the Internal Audit Manual and creation of Quality Assurance and Special Audit Units. BSP also commended IAC Management's prompt rectification of its concerns on risk assessment and prioritization process as well as the improved planning, monitoring and reporting procedures.
b. Increased comprehensive audit of 104% in the Risk-Based Audit Plan, from 100% in 2022 (with limited audits). This could be attributed to the optimization of manpower resources and auditors' capabilities. The BSP also favorably observed that although the current manpower did not meet the identified optimal staffing level, the existing vacancies did not significantly affect the conduct of the IA activities.
c. Involvement in various Committees and projects where IAC sits as resource person.
d. Business process improvements totaling 58 involving creation/ updating of Audit Program Guides, and audit policies and processes.
e. 95% or 111 Superior/ Above Average Audit Feedback Survey (AFBS) results from 117 AFBS received.
f. Increased pool of certified audit professionals to 30 (Certified Public Accountant, Certified in Cyber Security, Certified Internal Auditor, Certified Information Systems Auditor, etc), from 13 in 2022.

Compliance System

The Bank develops and implements 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 items 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.

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

ROLL UP YOUR SLEEVES AND SAVE LIVES (BLOOD DONATION DRIVE)

Since its inception in 2016, PBB has focused on creating awareness about the benefits of blood donation. The Human Resources Group in cooperation with Philippine Red Cross Caloocan City Chapter held its first mass blood donation during PBB's 19th anniversary celebration on February 10 – 12, 2016. With its slogan: "The Gift of Blood is The Gift of Life" this project is a reminder to all that the need for blood and blood products is constant and there is always a demand for blood donors.

PBB recognizes the importance of blood donation as a civic responsibility, and the Bank strives to imbibe this responsibility within the community.

This year, 22 blood bags were obtained and PBB has donated hundreds of units of blood since 2016. Leading by example, PBB encourages the community to participate in the blood donation process and contribute towards the health and well-being of those in need.

Donating blood is a simple and painless process that takes only a short amount of time but has a significant impact on the community. It is as simple as saving lives by rolling up your sleeves. When an individual donates blood, they are not only helping those in need, but they are also contributing to the overall health of the community.

The Bank's annual blood donation drive is an excellent opportunity for members of the community, and employees of the Bank to come together and contribute towards a common goal of saving lives. The drives are held across PBB's office sites, making it convenient and accessible for individuals to participate.

ORIENTATION FOR NEW SCHOLARS FOR SY 2023 - 2024

On August 4, 2023 fourteen (14) newly accepted scholars attended the AMY Foundation's Orientation.

During this planned social activity, the Executive Director was formally introduced to the attendees to socialize with them and to answer their questions. The Meet & Greet was a day filled with new learning, and sharing of inspirational and emotional life lessons.

RENEWING A YEAR-END TRADITION, THE AMY FOUNDATION IS THROWING A CHRISTMAS PARTY AGAIN TO BRING THE KIDS BACK TOGETHER

After years of Covid-related cancellations and the desire of the AMY Foundation to bring the kids back together, the kids' Christmas party has staged a comeback.

On December 28, 2023, the party was enjoyed by 100 kids from Barangays 121, 124, and 103 in Caloocan. The kids were in celebratory mood while they happily participated in the parlor games. Instead of the traditional "eating, drinking and dancing" soiree, the AMY Foundation added activities — "choose the toys that you want" instead of giving out toys randomly to the kids, "pick a book," and giving away of loot bags full of sweets and lollies.

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]);

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 • (02) 8363-4357 • (02) 8244-9176 Domestic Toll Free Hotline • 1-800-1-888-4357	9:00 AM – 4:00 PM (Monday to Friday)
Card-related Concerns Hotline/PBB Helpdesk • (02) 8363-3000 Domestic Toll Free Hotline • 1-800-10-363-3000	24 hrs. (Monday to Sunday)

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

b. 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.

c. 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.

d. 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).

e. 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.

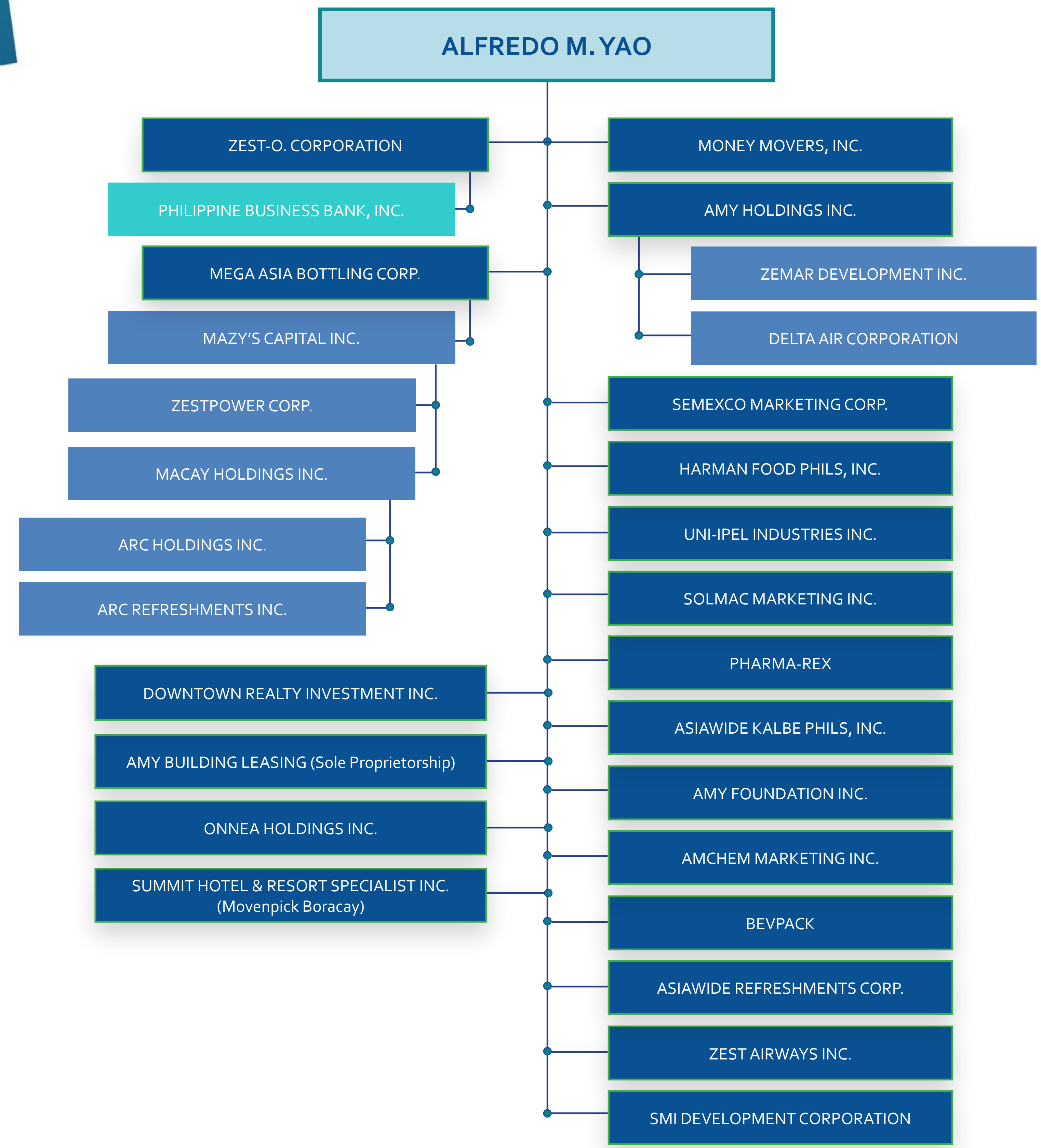
f. The Consumer Protection Head shall perform the following tasks:

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 recommendations and assessments on the cases filed to avoid recurrence in the future.

g. 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.

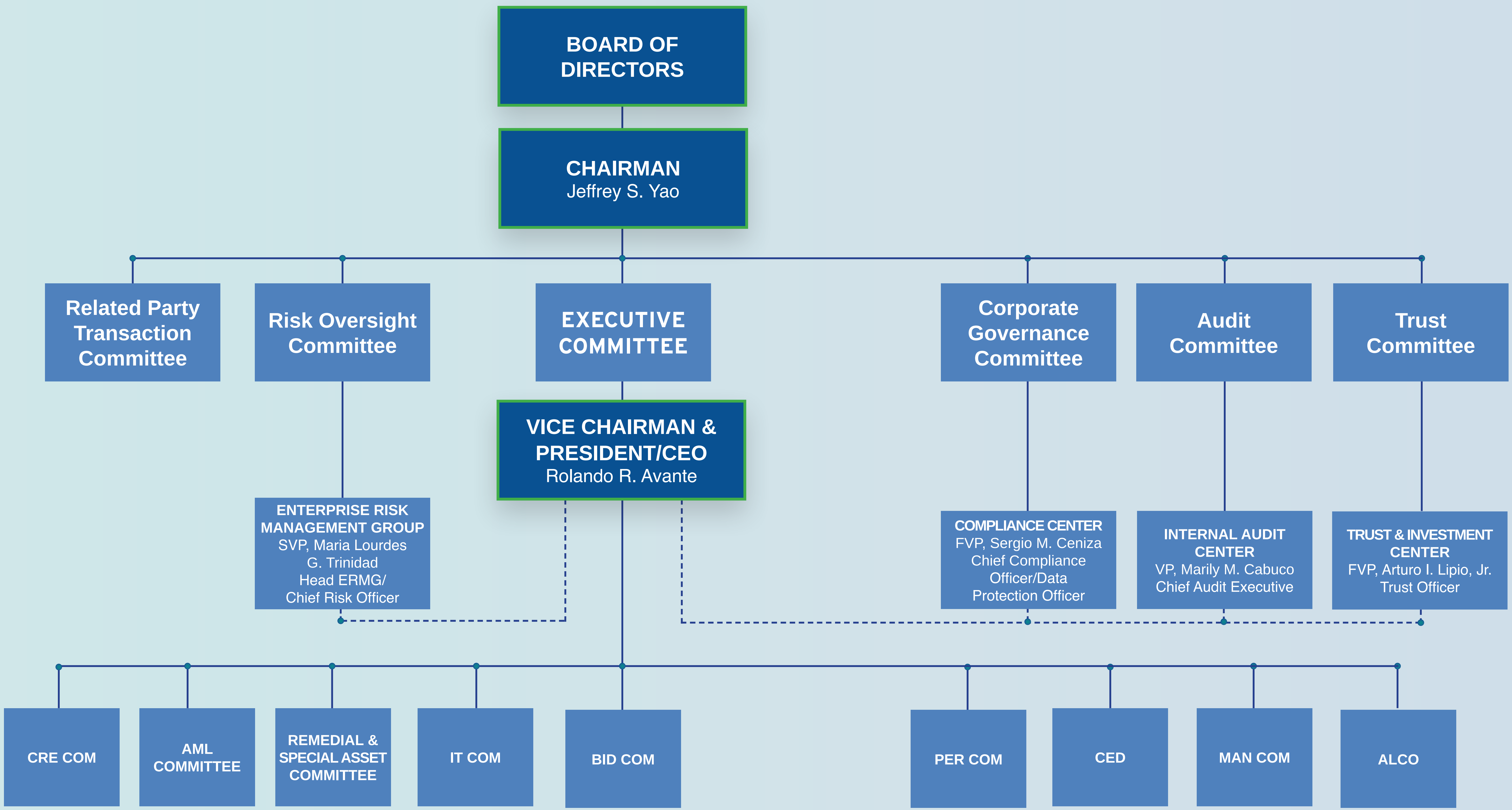
Corporate Information

Conglomerate Map



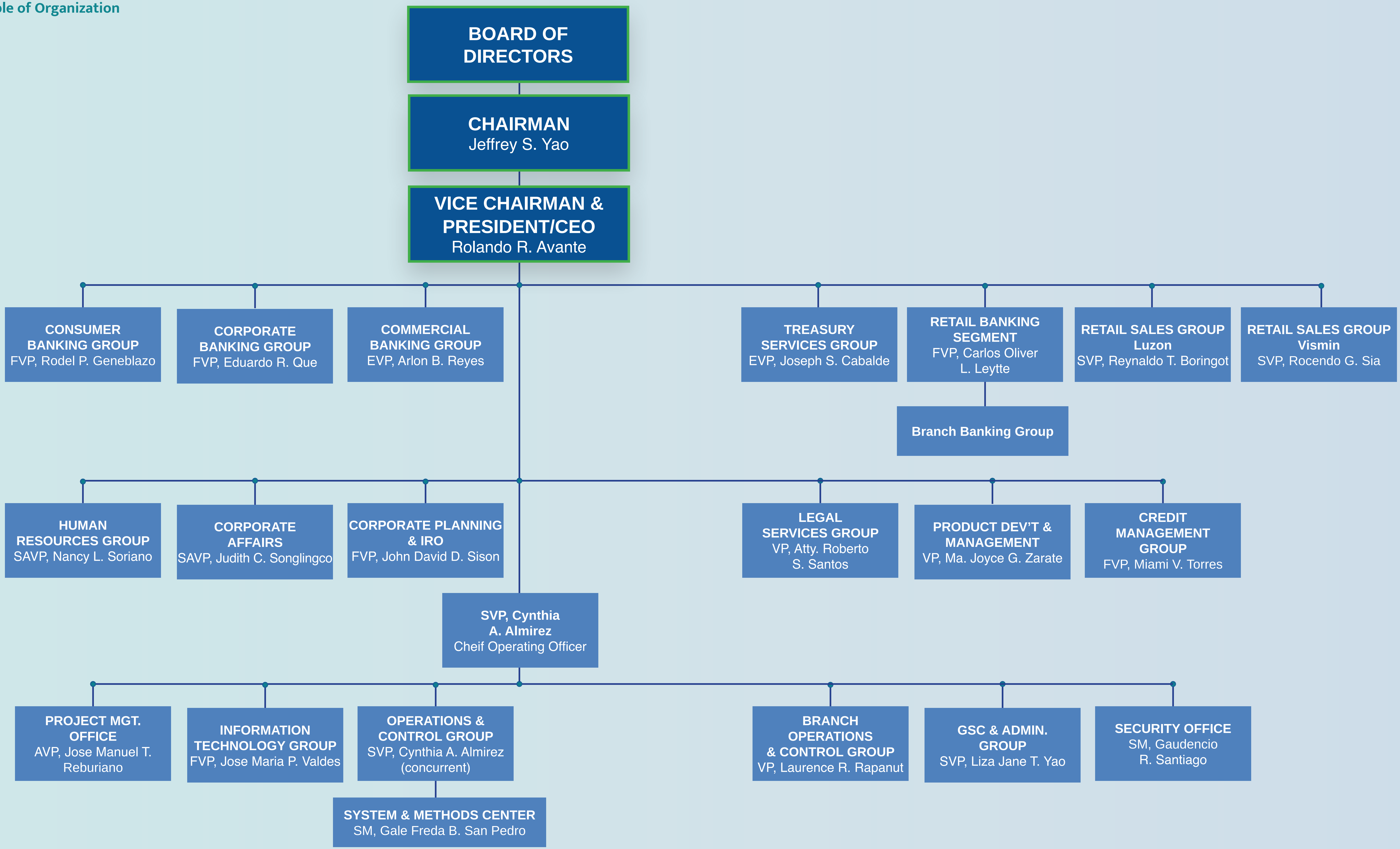
Corporate Information

Table of Organization
Board of Directors & Board Reporting Groups



Corporate Information

Table of Organization



Corporate Information

SECURITY OWNERSHIP

The following persons own at least five per cent (5%) of the Bank's outstanding common shares as of December 31, 2023:

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	295,641,381	36.11%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	222,262,822	27.15%
Total Common Shares				517,904,203	63.26%

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 raising of ₱1.75 billion.

Security Ownership of Management

The following directors and executive officers of the Company directly own approximately 1.24% percent of the Company's issued and outstanding common stock as of December 31, 2023 as follows:

Name of Director	Nationality	Present Position	No. of Shares	Class
Jeffrey S. Yao	Filipino	Chairman	8,304,538	Common
Rolando R. Avante	Filipino	Vice Chairman and President / CEO	2,850,522	Common
Honorio O. Reyes-Lao	Filipino	Director	84,374	Common
Leticia M. Yao	Filipino	Director	4,787,510	Common
Roberto A. Atendido	Filipino	Director	108,750	Common
Benjamin R. Sta. Catalina	Filipino	Independent Director	56,359	Common
Narciso D.L. Eraña	Filipino	Independent Director	100	Common
Atty. Roberto C. Uyquiengco	Filipino	Independent Director	1,000	Common

Corporate Information

Name of Director	Nationality	Present Position	No. of Shares	Class
Asterio L. Favis, Jr.	Filipino	Independent Director	100	Common
Benel D. Lagua	Filipino	Independent Director	5,100	Common
Diosdado M. Peralta	Filipino	Independent Director	121	Common
Cynthia A. Almirez	Filipino	Chief Operating Officer	411,621	Common
Rolando G. Alvendia	Filipino	General Accounting Center Head	316,413	Common
Miami V. Torres	Filipino	Credit Management Group Head	7,500	Common
Enrico T. Teodoro	Filipino	System Support and Application Development Center Head	2,277	Common
Laurence R. Rapanut	Filipino	Branch and Operations Group Head	24,374	Common
Judith C. Songlingco	Filipino	Corporate Affairs Head	2,000	Common
Joseph Edwin S. Cabalde	Filipino	Treasurer	14	Common
Atty. Roberto Santos	Filipino	Corporate Secretary	71,625	Common

The aggregate shareholdings of the Bank's Directors and Officers as a group is 1.24% with a total of 17,034,298 number of shares.

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. Ferareza.

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
December 31, 2023	13,285,236.14

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 2023. In addition, there were no disagreements with P&A on the accounting and financial disclosures.

Sustainability Report 2023

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 2023 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 2023.

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.

Sustainability Report 2023

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	**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 **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 **Consumer loans:** auto, housing, salary, second-hand auto loans **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 **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
Highest Ranking Person responsible for this report	Judith C. Songlingco Senior Assistant Vice President – Corporate Affairs Unit

Economic Disclosures

Revenue Generated and Distributed

Disclosure	Amount in Php
Direct profit/revenue generated	**7,401,941,792**
Direct profit/revenue distributed	**1,501,699,457**
Operating costs (wages)	
-Employee wages and benefits	**1,359,006,364**
-Payments to suppliers, other operating costs	**1,148,445,644**
-Dividends given to stockholders and interest payments to loan providers	**250,216,826**
-Taxes given to government	**85,905,595**
-Investments to communities (CSR)	**-**
Revenue/Economic value retained	**3,056,667,906**

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	An existing Board approved policy, procedures and guidelines is in place for planning, setting strategic goals/targets and measuring the Bank's performance. Metrics and regular performance monitoring are in place to regularly check the bank's status. The Bank also adheres to the regulatory policies that allow the bank to set limits and aims to ensure capital preservation.

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	Revenues that the Bank generates dividends and other monetary advantages to our investors, stockholders, employees as well as our clients. The Bank ensures that the economic metrics to measure and monitor the Bank's performance are in place. To preserve 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. 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. 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 ensure that corruption issues are avoided. Rules from regulators are also adhered that minimize the Bank's exposure to losses. The Bank also has auditors as well as compliance personnel who conduct checking of the adherence of the employees to rules and regulations.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management Approach**
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	Investor/Stockholders, clients, employees, society	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. Our organization, particularly the branches, handles the sales and marketing so these products and services are available to its targeted clients. The performance of the branch head is quantitatively measured to ensure that goals are achieved.

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 through 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	The Bank has an existing Board approved procurement and vendor accreditation policies that provides guidelines to its employees and suppliers. The guidelines also set the bank's bidding process that opens opportunities to all prospective suppliers/vendors. Regulatory rules from BSP for the Bank's transactions with Vendors and third-party providers. For the bank's organization structure, the Bank has a General Services and Administration Group that handles the execution of procurement process. The Bank also has a Bid Committee in charge of processing the accreditation and procurement process.
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	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). The Bank also extends its business to its supplier by offering them the Bank's product and services hereby encouraging sustainability.

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. 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 2023, PBB focused on continuing to build upon its strategy and initiatives with respect to Environmental, Social and Governance ("ESG") topics. The Bank recognizes 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, 2022, and 2023 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)	927,422 kwh

Reduction of Energy Consumption

Disclosure	Quantity/Unit
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	14,224 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	8,267 reams
Cartridges/toner	2,600 pcs
Ballpen	2,511 pcs
Adding machine tape	961 pcs
Brown envelope (short)	8,389 pcs
Brown envelope (long)	8,801 pcs
Fastener	1,542 boxes
Folder	33,935 pcs
Masking tape	504 pcs
Packaging tape	1,137 pcs
Paper clip jumbo	936 boxes
Passbook ribbon (Epson PLQ -20)	1,464 pcs
Scotch tape	3,759 pcs
Staple wire	1,591 pcs
Thermal roll (ATM receipt)	2,000 pcs
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

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

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Environmental Impact Management

Disclosure	Quantity/Unit
Energy Indirect (Scope 2) Emissions	656 tons CO2e (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 plan-ning 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

Hazardous Waste:
Note: In 2023, 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**
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management Approach**
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.

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	Quantity/Unit
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	1,748
Female Employees	1,159
Male Employees	589
Attrition rate	15.09%
Monthly salary of the lowest paid employee	13,500

Provide list of benefits:

Benefit	% of employees who availed for the year
SSS	
PhilHealth	5.32%
Pag-Ibig	12.24%
Parental leaves	14.59%
Vacation leaves	88.67%
Sick leaves	43.71%
Medical benefits aside from PhilHealth	79.38%
Housing assistance aside from Pag-Ibig	0.00%
Retirement fund (aside from SSS)	0.40%
Further education support	2.57%
Company stock options	0.00%
Telecommunicating	0.00%
Flexible working hours	6.52%

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	None	The Bank has Board-approved policies and procedures that set the guidelines to be followed for talent acquisition, development and employee retention. The Bank also offers competitive Board-approved compensation and employee benefit packages to ensure employee engagement and retention. An employee is also entitled to benefit packages to assist them during calamities or personal emergencies such as sickness and death.

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	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. The Bank provides opportunities for employees to move up the corporate ladder through regular promotions of deserving employees. 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.

Employee Training and Development

Disclosure	
Total training hours provided to employees in 2023	**26,699**
Female employees	17,377
Male employees	9,322
Average training hours provided to employees	**14.10**
Female employees	13.98
Male employees	14.34

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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
Learning and Development programs of the Bank	Employees	The Bank is offering internal and external training 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	The Bank has existing training programs for its employees especially for customer service. The Performance Appraisal of an employee includes trainings attended or facilitated, and customer service ratings.
	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 feedback 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 an 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

Benefit	% of employees who availed for the year
Percent of female workers in the workforce in 2023	66.3%
Percent of male workers in the workforce 2023	33.7%
Ratio of male to female employees 2023	1:2
Number of employees from indigenous communities and/or vulnerable sectors 2023	39 senior citizens

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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
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 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 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

Safe Man-Hours in 2023	3,539,160
No. of work-related injuries in 2023	2
No of work-related fatalities in 2023	0
No. of work-related ill health in 2023	18
Number of safety drills in 2023	157 (Fire, Earthquake and Bomb Threat drill)

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	The Bank has an existing Board-approved Health, Safety and Welfare Program for its employees. Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril. The Bank also adheres to the work and safety guidelines that are implemented by the government authorities.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Safety risks	Employees	The Bank has an existing Board approved Health, Safety and Welfare Program for its employees. Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril. The Bank also adheres to the work and safety guidelines that are implemented by the government authorities.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management Approach**
Improve the safety and security of the employees	Employees	The Bank has an existing Corporate Security Group which is in charge of conducting the safety drills to be conducted within the Bank. The Security Group also monitors the conduct of safety and security drills. The Bank also adheres to the work and safety guidelines by the government authorities.

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
Forced labor	General Requirement for the Satisfactory Rating on Supplier's Stakeholders	Page 1 – SELECTION OF SUPPLIERS/CONTRACTORS PORTION
Child labor		
Human Rights		
Environmental performance		
Bribery and corruption		

Relationship with Community

Significant Impacts on Local Communities

List/Identify operations with significant (positive or negative) impacts on local communities (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.

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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. Service Quality is also included in the performance assessment of the Bank's employees. Further, postings of information needed by the clients are also provided to help them with their concerns. 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.
What are the risks identified?	**Which stakeholders are affected?**	
None	None	
What are the opportunities identified?	**Which stakeholders are affected?**	
None	None	

Health and Safety

Topic	
Number of substantiated complaints on product or service health & safety	1
Number of complaints addressed	1

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. Likewise, the Bank has a Board approved Consumer Protection Framework for protecting its clients. 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.
What are the risks identified?	**Which stakeholders are affected?**	
Not material to the Bank	Not material to the Bank	
What are the opportunities identified?	**Which stakeholders are affected?**	
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 reported for the reference period	None reported for the reference period	None reported for the reference period

Customer Privacy

Topic	Number
Number of substantiated complaints on customer privacy	1
Number of complaints addressed	1
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. 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	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	

Branches

As of April 2024

STAND ALONE BRANCHES

Main Office Branch
350 Rizal Ave. Ext cor
8th Ave., Grace Park,
Caloocan City

Banawe
Unit 5-7 Solmac Bldg.,
84 Dapitan cor Banawe St.,
Sta. Mesa Heights,
Quezon City

Makati
137 Yakal Street, Makati City

Aseana City-Paranaque
Ground Floor Commercial
Space GO1, Ri-Rance
Corporate Center I,
Aseana City, Paranaque

REGION 1

Remedios
The Royal Plaza Twin Towers,
Remedios St., corner
P. Guerrero St., Malate, Manila

Binondo Corporate Center
1126 Soler St., Binondo, Manila

Carmen Planas
869 Carmen Planas St.,
Binondo, Manila

Elcano
601-603 Elcano St. corner
San Nicolas Street,
Barangay 281, Manila

Jose Abad Santos
1737-1739 Jose Abad
Santos Ave., Tondo, Manila

Paterno- Quiapo
707 Paterno St.,
Barangay 307, Quiapo, Manila

Pedro Gil-Paco
1077 Pedro Gil St.,
Paco, Manila

Quintin Paredes
G/F Downtown Center Bldg.,
Quintin Paredes St.,
Binondo, Manila

Tomas Mapua
721 to 723 Tomas Mapua St.,
Sta. Cruz, Manila

REGION 2

Grace Park
249 Rizal Avenue Ext.,
cor. 7th Ave., Grace Park,
Caloocan City

A. Mabini C-3
200 A. Mabini St. Maypajo,
Caloocan City

Camarin
Zabarte Town Center, 588
Camarin Rd. cor. Zabarte Rd.,
North Caloocan City

Edsa-Caloocan Business
Center 574 EDSA Highway,
Caloocan City

Caloocan-MacArthur
Highway The Grandz
Commercial Building,
1798 MacArthur Highway cor.
Calle 4, Barangay 81,
Caloocan City

Kaybiga
Guilmar Marble Corporation
Bldg., #297 General Luis
Street, Kaybiga, Caloocan City

Samson Road
117 D & E Samson Road,
Caloocan City

Malinta
G/F MS Apartelle Building,
415 McArthur Highway,
Dalandanan, Valenzuela City

Malabon
155 Gov. Pascual Ave.,
Malabon City

Malabon-Rizal Ave.
726 Rizal Ave. Brgy. Tañong,
Malabon City

Navotas
G/F Teresita Bldg., North Bay
Boulevard, Navotas City

Paso de Blas
Paso de Blas road cor.
P. Santiago St., Barangay Paso
de Blas, Valenzuela City

Valenzuela
215 McArthur Highway,
Karuhatan, Valenzuela City

Valenzuela- Gen. T. De Leon
G/F Unit 109 & 110
Arbortowne Plaza I,
Arbortowne Village, Gen. T.
de Leon St., Barangay
Karuhatan, Valenzuela City

North Caloocan - Quirino Highway
LGF Unit 2 Metro Plaza
NCB Mall, Quirino Highway,
Barangay 185, Malaria,
North Caloocan City

REGION 3

Commonwealth-Fairview
G/F Datamex - College of
St. Adeline, Commonwealth
Ave., East Fairview Park Subd.,
Quezon City

Cubao
Units D, E & F Timbol Singh
Bldg., 915 Aurora Blvd.,
Cubao, Quezon City

Novaliches
Krystle Bldg. 858 Quirino
Highway, Novaliches,
Quezon City

Timog-Rotonda
A.A. Tanco Bldg.#55 Timog
Avenue cor. Tomas Morato
Avenue, Brgy. South Triangle
Quezon City

Kamias -Anonas
G/F Armon's Building, 142
Kamias Road Cor. Anonas St.,
Quezon City

Quezon Avenue - D. Tuazon
Bernmann Centre, 28 Quezon
Avenue, Barangay Doña Josefa,
Quezon City

Congressional Ave.- Quezon City
A.V. Safetynet Building,
Lot 4D, Block 7, Gardenville,
Congressional Avenue,
Project 8, Quezon City

Del Monte
Upper Ground Floor Unit 103,
Z-Square Mall, Del Monte Ave.
corner Banawe St.,
Barangay Manresa, Quezon City

Retiro
No. 84 Units A&B
N.S. Amoranto Ave.,
Brgy. Salvacion, La Loma,
Quezon City

Roosevelt
Sun Square Bldg.,
323 Roosevelt Ave, Brgy.
San Antonio, San Francisco
Del Monte, Quezon City

West Avenue
Unit 102, West Ave. Strip,
No. 53 West Avenue,
Brgy. Paltok, Quezon City

Quezon Avenue
1050 CWI Corporate Center,
Quezon Avenue, Quezon City

REGION 4

Antipolo
Units 3 & 4 Megathon Bldg.,
Circumferential Road, Brgy.
San Roque, Antipolo City

Antipolo-Masinag
Unit 104 G/F Rikland Centre,
Marcos Highway, Mayamot,
Antipolo City

Cainta
Units B5 and B6 The Avenue,
Felix Ave., Barangay San Isidro,
Cainta, Rizal

Marikina
306 J. P. Rizal St., Sta. Elena,
Marikina City

Concepcion-Marikina
Bayan- Bayanan Ave.,
Concepcion Uno,
Marikina City

Gil Fernando Ave.- Marikina
Ground Floor of WRCC
Bldg., I, 47 Gil Fernando Ave.,
Midtown Subd., Brgy. San
Roque, Marikina City

Ortigas Ave. Ext.-Cainta
G/F Crospoint Commercial
Area, Resta 2, Ortigas Ave Ext.,
Cainta Junction, Brgy. Sto.
Domingo, Cainta, Rizal

Taytay
Brgy. San Juan, Taytay, Rizal

Greenhills
G/F LGI Bldg, Ortigas Ave.,
Brgy. Greenhills, San Juan City

Mandaluyong
Unit I, Facilities Centre
Shaw Blvd., Mandaluyong City

Ortigas Business Center
E Prime 24-A CW Home
Depot- Ortigas, No. 1 Doña
Julia Vargas Ave. cor. Meralco
Ave. Brgy. Ugong, Pasig City

Pasig Blvd-Kapitolyo
G/F Unit 4 Elements on
Rosemarie Building, Pasig
Boulevard cor. Rosemarie St.,
Pasig City

REGION 5

Legaspi Village-Makati
Sunrise Terraces, 100 Perea
St., Legaspi Village,
Brgy. San Lorenzo, Makati City

Salcedo Village-Makati
Unit GDA-1, LPL Center,
130 L. P. Leviste St.,
Salcedo Village, Makati City

The Fort
Units 104-105 Forbeswood
Towers, Forbestown Center,
Rizal Drive cor. Burgos Circle,
Bonifacio Global City,
Taguig City

Bonifacio Global City
Stall CS 152 and 153,
MC Home Depot, 32nd
Street, corner Bonifacio Blvd.,
Bonifacio Global City,
Taguig City

Makati – Aguirre
Unit 1 & 2 State
Condominium II,
117 Aguirre St.,
Legaspi Village, Makati City

Bonifacio Global City – Net Plaza
G/F Net Plaza 31st St.,
Bonifacio Global City, Taguig,
Metro Manila

Las Piñas
Unit 1 & 2 G/F San Beda
Commercial, Zapote-Alabang
Rd., Las Piñas

Sucat-Parañaque
Unit B-10-A Jaka Plaza Mall,
A. Santos Ave., Sucat,
Parañaque City

Pasay
2241 C.K. Sy Bldg. Taft Ave.,
Pasay City

Pasay-Malibay
Unit E, J&B Building,
641 EDSA, Malibay, Pasay

Madrigal Business Park
Unit 102 G/F Corporate
Centre, 1906 Finance Dr.,
Madrigal Business Park,
Muntinlupa City

Muntinlupa
G/F Units 1 & 2,
50 National Road, Putatan,
Muntinlupa City

REGION 6

Baliuag
B.S. Aquino Ave.,
Bagong Nayon, Baliuag, Bulacan

Bocaue
MacArthur Highway,
Barangay Wakas,
Bocaue, Bulacan

Malolos
G/F Unit 4 and 5, DJ Paradise
Hotel, MacArthur Highway,
Barangay Dakila,
Malolos City, Bulacan

Meycauayan
Medical Plaza Bldg.
McArthur Highway, Banga,
Meycauayan, Bulacan

Muzon
807 Luwasan Muzon, City of
San Jose del Monte, Bulacan

Sta. Maria
Angelica Bldg.
Gov. F. Halili Ave., Bagbaguin,
Sta. Maria, Bulacan

San Fernando
Hyatt Garden Bldg.,
McArthur Highway, Dolores,
San Fernando, Pampanga

San Fernando – San Agustin
Pistahan Building,
Brgy. San Agustine, City of
San Fernando, Pampanga

Guagua
Clemente Puno St.,
Barangay Sto. Cristo,
Guagua, Pampanga

Angeles
Lot 5 Blk 1 McArthur
Highway, Angeles City

REGION 7

Cabanatuan
Paco Roman St.,
Cabanatuan City, Nueva Ecija

Gapan
Tinio St. Brgy. San Vicente,
Gapan City, Nueva Ecija

General Tinio
Poblacion Central (Papaya),
Gen. Tinio, Nueva Ecija

Tarlac
G/F Que Kian Juat Building,
F. Tanedo Street,
Brgy. San Nicolas, Tarlac City

Tarlac-Paniqui
G/F Unit 8,
Green Field Building,
Zamora St.,Poblacion Sur,
Paniqui, Tarlac

Balanga
Don Manuel Banzon Avenue,
Balanga City, Bataan

Dinalupihan
No. 33 Rizal St.,
Dinalupihan, Bataan

Limay
National Road, Brgy. Reformista,
Bernabe Subdivision,
Limay Bataan

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

Branches

As of April 2024

Subic-Zambales
No. 0025 National Highway, Calapandayan, Subic, Zambales

Olongapo
2420 Rizal Avenue, Brgy. East Bajac-Bajac, Olongapo City

REGION 8

Laoag City
G/F Laoag Allied Marketing Bldg., Brgy. 19 J. P. Rizal St., Laoag City

Vigan
Luisa Trading Building, Quezon Avenue, cor. Salcedo St., Barangay 3, Vigan City, Ilocos Sur

Candon-Ilocos Sur
G/F BZ Building, #15 National Highway, Barangay San Isidro, Candon City, Ilocos Sur

La Union
G/F Virginia Bldg., Quezon Ave. cor. Flores St., Dominion Bus Terminal, National Highway, San Fernando City, La Union

Baguio
G/F CTTL Bldg. Abanao Ext., Baguio City

Benguet-La Trinidad
KM 5 La Trinidad, Benguet

Dagupan
Rizal St., Dagupan City, Pangasinan

Urdaneta
Unit 1, The Pentagon GNC Bldg., MacArthur Highway, Nancayasan, Urdaneta, Pangasinan

Pangasinan-Lingayen
17 Avenida, Rizal West, Barangay Poblacion, Lingayen, Pangasinan

Calasiao-Pangasinan
Vera Building, MacArthur Highway, San Miguel, Calasiao, Pangasinan

Tuguegarao
6 Rizal St., Barangay 8, Tuguegarao City

Cauayan
Maharlika Highway, Brgy. San Fermin, Cauayan City, Isabela

Santiago
BDV Building, City Road, Santiago City, Isabela

Solano
Gaddang St., Barangay Poblacion North, Solano, Nueva Vizcaya

REGION 9

Dasmariñas-Cavite
Unit G2 Annie's Plaza Dasma, Brgy. San Agustin I, Dasmariñas City, Cavite

Imus
Aguinaldo Highway, Tanzang Luma, Imus, Cavite

Molino-Bacoor
SolaGrande Centre, Molino Business Centre, Molino Road, Molino 2, Bacoor City, Cavite

Trece Martires-Cavite
VPG Building, Tanza-Trece Martires Road, Brgy. San Agustin, Trece Martires City, Cavite

Carmona-Cavite
Ground Floor Unit 5, 88 Building, Governor's Drive, Barangay Maduya, Carmona, Cavite City

Binakayan
Tirona Highway, Binakayan, Kawit, Cavite

Kawit
Gregoria St., Poblacion Kawit, Cavite

Calamba
G/F Unit 2 Kim-Kat Annex Bldg., National Highway, Parian, Calamba City, Laguna

San Pablo
Lynderson Building, Lopez Jaena St., San Pablo City, Laguna

Sta. Rosa
#100 Balibago, National Highway, cor., Roque Lasaga St., Balibago, Sta. Rosa, Laguna

San Pedro-Laguna
Alex Building, National Highway, Brgy. Poblacion, San Pedro, Laguna

Biñan-Laguna
G/F S.A.P. Building, 5230 National Highway, Brgy.San Vicente, Biñan City, Laguna

REGION 10

Batangas
131 Diego Silang St., Barangay #15, Batangas City

Lipa City
Units 1, 2, 3 & 4 Trinity Business Centre, Ayala Highway, Brgy. Balintawak, Lipa City, Batangas

Tanauan
Jose P. Laurel Avenue, Barangay Poblacion, Tanauan City

Calapan
AST Tolentino Building, JP Rizal Street, Barangay San Vicente East, Calapan City, Oriental Mindoro

Lucena City
Quezon Avenue, Lucena City

Balayan
M. Alvez Space Rental Building, GF Units M4 and M5, Tuy – Balayan Highway, Bonville Subdivision, Barangay Lanatan, Balayan, Batangas

Iriga - Camarines Sur
Highway 1 corner Violeta St., San Miguel, Iriga City

Legazpi City
D' Executive Bldg, Rizal St., Brgy. Tinago, Legazpi City, Albay

Naga
Unit C G/F CBD Plaza Hotel, Ninoy and Cory Avenue, Central Business District II, Triangulo, Naga City

Sorsogon
Chiang Kai Shek School Building, Magsaysay Avenue, Sorsogon City

Puerto Princesa-Palawan
New Carlos Building, # 271 Rizal Avenue, Central Business District, Maningning, Puerto Princesa City, Palawan

REGION 11-A

Downtown-Cebu
G/F Lianting Bldg., 130 F. Gonzales Street, Cebu City

Lapu-Lapu City
G/F AMCO Bldg., ML Quezon, National Road, Pajo, Lapu-Lapu City, Cebu

Mandaue
Unit 1-2 Wireless Plaza Bldg., H. Cortes Avenue cor. Hi-way Seno, Subangdaku, Mandaue City

Tagbilaran
EB Gallares Building, C. P. Garcia Avenue, Tagbilaran City, Bohol

Consolacion-Cebu
Highway Consolacion (Fronting Cebu Home Builders) Barangay Cansaga, Consolacion, Cebu

Cebu-Talisay
Door 3, Rosalie Building, Gaisano Fiesta Mall, Tabunok, Cebu South Road (aka Tabunok Highway), Talisay City, Cebu

Dumaguete
Ground Floor C&L Suites Inn, 485 Perdices Street cor. Pinili Street, Barangay Poblacion 3, Dumaguete City

Cebu-Escario
Unit G-08, Capitol Square, Escario St., Cebu City

Cebu-Banilad
A.S. Fortuna St., Banilad, Mandaue City, Cebu

REGION 11-B

Bacolod
Ground Floor Unit 3 T.U. Square, B.S. Aquino Drive cor. Lacson St., Bacolod City

Iloilo
Ground Floor MSL Building, 132 Quezon St., Iloilo City

Iloilo- Donato Pison
Unit 1A & Unit 1B Greenzone Center, Donato Pison Avenue, Barangay San Rafael, Mandurriao, Iloilo City

Kalibo
Roxas Avenue, Poblacion, Kalibo City, Aklan

Roxas City
G/F SJS Building, San Roque St. Ext., Barangay 8, Roxas City, Capiz

Iloilo – Jaro
G/F Rosman Building, McArthur Drive, Tabuc Suba, Jaro, Iloilo City

Ormoc
No. 333 Real St., Barangay District 5, Ormoc City, Leyte

Tacloban
Zamora St., Tacloban City

Catbalogan
San Francisco St. corner Rizal Ave., Catbalogan City, Samar

REGION 12-A

Davao-Bajada
Aeon Towers, JP Laurel Avenue., Bajada, Davao City

Sales-Davao
Door 7 & 8 JM Bldg., Governor Sales St. Davao City

Davao-Lanang
Fuji One Building Km. 7, Lanang, Davao City

Davao-Toril
Gaisano Grand Mall Toril, Unit GL 8B & GL9 Saavedra St., Toril, Davao City

Davao-Buhangin
Km. 7 Tigatto Road, Buhangin, Davao City

Tagum City- Davao
Roxas St. corner Osmeña St., Tagum City, Davao

Davao-Panabo
Wharf Road, Barangay Sto. Niño, Poblacion, Panabo City, Davao Del Norte

Davao-CM Recto
JRL Building 107 C.M. Recto Ave., Brgy. 38-D, Davao City

General Santos-Santiago Blvd.
Santiago Boulevard, Barangay Dadiangas South, General Santos City

General Santos
GSC SunCity Suites, B-1-03 & B-1-04 National Highway, Lagao, General Santos City

REGION 12-B

Cagayan de Oro
Lapasan Highway, Corner Camp Alagar, Cagayan de Oro City

Cagayan de Oro-Cogon
ALLA Inc. Building, JR Borja St. (near corner Corrales Ave.) Barangay 32, Cagayan De Oro City, Misamis Oriental

Iligan
Doromal Bldg., Quezon Avenue Extension, Barangay Villaverde, Iligan City

Zamboanga
Wee Agro Building, Veterans Avenue, Zamboanga City

Ozamis
G/F Insular Life Building, Don Anselmo Bernad Ave. (National Highway) cor. Jose Abad Santos St., Ozamis City, Misamis Occidental

Dipolog
No. 331 P. Burgos St. (near corner Rizal Ave.) Dipolog City, Zamboanga Del Norte

Butuan
Montilla Boulevard cor. T. Calo St., Butuan City, Agusan Del Norte

Surigao City
Diez St., Barangay Taft, Surigao City, Surigao Del Norte

Branch-Lite Unit

Cebu City Branch-Lite
4th floor, NIC-2 Bldg., Capitol Square, N. Escario St., Cebu City

Taguig City Branch-Lite
Unit RT5, One Mckinley Place, 4th Avenue, Bonifacio Global City, Taguig

Pearl Plaza Mall Branch-Lite
Annex A Level 2 Pearl Plaza Building, 1331 Quirino Avenue, Tambo, Paranaque City

Roxas City Branch-Lite
G/F Eperformax Center, Pueblo de Panay Township, Roxas City, Capiz

Statement Of Management's Responsibility

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, 2023 and 2022, 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 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, 2024

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, 2023 and 2022, 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 threeyears in the period ended December 31, 2023,andthe notes to financial statements,including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 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.

Report of Independent Auditors

The following are the key audit matters identified in our audit of the financial statements of the Bank:

(a) Expected Credit Lossfor Loans and Other Receivables

Description of the Matter

As at December 31, 2023, the Bank's loans and other receivables and expected credit loss (ECL) allowanceon loans and other receivables amounted to P117.6billion and P5.9 billion, respectively (see Note 12). We have identified the Bank's ECL modelon 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 andflow rates of the counterparty, 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
- 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.

The summary of material accounting policy information and the significant judgment, includingestimation applied by management, as those related to the credit risk assessmentprocess of the Bankare disclosed in Notes 2, 3 and 4 to 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 accountingpolicies and methodologies applied and we evaluated whether those: (a) are establishedand implemented consistent with the underlying principles of PFRS 9; (b) are appropriate inthe context of the Bank's lending activities and asset portfolio that takes into considerationthe different segments of credit exposures and the relevant regulatory framework; and,(c) are supported by pertinent processes and controls, including documentations of theaccounting 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 ofinputs 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;
- 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 drawdown, 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 ofthe data used in the ECL model through reconciliation of loan data subjected to the ECLcalculations, 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 intovarious portfolio segments for purposes of ECL calculations. Furthermore, we testedthe mathematical formula and the computation logics applied in the calculation of thedifferent inputs in the ECL model and the estimation of the credit losses for all loans andother receivables subjected to impairment assessment.

We evaluated the completeness and appropriateness of the disclosures in the financial statements based on therequirements 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 toannually test the carrying amounts of its goodwill and branch licenses for impairment. As at December 31, 2023, goodwill amounted to P121.9 million, whilethe branch licenses amounted to P250.8million (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 thediscount 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.

Report of Independent Auditors

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 usedin 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, bycomparing them to external and historical data, with assistance from our Firm's valuationspecialists;

- tested the calculation of valuation model for mathematical accuracy and validating theappropriateness 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 andjudgments; and,

- compared the discount rate and long-term growth rate used against the industry and market outlook and other relevant consensus data.

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, 2023, 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, 2023 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 of Independent Auditors

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, 2023 and 2022required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2023requiredby the Bureau of Internal Revenue as disclosed in Notes32 and 33to 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 has 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 theauditsresulting 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. 10076138, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2027)
Firm - No. 0002 (until financial period 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 20, 2024

Statements Of Financial Position

DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022
RESOURCES			
CASH AND OTHER CASH ITEMS	9	**P1,316,780,680**	P1,247,987,230
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**4,498,604,149**	6,102,228,578
DUE FROM OTHER BANKS	10	**4,170,280,397**	5,215,663,162
TRADING AND INVESTMENT SECURITIES – Net	11		
At fair value through profit or loss (FVTPL)		**6,782,337,118**	2,222,021,039
At fair value through other comprehensive income (FVOCI)		**13,765,424,913**	10,820,216,925
At amortized cost – net		**1,501,256,354**	1,125,460,677
LOANS AND OTHER RECEIVABLES – Net	12	**117,563,935,794**	103,541,533,397
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net	13	**874,738,714**	708,318,079
INVESTMENT PROPERTIES – Net	14	**1,415,433,957**	1,257,271,069
DEFERRED TAX ASSETS – Net	25	**1,612,742,372**	1,356,780,139
OTHER RESOURCES – Net	15	**912,920,356**	952,585,285
TOTAL RESOURCES		**P154,414,454,804**	P134,550,065,580
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	16		
Demand		**P52,749,203,605**	P44,558,934,956
Savings		**15,567,082,699**	17,455,098,363
Time		**58,402,429,713**	52,512,126,159
		126,718,716,017	114,526,159,478
BILLS PAYABLE	17	**4,750,000,000**	1,500,000,000
ACCRUED EXPENSES AND OTHER LIABILITIES	19	**4,931,275,495**	3,947,573,513
Total Liabilities		**136,399,991,512**	119,973,732,991
EQUITY	21		
Capital stock		**8,807,500,940**	7,057,500,940
Additional paid-in capital		**1,998,396,816**	1,998,396,816
Deposits on future stock subscriptions		**-**	312,500,000
Surplus		**8,310,081,418**	6,812,226,971
Revaluation reserves		**(1,101,515,882)**	(1,604,292,138)
Total Equity		**18,014,463,292**	14,576,332,589
TOTAL LIABILITIES AND EQUITY		**P154,414,454,804**	P134,550,065,580

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
INTEREST INCOME				
Loans and other receivables	12	**P8,161,932,274**	P5,724,208,657	P5,586,338,153
Trading and investment securities	11	**812,008,890**	637,292,253	543,348,549
Due from Bangko Sentral ng Pilipinas and other banks	9, 10	**321,659,656**	218,049,115	204,977,490
		9,295,600,820	6,579,550,025	6,334,664,192
INTEREST EXPENSE				
Deposit liabilities	16	**2,739,792,966**	976,041,438	644,214,892
Bills payable	17	**108,993,662**	25,239,713	-
Corporate notes payable	18	**-**	6,436,301	171,200,433
Others	19, 23	**25,420,466**	24,461,998	22,906,674
		2,874,207,094	1,032,179,450	838,321,999
NET INTEREST INCOME		**6,421,393,726**	5,547,370,575	5,496,342,193
IMPAIRMENT LOSSES – Net	28	**1,053,438,713**	820,614,023	747,357,300
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**5,367,955,013**	4,726,756,552	4,748,984,893
OTHER INCOME				
Trading gains – net	11	**287,760,989**	-	-
Service charges, fees and commissions		**260,798,581**	727,958,296	369,420,926
Miscellaneous – net	22	**431,988,496**	218,226,956	196,510,646
		980,548,066	946,185,252	565,931,572
OTHER EXPENSES				
Salaries and other employee benefits	23	**1,359,006,364**	1,183,429,591	975,882,289
Taxes and licenses		**933,663,221**	647,080,896	584,907,104
Depreciation and amortization	13, 14, 15	**356,278,872**	328,281,618	305,917,104
Insurance		**289,856,031**	265,391,425	263,368,784
Occupancy	19	**263,276,118**	260,086,593	272,957,686
Management and other professional fees		**241,031,012**	192,763,571	324,432,877
Representation and entertainment		**61,859,614**	38,811,450	45,010,803
Trading losses – net	11	**-**	402,252,951	253,969,915
Miscellaneous	22	**504,180,233**	492,364,173	495,574,483
		4,009,151,465	3,810,462,268	3,522,021,045
PROFIT BEFORE TAX		**2,339,351,614**	1,862,479,536	1,792,895,420
TAX EXPENSE	25	**515,334,634**	551,030,042	624,727,075
NET PROFIT		**P1,824,016,980**	P1,311,449,494	P1,168,168,345
EARNINGS PER SHARE				
Basic and Diluted	29	**P 2.23**	P1.85	P1.81

See Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
NET PROFIT		**P1,824,016,980**	P1,311,449,494	P1,168,168,345
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	**(39,540,266)**	24,960,375	11,603,384
Tax income (expense)	25	**9,885,067**	(6,240,093)	(9,280,963)
		(29,655,199)	18,720,282	2,322,421
Items that will be reclassified subsequently to profit or loss				
Fair value gains (losses) on investment securities at FVOCI during the year – net	11, 21	**539,514,930**	(1,404,660,931)	(566,144,785)
Expected credit losses for FVOCI securities	11, 21	**(6,074,143)**	(6,564,187)	-
Fair value losses (gains) reclassified to profit or loss during the year – net	11, 21	**(1,009,332)**	607,336	(17,016,471)
		532,431,455	(1,410,617,782)	(583,161,256)
		502,776,256	(1,391,897,500)	(580,838,835)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P2,326,793,236**	(P80,448,006)	P587,329,510

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Preferred Stock	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) Appropriated	Unappropriated	Total	Revaluation Reserves (see Note 21)	Total Equity
Balance as at January 1, 2023	P620,000,000	P6,437,500,940	P7,057,500,940	P1,998,396,816	P312,500,000	P733,615,810	P6,078,611,161	P6,812,226,971	(P1,604,292,138)	P14,576,332,589
Issuance of shares of stock	-	1,750,000,000	1,750,000,000	-	(312,500,000)	-	-	-	-	1,437,500,000
Cash dividends declared during the year	-	-	-	-	-	-	(326,162,533)	(326,162,533)	-	(326,162,533)
Appropriation during the year	-	-	-	-	-	95,734,535	(95,734,535)	-	-	-
Total comprehensive income during the year	-	-	-	-	-	-	1,824,016,980	1,824,016,980	502,776,256	2,326,793,236
Balance as at December 31, 2023	**P620,000,000**	**P8,187,500,940**	**P8,807,500,940**	**P1,998,396,816**	**-**	**P829,350,345**	**P7,480,731,073**	**P8,310,081,418**	**(P1,101,515,882)**	**P18,014,463,292**
Balance as at January 1, 2022	P620,000,000	P6,437,500,940	P7,057,500,940	P1,998,396,816	-	P374,242,445	P5,245,335,032	P5,619,577,477	(P212,394,638)	P14,463,080,595
Deposit on future stock subscription	-	-	-	-	312,500,000	-	-	-	-	312,500,000
Dividends during the year	-	-	-	-	-	-	(118,800,000)	(118,800,000)	-	(118,800,000)
Appropriation during the year	-	-	-	-	-	359,373,365	(359,373,365)	-	-	-
Total comprehensive income (loss) during the year	-	-	-	-	-	-	1,311,449,494	1,311,449,494	(1,391,897,500)	(80,448,006)
Balance as at December 31, 2022	P620,000,000	P6,437,500,940	P7,057,500,940	P1,998,396,816	P312,500,000	P733,615,810	P6,078,611,161	P6,812,226,971	(P1,604,292,138)	P14,576,332,589
Balance as at January 1, 2021	P620,000,000	P6,437,500,940	P7,057,500,940	P1,998,396,816	-	P46,814,378	P4,404,594,754	4,451,409,132	P368,444,197	P13,875,751,085
Appropriation during the year	-	-	-	-	-	327,428,067	(327,428,067)	-	-	-
Total comprehensive income (loss) during the year	-	-	-	-	-	-	1,168,168,345	1,168,168,345	(580,838,835)	587,329,510
Balance as at December 31, 2021	P620,000,000	P6,437,500,940	P7,057,500,940	P1,998,396,816	-	P374,242,445	P5,245,335,032	P5,619,577,477	(P212,394,638)	P14,463,080,595

See Notes to Financial Statements.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P2,339,351,614**	P1,862,479,536	P1,792,895,420
Adjustments for:				
Interest received		**9,443,572,978**	6,506,710,185	6,349,841,558
Interest income	9, 10, 11, 12	**(9,295,600,820)**	(6,579,550,025)	(6,334,664,192)
Interest expense	16, 17, 18, 19, 23	**2,874,207,094**	1,032,179,450	838,321,999
Interest paid		**(2,653,757,330)**	(1,057,649,309)	(832,266,567)
Impairment losses - net	28	**1,053,438,713**	820,614,023	747,357,300
Depreciation and amortization	13, 14, 15	**356,278,872**	328,281,618	305,917,104
Loss (gain) on sale of properties - net	14, 15, 22	**(84,609,969)**	16,616,368	(9,918,968)
Unrealized foreign currency revaluation on investment securities at FVOCI	11	**33,093,390**	(197,693,919)	(74,935,545)
Amortization of premium (discount) on investments	11	**(25,152,338)**	34,254,035	21,852,544
Loss (gain) on redemptions of investment securities at FVOCI	11	**(1,009,332)**	607,336	(17,016,471)
Amortization of bond issue cost	18	**-**	4,647,360	7,667,366
Operating profit before working capital changes		**4,039,812,872**	2,771,496,658	2,795,051,548
Decrease (increase) in financial assets at FVPL		**(4,560,316,079)**	260,191,981	9,618,710,119
Increase in loans and other receivables		**(13,053,861,232)**	(13,764,592,500)	(2,431,813,095)
Decrease in investment properties		**310,288,098**	159,582,664	45,811,821
Decrease (increase) in other resources		**(90,297,326)**	169,998,841	(19,354,879)
Increase in deposit liabilities		**11,975,375,979**	2,137,775,005	12,052,928,864
Increase (decrease) in accrued expenses and other liabilities		**714,425,421**	1,391,400,170	(399,031,930)
Cash generated from (used in) operations		**(664,572,267)**	(6,874,147,181)	21,662,302,448
Cash paid for income taxes		**(618,833,051)**	(458,868,496)	(568,475,563)
Net Cash From (Used in) Operating Activities		**(1,283,405,318)**	(7,333,015,677)	21,093,826,885
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at FVOCI	11	**(2,795,028,683)**	(296,476,107)	(16,899,893,203)
Acquisitions of investment securities at amortized cost	11	**(869,329,792)**	(520,953,694)	(208,273,009)
Proceeds from maturities of investment securities at amortized cost	11	**547,450,082**	292,032,610	155,825,123
Proceeds from sale, redemptions, and maturities of investment securities at FVOCI	11	**325,000,000**	199,392,664	9,342,138,182
Acquisitions of bank premises, furniture, fixtures and equipment	13	**(150,345,608)**	(95,732,812)	(196,150,225)
Proceeds from sale of bank premises, furniture, fixtures and equipment	13	**22,992,917**	9,684,420	84,709,894
Acquisition of software licenses	15	**(21,833,298)**	(16,418,729)	(35,893,357)
Net Cash Used in Investing Activities		**(2,941,094,382)**	(428,471,648)	(7,757,536,595)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bills payable	17, 30	**4,500,000,000**	2,000,000,000	-
Proceeds from issuance of capital stock	21	**1,437,500,000**	-	-
Settlement of bills payable	17, 30	**(1,250,000,000)**	(500,000,000)	-
Payment of cash dividends	21	**(326,162,533)**	(118,800,000)	-
Payment of lease liabilities	19, 30	**(165,946,559)**	(145,630,698)	(110,982,739)
Settlement of corporate notes payable	18, 30	**-**	(3,000,000,000)	-
Proceeds from deposit on future stock subscription	21	**-**	312,500,000	-
Net Cash From (Used) in Financing Activities		**4,195,390,908**	(1,451,930,698)	(110,982,739)

	Notes	2023	2022	2021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(29,108,792)**	(9,213,418,023)	13,225,307,551
CASH AND CASH EQUIVALENTS AT BEGINNING 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 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
		15,076,189,647	24,289,607,670	11,064,300,119
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	**1,316,780,680**	1,247,987,230	1,430,787,675
Due from Bangko Sentral ng Pilipinas	9	**4,498,604,149**	6,102,228,578	16,754,028,342
Due from other banks	10	**4,170,280,397**	5,215,663,162	3,474,970,323
Securities purchased under reverse repurchase agreement	12	**4,992,596,914**	2,394,635,343	2,538,411,628
Foreign currency notes and coins on hand	15	**68,818,715**	115,675,334	91,409,702
		P15,047,080,855	P15,076,189,647	P24,289,607,670

Supplemental note details of non-cash transactions are presented in Note 30.

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos or As Otherwise Indicated)

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, 2023 and 2022, it has 157 branches located nationwide.

The Bank's registered office 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 of and for the year ended December 31, 2023(including the comparative financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021) were authorized for issue by the Bank's Board of Directors (BOD) on March 20, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that has been used in the preparation of these financial statements is summarized below and in the succeeding pages. 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.

Notes to Financial Statements

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 Standards*

(a) Effective in 2023 that are Relevant to the Bank

The Bank adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below is the relevant information about these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replace the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Bank's financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduce a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Bank's financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The management assessed that the application of such amendments had no significant impact on the Bank's financial statements.

(b) Effective in 2023 that is not Relevant to the Bank

Among the amendments to the existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Bank's financial statements.

(c) Effective Subsequent to 2023 but not Adopted Early

There are pronouncements effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a 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, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements*(effective from January 1, 2024)

(iv) PFRS 16 (Amendments),*Leases – Lease Liability in a Sale and Leaseback*(effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*(effective from January 1, 2025)

2.3 *Financial Instruments*

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. 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).

Notes to Financial Statements

(a) *Financial Assets*

(i) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets are described as follows.

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent amount that are solely payment of principal and interest (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 fair value through profit or loss(FVTPL).

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 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 maturities of three months or less from placement date.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

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 FVTPL. The Bank has not made irrevocable designation of equity instruments as of December 31,2023 and 2022.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. The Bank's financial assets at FVTPL include debt securities which are held for trading purposes or designated as at FVTPL.

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.

(ii) *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 FVTPL, or at FVOCI, is recognized using the effective interest rate method. 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 an 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.

(iii) *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 broaderrange 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).

Notes to Financial Statements

'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 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 counter parties.

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 counter parties, which do not originate through the Bank's lending activities. For these instruments, the Bank measures the loss allowance at an amount equal to lifetime ECL.

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 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.

(iv) Derecognition of Financial Assets – 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.

(a) 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).

2.4 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 FVTPL 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.

2.5 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.

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 to 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.

Notes to Financial Statements

2.6 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 2.12).

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 2.5).

2.7 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.

Good will,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 2.12). 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 2.12.Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

2.8 Other Acquired Assets

Other acquired assets pertain to chattel properties acquired through repossession or dacion in payment 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 2.12).

2.9 Deposits on Future Stock Subscriptions

Deposits on future stock subscription represent the amount of money received from the principal shareholders as deposits on the subscriptions relative to the Bank's application for increase in Authorized Capital Stock (ACS). Based on the requirements of the Securities and Exchange Commission (SEC), the Bank recognizes deposits for future stock subscriptions 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 ACS to cover the shares corresponding to the amount of the deposit; and,

(c) application for the approval of the increase in ACS 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.

2.10 Other Income and Expense Recognition

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 with 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* – These 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 FVTPL.

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.

c. *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in the statement profit or loss as part of Miscellaneous Income.

2.11 *Leases – Bank as a Lessee*

Subsequent to the initial recognition, 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 2.12).

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 statements of financial position.

2.12 *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 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.

2.13 *Employee Benefits*

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

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 defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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 obligation to pay further contributions after payment of the fixed contribution.

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.

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 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 provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

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 statements of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

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 judgments presented in the succeeding page, 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 Probability of Default (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.

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.

(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

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. Similarly, possible outflows of economic benefits to the Bank that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the financial statements.

Judgment is exercised by management to distinguish the difference between provisions and contingencies. 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 behavior (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 FVTPL 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 the 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 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.

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, 2023 and 2022, 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 the factors mentioned above.

(d) Determination of Timing of Satisfaction of Performance Obligation

The Bank determines that its revenues from services for loan administration and account management shall be recognized over time while all other revenue streams are recognized at point in time. In making its judgment, the Bank considers the timing of receipt and consumption of benefits provided to the customers. As the work is performed, the Bank becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of rendering of these retail and corporate banking services as it performs.

In determining the best method of measuring the progress of the Bank's rendering of aforementioned services, the management considers the output method, which uses direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised as basis in recognizing revenues. Such measurements include results of performance completed to date and time elapsed.

(e) 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, 2023 and 2022 is disclosed in Note 25.

(f) 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 based on the appraisals conducted by professional appraisers 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 is further discussed in Note 7.

(g) 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 2.12. 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.

(h) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Bank measures its lease liabilities at the 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.

(i) *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, counter party 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 its risk management techniques and integrates this into the overall strategic business objectives to support the growth objectives of the Bank.

The Bank has automated the front office, 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 safeguards its financial health by diligently assessing and managing the risks associated with lending. It involves evaluation of borrower creditworthiness by conducting thorough analyses of financial statements, historical performance, and other pertinent information to gauge the likelihood of repayment with each loan application and renewal. It also monitors borrower performance throughout the life cycle of each loan by promptly identifying any signs of financial distress by implementing the automated credit risk downgrading. Additionally, it oversees the broader risk profile of the bank's loan portfolio by collaborating with colleagues across various departments to develop and refine credit policies and procedures in alignment with regulatory requirements and industry standards. Regular stress testing is also conducted to assess the portfolio's resilience under different economic conditions.

The allowance for credit losses, a significant component of the bank's financial provisioning, is calculated using complex models and procedures that forecast the projected credit losses in the loan portfolio. This entails studying historical data, economic indicators, and other pertinent elements to anticipate potential impairments. Senior management and regulatory authorities receive regular reports and updates, which provide transparency into the bank's credit risk exposure and performance.

The Bank has completed the bank-wide operational risk and control self-assessment in support of the enterprise risk management framework and has continued 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 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 counter parties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counter party, 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, 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 counter parties; accordingly, such credit risk is measured using PD, Exposure at Default (EAD), and Loss Given Default (LGD), for purposes of measuring ECL as required by PFRS 9.

The initial recognition of credit risk by an individual or group of related counter parties is done through its ICRRS. The ICRRS is tailored to consider various categories of counter party. The Rating system is further supplemented with external data to provide accurate ratings enabling adaptability to changes.

The ICRRS was 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.

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 monitoredperiodically. The ECL parameters were carried out on a 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.

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 counter parties 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.

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

Risk Rating	Rating Description/Criteria
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.

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:

Bucket	Classification	Secured	Unsecured
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:

Classification	Stages
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 the loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. Further, 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 31,2023and 2022, 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:

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*				
Excellent	P 4,108,936,194	P -	P -	P 4,108,936,194
Strong	59,571,000	-	-	59,571,000
Good	9,145,927,330	22,392,232	2,526,366	9,170,845,928
Satisfactory	23,431,562,114	1,252,945,332	-	24,684,507,446
Acceptable	53,700,612,190	443,133,886	-	54,143,746,076
Watchlist	-	7,104,370,717	135,683,778	7,240,054,495
Classified	-	-	9,636,065,218	9,636,065,218
	90,446,608,828	8,822,842,167	9,774,275,362	109,043,726,357
ECL allowance	(155,584,539)	(122,974,833)	(5,281,524,740)	(5,560,084,112)
Carrying amount	**P 90,291,024,289**	**P 8,699,867,334**	**P 4,492,750,622**	**P 103,483,642,245**

**Excludes unamortized charges from capitalized commission amounting to P0.3 million.*

Receivables from customers – consumer

	Stage 1	Stage 2	Stage 3	Total
Housing loans:				
Unclassified	P 4,175,414,399	P -	P -	P 4,175,414,399
Especially Mentioned	-	157,826,766	-	157,826,766
Substandard	-	-	72,194,036	72,194,036
Doubtful	-	-	28,517,038	28,517,038
Loss	-	-	128,379,618	128,379,618
	4,175,414,399	157,826,766	229,090,692	4,562,331,857
ECL allowance	(1,854,067)	(1,375,515)	(44,278,597)	(47,508,179)
Carrying amount	**P 4,173,560,332**	**P 156,451,251**	**P 184,812,095**	**P 4,514,823,678**

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer				
Auto loans:				
Unclassified	P 1,479,567,141	P -	P -	P 1,479,567,141
Especially Mentioned	-	17,715,462	-	17,715,462
Substandard	-	-	12,705,066	12,705,066
Doubtful	-	-	13,154,017	13,154,017
Loss	-	-	141,653,162	141,653,162
	1,479,567,141	17,715,462	167,512,245	1,664,794,848
ECL allowance	(997,593)	(166,798)	(19,716,317)	(20,880,708)
Carrying amount	**P 1,478,569,548**	**P 17,548,664**	**P 147,795,928**	**P 1,643,914,140**
Salary loans:				
Unclassified	P 1,761,963,638	P -	P -	P 1,761,963,638
Especially Mentioned	-	47,385,140	-	47,385,140
Substandard	-	-	18,720,123	18,720,123
Doubtful	-	-	25,845,957	25,845,957
Loss	-	-	47,581,009	47,581,009
	1,761,963,638	47,385,140	92,147,089	1,901,495,867
ECL allowance	(9,953,045)	(10,522,121)	(85,928,936)	(106,404,102)
Carrying amount	**P 1,752,010,593**	**P 36,863,019**	**P 6,218,153**	**P 1,795,091,765**

Contract-to-sell:				
Unclassified	P 2,364,113	P -	P -	P 2,364,113
Loss	-	-	396,500	396,500
	2,364,113	-	396,500	2,760,613
ECL allowance	(997,237)	-	(369,744)	(1,366,981)
Carrying amount	P 1,366,876	P -	P 26,756	P 1,393,632
Total gross amount	P 7,416,945,178	P 225,291,481	P 489,146,526	P 8,131,383,185
Total ECL allowance	(12,804,705)	(13,061,671)	(150,293,594)	(176,159,970)
Total carrying amount	P 7,404,140,473	P 212,229,810	P 338,852,932	P 7,955,223,215
Other receivables				
Excellent	P 5,585,278,230	P -	P -	P 5,585,278,230
Strong	3,889	-	-	3,889
Good	25,392,539	36,947	17,895	25,447,381
Satisfactory	69,400,719	674,990	-	70,075,709
Acceptable	158,959,762	1,871,948	142,640	160,974,350
Watchlist	-	21,316,759	90,905,385	112,222,144
Classified	-	-	227,526,672	227,526,672
	5,839,035,139	23,900,644	318,592,592	6,181,528,375
ECL allowance	(1,073,360)	(667,533)	(187,520,127)	(189,261,020)
Carrying amount	P 5,837,961,779	P 23,233,111	P 131,072,465	P 5,992,267,355
Debt investment securities at FVOCI				
Excellent	P 13,765,424,913	P -	P -	P 13,765,424,913
ECL allowance**	(16,867,787)	-	-	(16,867,787)
Carrying amount	P 13,748,557,126	P -	P -	P 13,748,557,126

***Reported as part of unrealized fair value gains (losses) (NUGL).*

Debt investment securities at amortized cost				
Excellent	P 1,517,034,052	P -	P -	P 1,517,034,052
ECL allowance	(15,777,698)	-	-	(15,777,698)
Carrying amount	P 1,501,256,354	P -	P -	P 1,501,256,354

	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	-	-	8,077,439,921	8,077,439,921
	81,561,708,056	7,473,106,632	8,385,135,450	97,419,950,138
ECL allowance	(63,259,792)	(81,520,286)	(4,496,231,984)	(4,641,012,062)
Carrying amount	P 81,498,448,264	P 7,391,586,346	P 3,888,903,466	P 92,778,938,076

**Excludes unamortized charges from capitalized commission amounting to P2.3 million.*

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
	4,000,279,514	77,660,350	276,814,843	4,354,754,707
ECL allowance	(2,415,277)	(2,635,686)	(10,826,950)	(15,877,913)
Carrying amount	P 3,997,864,237	P 75,024,664	P 265,987,893	P 4,338,876,794
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
	1,532,674,351	27,694,587	252,424,681	1,812,793,619
ECL allowance	(3,015,949)	(3,038,459)	(52,088,566)	(58,142,974)
Carrying amount	P 1,529,658,402	P 24,656,128	P 200,336,115	P 1,754,650,645
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
	786,559,243	79,150,745	99,855,486	965,565,474
ECL allowance	(6,437,290)	(8,007,297)	(87,863,662)	(102,308,249)
Carrying amount	P 780,121,953	P 71,143,448	P 11,991,824	P 863,257,225
Contract-to-sell:				
Unclassified	P 7,604,337	P -	P -	P 7,604,337
ECL allowance	(12,344)	-	-	(12,344)
Carrying amount	P 7,591,993	P -	P -	P 7,591,993
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

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI				
Excellent	P 10,820,216,925	P -	P -	P 10,820,216,925
ECL allowance**	(10,793,644)	-	-	(10,793,644)
Carrying amount	P 10,809,423,281	P -	P -	P 10,809,423,281

***Reported as part of unrealized fair value gains (losses) (NUGL)*

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

As of December 31, 2023and 2022, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P9,985.7million and P12,565.9 million, respectively (see Notes 9 and 10). The financial assets are held with the BSP and financial institution counter parties that are rated at least BBB to AAA+, based on Standard and Poor's (S&P) ratings.

4.3.3 Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below (amounts in thousands).

	2023			2022		
	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Financial and insurance activities	P 15,047,081	P 5,679,964	P 20,681,836	P 15,076,190	P 4,363,124	P 11,480,652
Wholesale and retail trade	-	42,399,980	-	-	38,146,775	-
Real estate activities	-	16,229,449	337,378	-	16,512,161	316,317
Manufacturing	-	13,462,005	55,812	-	12,800,637	1,820,631
Construction	-	11,585,188	-	-	7,330,580	-
Transportation and storage	-	5,422,045	-	-	6,121,292	-
Accommodation and food service activities	-	4,809,751	669,550	-	3,308,648	301,083
Electricity, gas, steam and air-conditioning supply	-	4,637,011	320,220	-	4,757,477	121,812
Consumption	-	3,567,826	-	-	1,843,519	-
Water supply, sewerage, waste management and remediation activities	-	2,748,564	-	-	2,667,819	140,503
Administrative and support services	-	1,466,559	-	-	2,532,306	-
Agriculture, forestry and fishing	-	1,367,624	-	-	1,321,665	-
Professional, scientific, and technical activities	-	1,332,678	-	-	735,066	-
Mining and quarrying	-	988,877	-	-	658,407	-
Information and communication	-	245,135	-	-	255,067	-
Education	-	296,080	-	-	227,863	-
Human health and social service activities	-	34,112	-	-	63,890	-
Arts, entertainment and recreation	-	20,710	-	-	20,110	-
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	3,331	-	-	5,074	-
Other service activities	-	878,221	-	-	889,188	-
	P 15,047,081	P 117,175,110	P 22,064,796	P 15,076,190	P 104,560,668	P 14,180,998

**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 2.3).*
***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 period, 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 counter parties. 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 counter party or borrower and other factors that are counter party 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 counter party. 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 categorized as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

Notes to Financial Statements

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 2.3(a)(iii), 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 isidentified, 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, watch listed 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.

(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 amounted to P9,774.3 million, P489.1 million, and P318.6 million, respectively, as of December 31, 2023, and P8,385.1 million, P629.1 million, and P599.5 million, respectively, as of December 31, 2022.

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.

In 2023, unsecured and secured loans qualify for write-off when they remained unpaid and outstanding for more than 915 days and 1,825 days, respectively, and upon BOD approval while in 2022, 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 fulfill the required criteria.

Notes to Financial Statements

(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 2.3(a)(iii).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 up 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 portfolios, 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 2023 and 2022 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 counter parties 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, interest rate, consumer price index and inflation rate. 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 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.

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 counter parties.

The groups are subject to regular review by the Bank's ERMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

4.3.5 Continuing 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, 2023 and 2022, 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). In 2023 and 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.

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).

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.

Previously, in addition to the government-mandated reliefs,the Bank has also offered financial relief in response to the COVID-19 situation. The following relief measures were granted to eligible customers:

- 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 remaining outstanding balance of restructured loans from these relief measures amounted to P4,505.4 million and P5,012.8 million as of December 31, 2023 and 2022, respectively. The related allowance for credit loss of such loans amounted to P494.5million and P339.9 million as of the same dates, respectively. Of the total outstanding restructured loans as of December 31, 2023, and 2022, P2,148.9 million and P2,489.2 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.

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.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2023				
Loans and discounts:				
Corporate	P 109,043,726,357	P 113,388,771,656	P -	P 109,043,726,357
Consumer	8,131,383,185	15,775,874,384	-	8,131,383,185
Sales contract receivables	19,129,027	99,301,875	-	19,129,027
	P117,194,238,569	**P129,263,947,915**	**P -**	**P 117,194,238,569**
2022				
Loans and discounts:				
Corporate	P 97,419,950,138	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	23,755,833	77,235,110	-	23,755,833
	P 104,584,424,108	P 103,954,248,458	P 8,499,647,850	P 96,084,776,256

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2023 and 2022 is shown below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2023				
Loans and discounts:				
Corporate	P 9,774,275,362	P 7,708,878,593	P 2,065,396,769	P 7,708,878,593
Consumer	489,146,526	4,097,216,064	-	489,146,526
Sales contracts receivables	7,123,444	23,567,113	-	7,123,444
	P 10,270,545,332	**P 11,829,661,770**	**P 2,065,396,769**	**P 8,205,148,563**
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	4,470,075,120	-	629,095,010
Sales contracts receivables	6,920,364	14,121,410	-	6,920,364
	P 9,021,150,824	P 12,396,612,500	P 472,719,480	P 8,548,431,344

Notes to Financial Statements

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	2023	2022
Cash and cash equivalents	9, 10, 12, 15	**P 15,047,080,855**	P 15,076,189,647
Debt securities			
At FVOCI	11.2	**13,765,424,913**	10,820,216,925
At amortized cost	11.3	**1,517,034,052**	1,138,759,769
		15,282,458,965	11,958,976,694
		P 30,329,539,820	P 27,035,166,341

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 counter parties 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 2023 and 2022:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	P 63,259,792	P 81,520,286	P 4,496,231,984	P 4,641,012,062
Transfers to:				
Stage 1	344,404	(343,428)	(976)	-
Stage 2	(17,243,241)	17,496,611	(253,370)	-
Stage 3	(251,732,733)	(244,851,236)	496,583,969	-
Net remeasurement of loss allowance	327,385,343	246,162,210	101,732,442	675,279,995
New financial assets originated	74,804,498	72,806,306	667,844,541	815,455,345
Derecognition of financial assets	(41,233,524)	(49,815,916)	(480,613,850)	(571,663,290)
Balance at December 31	**P 155,584,539**	**P 122,974,833**	**P 5,281,524,740**	**P 5,560,084,112**
Receivables from customers – consumer				
Balance at January 1	P 11,880,860	P 13,681,442	P 150,779,178	P 176,341,480
Transfers to:				
Stage 1	305,560	(203,451)	(102,109)	-
Stage 2	(4,126,993)	4,421,623	(294,630)	-
Stage 3	(26,685,770)	(9,049,171)	35,734,941	-
Net remeasurement of loss allowance	29,857,895	(193,147)	134,049,352	163,714,100
New financial assets originated	7,004,263	7,999,719	16,591,191	31,595,173
Derecognition of financial assets	(5,431,110)	(3,595,344)	(83,282,827)	(92,309,281)
Write-offs	-	-	(103,181,502)	(103,181,502)
Balance at December 31	**P 12,804,705**	**P 13,061,671**	**P 150,293,594**	**P 176,159,970**
Other receivables				
Balance at January 1	P 7,134,532	P 1,395,690	P 166,919,306	P 175,449,528
Transfers to:				
Stage 1	3,432	(2,944)	(488)	-
Stage 2	(60,307)	65,683	(5,376)	-
Stage 3	(3,786,181)	(1,293,122)	5,079,303	-
Net remeasurement of loss allowance	(2,298,760)	84,557	23,468,070	21,253,867
New financial assets originated	184,805	561,763	1,081,825	1,828,393
Derecognition of financial assets	(104,161)	(144,094)	(4,191,904)	(4,440,159)
Write-offs	-	-	(4,830,609)	(4,830,609)
Balance at December 31	**P 1,073,360**	**P 667,533**	**P 187,520,127**	**P 189,261,020**

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at FVOCI				
Balance at January 1	P 10,793,644	P -	P -	P 10,793,644
Net remeasurement of loss allowance	6,074,143	-	-	6,074,143
Balance at December 31	**P 16,867,787**	**P -**	**P -**	**P 16,867,787**
Debt investment securities at amortized cost				
Balance at January 1	P 13,299,092	P -	P -	P 13,299,092
Net remeasurement of loss allowance	2,478,606	-	-	2,478,606
Balance at December 31	**P 15,777,698**	**P -**	**P -**	**P 15,777,698**

	2022			
	Stage 1	Stage 2	Stage 3	Total
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	P 63,259,792	P 81,520,286	P 4,496,231,984	P 4,641,012,062
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	P 11,880,860	P 13,681,442	P 150,779,178	P 176,341,480
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)
Balance at December 31	P 7,134,532	P 1,395,690	P 166,919,306	P 175,449,528
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	P 10,793,644	P -	P -	P 10,793,644
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
Balance at December 31	P 13,299,092	P -	P -	P 13,299,092

4.3.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The tablebelow andin 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 2023 and 2022 contributed to the changes in the allowance for ECL.

2023	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 81,561,708,056	P 7,473,106,632	P 8,385,135,450	P 97,419,950,138
Transfers to:				
Stage 1	423,691,020	(421,078,878)	(2,612,142)	-
Stage 2	(1,642,243,763)	1,701,319,128	(59,075,365)	-
Stage 3	(477,652,949)	(770,413,311)	1,248,066,260	-
New financial assets originated	64,605,647,048	3,757,578,405	1,524,017,165	69,887,242,618
Derecognition of financial assets	(54,024,540,584)	(2,917,669,809)	(1,321,256,006)	(58,263,466,399)
Balance at December 31	**P 90,446,608,828**	**P 8,822,842,167**	**P 9,774,275,362**	**P 109,043,726,357**
Receivables from customers – consumer				
Balance at January 1	P 6,327,117,445	P 184,505,682	P 629,095,010	P 7,140,718,137
Transfers to:				
Stage 1	59,534,081	(4,767,213)	(54,766,868)	-
Stage 2	(108,598,128)	133,865,625	(25,267,497)	-
Stage 3	(63,306,956)	(16,638,775)	79,945,731	-
New financial assets originated	3,356,882,265	38,022,443	17,964,646	3,412,869,354
Derecognition of financial assets	(2,154,683,529)	(109,696,281)	(54,642,994)	(2,319,022,804)
Write-offs	-	-	(103,181,502)	(103,181,502)
Balance at December 31	**P 7,416,945,178**	**P 225,291,481**	**P 489,146,526**	**P 8,131,383,185**
Other receivables				
Balance at January 1	P 3,072,165,080	P 19,283,804	P 599,492,783	P 3,690,941,667
Transfers to:				
Stage 1	303,284	(168,500)	(134,784)	-
Stage 2	(14,176,712)	14,683,895	(507,183)	-
Stage 3	(7,227,726)	(6,913,263)	14,140,989	-
New financial assets originated	5,140,568,216	5,032,673	3,184,994	5,148,785,883
Derecognition of financial assets	(2,352,597,003)	(8,017,965)	(292,753,598)	(2,653,368,566)
Write-offs	-	-	(4,830,609)	(4,830,609)
Balance at December 31	**P 5,839,035,139**	**P 23,900,644**	**P 318,592,592**	**P 6,181,528,375**
Debt investment securities at FVOCI				
Balance at January 1	P 10,820,216,925	P -	P -	P 10,820,216,9254
New financial assets purchased	2,795,028,683	-	-	2,795,028,683
Fair value gains	539,514,930	-	-	539,514,930
Disposals, maturities, and redemptions	(325,000,000)	-	-	(325,000,000)
Foreign currency revaluation	(33,093,390)	-	-	(33,093,390)
Amortization of premium	(31,242,235)	-	-	(31,242,235)
Balance at December 31	**P 13,765,424,913**	**P -**	**P -**	**P 13,765,424,913**
Debt investment securities at amortized cost				
Balance at January 1	P 1,138,759,769	P -	P -	P 1,138,759,769
New financial assets purchased	869,329,792	-	-	869,329,792
Maturities	(547,450,082)	-	-	(547,450,082)
Amortization of discount	56,394,573	-	-	56,394,573
Balance at December 31	**P 1,517,034,052**	**P -**	**P -**	**P 1,517,034,052**

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)	(562,636,849)	(54,606,793,317)
Write-offs	-	-	(29,715,110)	(29,715,110)
Balance at December 31	P 81,561,708,056	P 7,473,106,632	P 8,385,135,450	P 97,419,950,138
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	P 6,327,117,445	P 184,505,682	P 629,095,010	P 7,140,718,137
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	P 3,072,165,080	P 19,283,804	P 599,492,783	P 3,690,941,667
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	P 10,820,216,925	P -	P -	P 10,820,216,925
Debt investment securities at amortized cost				
Balance at January 1	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	P 1,138,759,769	P -	P -	P 1,138,759,769

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, 2023 and 2022.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2023 and 2022 are presented below.

	Stage 1	Stage 2	Stage 3	Total
2023				
Real properties	P 88,340,626,527	P 14,621,341,606	P 10,080,639,091	P 113,042,607,224
Chattel	7,380,928,491	3,052,303,559	1,618,112,593	12,051,344,643
Hold-out deposits	3,836,091,701	127,259,499	107,342,973	4,070,694,17
	P 99,557,646,719	**P 17,800,904,664**	**P 11,806,094,657**	**P 129,164,646,040**
2022				
Real properties	P 65,931,513,499	P 7,918,174,083	P 10,649,511,984	P 84,499,199,566
Chattel	8,960,121,821	3,037,923,809	1,697,969,106	13,696,014,736
Hold-out deposits	5,598,556,713	48,232,333	35,010,000	5,681,799,046
	P 80,490,192,033	P 11,004,330,225	P 12,382,491,090	P 103,877,013,348

As of December 31, 2023 and 2022, the Bank has recognized certain properties arising from foreclosures in settlement of loan account amounting to P427.6 million and P788.0 million, respectively (see Note 14).

The Bank's manner of disposing of the collateral for impaired loans and receivables is normally through the 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 2023 and 2022.

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 2023 and 2022 amounted to P108.0million and P29.7 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., FVTPL):

	2023	2022
Government securities	**P 5,088,833,858**	P 469,041,725
Corporate debt securities	**1,693,383,272**	1,752,979,314
Derivative financial assets	**119,988**	-
	P 6,782,337,118	**P 2,222,021,039**

4.3.13 Sensitivity Analysis on ECL Measurement

Set out below are the changes in the Bank's ECL as of December 31, 2023and 2022that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

		Impact on ECL Allowance	
	Change in MEV assumption +/ - 1%	**Increase in assumption**	**Decrease in assumption**
2023			
Corporate loans	PPP rate,CPI rate,Money supply, GWPI rate and Inflation rate	P 38,455,724	(P 38,455,724)
Housing loans	CPI rate and Money supply	2,882,657	(2,882,657)
Auto loans	Inflation rate and CPI rate	1,070,512	(1,070,512)
Salary loans	CPI rate	5,850,446	(5,850,446)
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	(10,370,39)

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, 2023 and 2022 (amounts in thousands) are presented below and in the succeeding page.

	2023		
	Foreign Currency	**Philippine Peso**	**Total**
Financial Assets:			
Cash and other cash items	P -	P 1,316,781	P 1,316,781
Due from BSP	-	4,498,604	4,498,604
Due from other banks	1,679,002	2,491,278	4,170,280
Trading and investment securities at:			
FVTPL	2,488,817	4,293,520	6,782,337
FVOCI	2,118,359	11,647,066	13,765,425
Amortized cost	973,959	527,297	1,501,256
Loans and other receivables – net	727,476	116,836,460	117,563,936
Other resources	68,819	46,487	115,306
	P 8,056,432	**P 141,657,493**	**P 149,713,925**
Financial Liabilities:			
Deposit liabilities	P 7,655,681	P 119,063,035	P 126,718,716
Bills payable	-	4,750,000	4,750,000
Accrued expenses and other liabilities	8,164	4,267,408	4,275,572
	P 7,663,845	**P 128,080,443**	**P 135,744,288**

	2022		
	Foreign Currency	Philippine Peso	Total
Financial Assets:			
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:			
FVTPL	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
	P 8,116,979	P 122,317,409	P 130,434,388
Financial Liabilities:			
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
	P 7,670,101	P 111,111,258	P 118,781,359

(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.

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 is 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, 2023 and 2022 based on the expected interest realization or recognition are as follows (amounts in thousands):

	2023					
	One Less than One Month	**Three to Three Months**	**Months to One Year**	**More than One Year**	**Non-rate Sensitive**	**Total**
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 1,316,781	P 1,316,781
Due from BSP	3,700,000	-	-	-	798,604	4,498,604
Due from other banks	668,925	-	-	-	3,501,355	4,170,280
Trading and investment securities	34,990	249,594	1,137,680	13,862,509	6,764,245	22,049,018
Loans and other receivables – net	77,025,795	18,207,159	8,727,272	19,126,382	(5,522,672)	117,563,936
Other resources*	-	-	-	-	4,815,835	4,815,835
Total Resources	81,429,710	18,456,753	9,864,952	32,988,891	11,674,148	154,414,454
Liabilities and Equity:						
Deposit liabilities	40,362,989	20,477,993	10,140,059	2,770,018	52,967,657	126,718,716
Bills payable	-	3,500,000	1,250,000	-	-	4,750,000
Accrued expenses and other liabilities	326,500	-	-	-	4,604,775	4,931,275
Total Liabilities	40,689,489	23,977,993	11,390,059	2,770,018	57,576,169	136,399,991
Equity	-	-	-	-	18,010,726	18,010,726
Total Liabilities and Equity	40,689,489	23,977,993	11,390,059	2,770,018	75,586,895	154,414,454
On-book Gap	40,740,221	(5,521,240)	(1,525,107)	30,218,873	(63,912,747)	-
Cumulative On-book Gap	40,740,221	35,218,981	33,693,874	63,912,747	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-
Off-book Gap	-	-	-	-	-	-
Net Periodic Gap	40,740,221	(5,521,240)	(1,525,107)	30,218,873	(63,912,747)	-
Cumulative Total Gap	**P 40,740,221**	**P 35,218,981**	**P 33,693,874**	**P 63,912,747**	**P -**	**P -**

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

	2022					
	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
Resources:						
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
Liabilities and Equity:						
Deposit liabilities	36,616,593	18,435,606	7,947,712	2,897,271	48,628,977	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 -

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

(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 FVTPL and at FVOCI portfolios as of December 31 (amounts in thousands):

	2023	2022
VaR Position:		
Financial assets at FVTPL	**P 6,782,337**	P 2,222,021
Financial assets at FVOCI	**13,759,351**	10,820,217
VaR Ranges:		
Minimum	**111,809**	131,139
Maximum	**189,042**	169,777
Average	**142,355**	151,310

Stress test on the December 31, 2023 and 2022 portfolio shows the potential impact on profit and capital funds of parallel increase in interest rates of financial assets at FVTPL and at FVOCI as follows (in thousands):

	2023			
		Sensitivities		
Currency	**Current Market Value**	**+100 bps**	**+300 bps**	**+500 bps**
Philippine peso	P 15,934,511	(P 681,555)	(P 2,044,664)	(P 3,407,773)
US dollar	4,607,177	(410,826)	(1,232,479)	(2,054,131)
Total	**P 20,541,688**	**(P 1,092,381)**	**(P 3,277,143)**	**(P 5,461,904)**

	2022			
		Sensitivities		
Currency	Current Market Value	+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)

(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.

Notes to Financial Statements

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, 2023 and 2022 are as follows (amounts in thousands).

	2023				
		Less than	**One to**	**Three**	**More**
	One	**Three**	**Months to**	**than**	
	Month	**Months**	**One Year**	**One Year**	**Total**
Resources:					
Cash and other cash items	P 1,316,781	P -	P -	P -	P 1,316,781
Due from BSP	3,700,000	-	-	798,604	4,498,604
Due from other banks	4,170,280	-	-	-	4,170,280
Trading and investment securities	6,842,650	249,594	1,137,680	13,819,094	22,049,018
Loans and other receivables	7,340,976	5,715,087	15,521,436	88,986,437	117,563,936
Other resources*	3,547,606	1,127	4,777	1,262,325	4,815,835
Total Resources	26,918,293	5,965,808	16,663,893	104,866,460	154,414,454
Liabilities and Equity:					
Deposit liabilities	12,164,557	3,796,086	6,927,853	103,830,220	126,718,716
Bills Payable	-	3,500,000	1,250,000	-	4,750,000
Accrued expenses and other liabilities	3,688,205	1,596,507	60,943	(414,380)	4,931,275
Total Liabilities	15,856,499	8,892,593	8,238,796	103,415,840	136,399,991
Equity	-	-	-	18,010,726	18,010,726
Total Liabilities and Equity	15,856,499	8,892,593	8,238,796	121,426,566	154,414,454
On-book Gap	11,061,794	(2,926,785)	8,425,097	(16,560,106)	-
Cumulative On-book Gap	11,061,794	8,135,009	16,560,106	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-
Off-book Gap	-	-	-	-	-
Net Periodic Gap	11,061,794	(2,926,785)	8,425,097	(16,560,106)	-
Cumulative Total Gap	**P 11,061,794**	**P 8,135,009**	**P 16,560,106**	**P -**	**P -**

	2022				
	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
Resources:					
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	22,465,826	6,265,296	14,223,961	91,594,983	134,550,066
Liabilities and Equity:					
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	12,643,830	6,106,746	6,637,298	94,585,859	119,973,733
Equity	-	-	-	14,576,333	14,576,333
Total Liabilities and Equity	13,703,541	6,106,746	6,637,298	108,102,481	134,550,066
On-book Gap	8,762,285	158,550	7,586,663	(16,507,498)	-
Cumulative On-book Gap	8,762,285	8,920,835	16,507,498	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	(284,899)	(901,406)	-	-	(1,186,305)
Off-book Gap	284,899	901,406	-	-	1,186,305
Net Periodic Gap	9,047,184	1,059,956	7,586,663	(16,507,498)	1,186,305
Cumulative Total Gap	P 9,047,184	P 10,107,140	P 17,693,803	P 1,186,305	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 with 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 sources 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 todate 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 counter parties 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.

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 P0.5 million within one banking day, exceeding P1.0 million for transactions (in cash or other equivalent monetary instrument) with or involving jewelry dealers, dealers in precious metals/precious stones; exceeding P5.0million 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.

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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 watch list 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 require 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, 2023, 2022and 2021as reported to the BSP (amounts in millions):

	2023	2022	2021
Net Tier 1 Capital	**P 15,557**	P 14,710	P 13,254
Tier 2 Capital	**1,144**	893	893
Total Qualifying Capital	**P 16,701**	P 15,603	P 14,147
Net Tier 1 Capital	**P 15,557**	P 14,710	P 13,254
Preferred Shares	**(620)**	(620)	(620)
Common Equity Tier 1 Capital	**14,937**	14,090	12,634
Risk Weighted Assets:			
Credit Risk Weighted Assets	**P 113,928**	P 101,812	P 109,690
Operational Risk Weighted Assets	**9,162**	8,793	7,927
Market Risk Weighted Assets	**3,942**	2,015	2,055
Total Risk-Weighted Assets	**P 127,032**	P 112,620	P 119,672
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	**13.1%**	13.9%	11.8%
Common Equity Tier 1 capital expressed as percentage of total risk-weighted assets	**11.8%**	12.5%	10.6%
Capital Conservation Buffer Expressed as Common Equity Tier 1 capital minus 6	**5.8%**	6.5%	4.6%
Net Tier 1 capital expressed as percentage of total risk-weighted assets	**12.2%**	13.1%	11.1%

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.

As of December 31, 2023 and 2022, 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, 2023and 2022, 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 offices in the National Capital Region and having 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).

	2023	2022
Eligible stock liquid assets	**P 33,716**	P 25,873
Total qualifying liabilities	**130,534**	118,968
MLR	**25.83%**	21.75%

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 includes on-balance sheet and securities financing transactions exposures and off-balance sheet items.

Details of leverage ratio computation, which is consistent with the requirements of BSP, are presented below.

	2023	2022
Tier 1 Capital	**P 15,557**	P 12,988
Exposure measure	**155,718**	132,656
Leverage ratio	**9.99%**	9.79%

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, 2023:			
Financial Assets			
At amortized cost:			
Cash and other cash items	9	P 1,316,780,680	P 1,316,780,680
Due from BSP	9	4,498,604,149	4,498,604,149
Due from other banks	10	4,170,280,397	4,170,280,397
Investment securities – net	11.3	1,501,256,354	1,515,962,260
Loans and other receivables – net	12	117,563,935,794	107,784,973,020
Other resources	15	115,306,118	115,306,118
At fair value:			
FVTPL securities	11.1	6,782,337,118	6,782,337,118
FVOCI securities	11.2	13,765,424,913	13,759,350,770
		P 149,713,925,523	**P 139,943,594,512**
Financial Liabilities			
At amortized cost:			
Deposit liabilities	16	P 126,718,716,017	P 126,285,789,022
Accrued expenses and other liabilities	19	4,275,572,005	4,275,572,005
Bills payable	17	4,750,000,000	4,732,009,335
		P 135,744,288,022	**P 135,293,370,362**
December 31, 2022:			
Financial Assets			
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	11.3	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:			
FVTPL securities	11.1	2,222,021,039	2,222,021,039
FVOCI securities	11.2	10,820,216,925	10,820,216,925
		P 130,434,388,099	P 123,128,505,939
Financial Liabilities			
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

The Bank concluded that the carrying amounts of foregoing financial assets and financial liabilities, other than loans and other receivables and deposit 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 is determined based on the procedures and methodologies discussed in Note 7.2.

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, 2023				
Trading and investment securities – at FVOCI	**P 13,765,424,913**	**(P 3,650,000,000)**	**P -**	**P 10,115,424,913**
Loans and receivables – net	**117,563,935,794**	**(6,117,281,189)**	**-**	**111,446,654,605**
Deposit liabilities	**126,718,716,017**	**(5,167,281,189)**	**-**	**121,551,434,828**
Bills payable	**4,750,000,000**	**(4,600,000,000)**	**-**	**150,000,000**
December 31, 2022				
Loans and receivables – net	P 103,541,533,397	(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

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Bank and counter parties 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 counter parties 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 below 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, 2023 and 2022 (amounts in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Financial assets at FVTPL				
Government securities	P 5,089	P -	P -	P 5,089
Corporate debt securities	1,693	-	-	1,693
	P 6,782	**P -**	**P -**	**P 6,782**
Financial assets at FVOCI				
Government securities	P 12,823	P -	P -	P 12,823
Corporate debt securities	942	-	-	942
	P 13,765	**P -**	**P -**	**P 13,765**
December 31, 2022				
Financial assets at FVTPL				
Government debt securities	P 1,753	P -	P -	P 1,753
Corporate debt securities	469	-	-	469
	P 2,222	P -	P -	P 2,222
Financial assets at FVOCI				
Government debt securities	P 9,980	P -	P -	P 9,980
Corporate debt securities	840	-	-	840
	P 10,820	P -	P -	P 10,820

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.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page 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).

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Financial Assets:				
Cash and other cash items	P 1,317	P -	P -	P 1,317
Due from BSP	4,499	-	-	4,499
Due from other banks	4,170	-	-	4,170
Investment securities at amortized cost	1,516	-	-	1,516
Loans and other receivables	4,993	-	102,792	107,785
Other financial assets	69	-	46	115
	P 16,564	**P -**	**P 102,838**	**P 119,402**
Financial Liabilities:				
Deposit liabilities	P -	P -	P 126,286	P 126,286
Bills payable	4,750	-	-	4,750
Accrued expenses and other liabilities	-	-	4,276	4,276
	P 4,750	**P -**	**P 130,562**	**P 135,312**

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial Assets:				
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
	P 16,194	P -	P 93,893	P 110,087
Financial Liabilities:				
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
	P 1,491	P -	P 116,801	P 118,292

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 pertains 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 non interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without a 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 P2,153.5 millionandP2,031.7 million as of December 31, 2023 and 2022, 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 meter; hence, the higher the price per square meter, 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 are made to consider peculiarities of the property with that of the benchmark property.

(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, constructions 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 2023 and 2022.

8. 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 the performance of the operating segments.

In identifying its operating segments, management generally follows the Bank's products and services. 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 as each of these services requires different technologies and resources as well as marketing approaches. 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.

The measurement policies of the Bank used for segment reporting under PFRS 8, *Operating Segments*, are 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.

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.In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There were no changes in the Bank's operating segments in 2023 and 2022.

8.1 Analysis of Primary Segment Information

The contribution of these various business activities to the Bank's revenues and income for the years 2023, 2022 and 2021 are as follows (amounts in millions):

	Consumer	Corporate	Treasury	Total
2023				
Net interest and other income				
From external customers				
Interest income	P 588	P 7,574	P 1,134	P 9,296
Interest expense	(182)	(2,341)	(351)	(2,874)
Net interest income	406	5,233	783	6,422
Non-interest income	37	477	250	764
	443	5,710	1033	7,186
Expenses				
Operating expenses excluding depreciation and amortization	195	2,655	768	3,618
Impairment losses	76	977	-	1,053
Depreciation and amortization	19	251	86	356
	290	3,883	854	5,027
Segment operating income	**P 153**	**P 1,827**	**P 179**	**P 2,159**
Total resources and liabilities				
Total resources	**P 8,216**	**P 112,054**	**P 32,409**	**P 152,679**
Total liabilities	**P 7,075**	**P 96,489**	**P 32,836**	**P 136,400**

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	6423	4,351	774	5,548
Non-interest income	64	664	99	827
	487	5,015	873	6,375
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
	275	3,521	758	4,554
Segment operating income	P 212	P 1,494	P 115	P 1,821
Total resources and liabilities				
Total resources	P 7,242	P 98,766	P 27,063	P 133,071
Total liabilities	P 6,441	P 87,852	P 25,681	P 119,974

2021

	Consumer	Corporate	Treasury	Total
Net interest and other income				
From external customers				
Interest income	P 132	P 5,454	P 748	P 6,334
Interestexpense	(17)	(721)	(100)	(838)
Net interest income	115	4,733	648	5,496
Non-interest income	9	370	128	507
	124	5,103	776	6,003
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
	165	2,846	1,162	4,173
Segment operating income	(P 41)	P 2,257	(P 386)	P 1,830
Total resources and liabilities				
Total resources	P 6,076	P 87,265	P 37,427	P 130,768
Total liabilities	P 5,319	P 76,387	P 35,863	P 117,569

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).

	2023	2022	2021
Net interest and other income			
Total segment revenues	**P 7,186**	P 6,375	P 6,003
Unallocated income	**216**	119	59
Net interest and other income as reported in profit or loss	**P 7,402**	P 6,494	P 6,062
Profit or loss			
Total segment operating income	**P 2,159**	P 1,821	P 1,830
Unallocated profit(loss)	**180**	41	(37)
Profit before tax as reported in profit or loss	**P 2,339**	P 1,862	P 1,793
Resources			
Total segment resources	**P 152,679**	P 133,071	P 130,768
Unallocated assets	**1,735**	1,479	1,264
Total resources	**P 154,414**	P 134,550	P 132,032
Liabilities			
Total segment liabilities	**P 136,400**	P 119,974	P 117,569
Unallocated liabilities	**-**	-	-
Total liabilities	**P 136,400**	P 119,974	P 117,569

The Bank has no intersegment revenues during 2023, 2022 and 2021.

9. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	Notes	**2023**	2022
Cash and other cash items		**P 1,316,780,680**	P 1,247,987,230
Due from BSP:			
Mandatory reserves		**797,518,235**	400,931,278
Other than mandatory reserves		**3,701,085,914**	5,701,297,300
		4,498,604,149	6,102,228,578
Due from other banks	10	**4,170,280,397**	5,215,663,162
SPURRA	12	**4,992,596,914**	2,394,635,343
Foreign currency notes and coins on hand	15	**68,818,715**	115,675,334
		P15,047,080,855	P 15,076,189,647

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 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 which has no interest, bears annual effective interest rates as follows:

2023	2022	2021
3.75% –4.25%	3.75% – 4.25%	1.50% – 2.00%

The total interest income earned on Due from BSP account in 2023, 2022 and 2021 amounting to P216.9 million, P182.2 million and P202.1 million, respectively, is presented 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:

	Note	2023	2022
Local banks		**P 3,144,810,572**	P 3,794,059,572
Foreign banks		**1,025,469,825**	1,421,603,590
	9	**P 4,170,280,397**	P 5,215,663,162

Interest rates on these deposits range from1.70% to 5.40% per annum in 2023,from 0.05% to 4.50% per annum in 2022, and from0.06% to 1.50% per annum in 2021. The total interest income earned in 2023, 2022 and 2021 amounting to P104.8 million, P35.8 million and P2.9 million, respectively, is presented 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.

	Notes	2023	2022
Financial assets at FVOCI	4.3.2, 11.2	**P13,765,424,913**	P 10,820,216,925
Financial assets at FVTPL	11.1	**6,782,337,118**	2,222,021,039
Financial assets at amortized cost – net	4.3.2, 11.3	**1,501,256,354**	1,125,460,677
		P22,049,018,385	P 14,167,698,641

Interest income on trading and investment securities consists of:

	2023	2022	2021
Financial assets at FVTPL:			
Government debt securities	**P 174,351,678**	P 74,227,351	P 96,776,353
Corporate bonds	**76,095,573**	19,344,197	75,409,678
Financial assets at FVOCI:			
Government debt securities	**460,042,698**	461,354,034	275,910,094
Corporate bonds	**32,527,603**	25,672,766	59,363,525
Financial assets at amortized cost:			
Government debt securities	**36,801,831**	29,191,239	29,026,227
Corporate bonds	**32,189,507**	27,502,666	6,862,672
	P 812,008,890	P 637,292,253	P 543,348,549

Trading gains or losses, which is presented in the statements of profit or loss, is consist of the following:

	2023	2022	2021
Investment securities at FVTPL			
Unrealized	**P 152,878,896**	(P 406,996,881)	(P 20,725,999)
Realized	**133,872,761**	5,351,266	(250,260,387)
	286,751,657	(401,645,615)	(270,986,386)
Investment securities at FVOCI	**1,009,332**	(607,336)	17,016,471
	P 287,760,989	(P 402,252,951)	(P 253,969,915)

11.1 *Financial assets at FVTPL*

The account is composed of the following:

	2023	2022
Government debt securities	**P 5,088,833,858**	P 469,041,725
Corporate bonds	**1,693,383,272**	1,752,979,314
Derivative assets	**119,988**	-
	P 6,782,337,118	P 2,222,021,039

Effective interest rates of financial assets at FVTPL range from:

	2023	2022	2021
Government debt securities	**2.1% –6.1%**	3.0% – 9.3%	1.3% – 2.6%
Corporate bonds	**3.1% – 7.7%**	2.8% – 7.3%	2.8% – 7.3%

Notes to Financial Statements

11.2 Financial assets at FVOCI

The account is composed of the following:

	2023	2022
Government debt securities	**P12,823,010,421**	P 9,979,504,483
Corporate bonds	**942,414,492**	840,712,442
	P13,765,424,913	P 10,820,216,925

Effective interest rates of investment securities at FVOCI range from:

	2023	2022	2021
Government debt securities	**5.8% – 7.1%**	2.4% – 6.9%	2.5% – 7.3%
Corporate bonds	**3.0% –7.1%**	3.3% – 4.9%	3.0% – 7.2%

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 as of December 31, 2023 and 2022, are deposited with the BSP (see Note 27).

In 2023, four government securities at FVOCI with a total amount of P3,650.0 million were assigned as collateral to secure borrowings under credit line agreement with Development Bank of the Philippines (DBP) (see Notes6.2 and 17). These investment securities have an interest rate ranging from3.4% to 6.3% and will mature sometime in 2026 and in 2027. There was no similar transaction in 2022 and 2021.

Changes in the investment securities at FVOCI are summarized below.

	2023	2022
Balance at beginning of year	**P10,820,216,925**	P 11,989,395,564
Additions	**2,795,028,683**	296,476,107
Fair value gains (losses) - net	**539,514,930**	(1,404,660,931)
Maturities	**(325,000,000)**	(200,000,000)
Amortization of premium	**(31,242,235)**	(58,687,734)
Foreign currency revaluation	**(33,093,390)**	197,693,919
Balance at end of year	**P13,765,424,913**	P 10,820,216,925

The reconciliation of NUGL on investment securities at FVOCI reported in equity is shown in Note 21.5.

11.3 Financial Assets at Amortized Cost

This account is composed of the following:

	Notes	**2023**	2022
Government securities		**P 941,737,532**	P 548,861,486
Corporate bonds		**575,296,520**	589,898,283
	4.3.2	**1,517,034,052**	1,138,759,769
Allowance for impairment	4.3.2, 28	**(15,777,698)**	(13,299,092)
		P 1,501,256,354	P 1,125,460,677

The reconciliation of the carrying amounts of investment securities at amortized cost are presented below.

	2023	2022
Balance at beginning of year	**P 1,125,460,677**	P 883,787,046
Additions	**869,329,792**	520,953,694
Maturities and redemptions	**(547,450,082)**	(292,032,610)
Amortization of discount	**56,394,573**	24,433,699
Impairment during the year	**(2,478,606)**	(11,681,152)
Balance at end of year	**P 1,501,256,354**	P 1,125,460,677

Effective interest rates of investment securities at amortized cost range from:

	2023	2022	2021
Government debt securities	**3.8% – 6.3%**	3.6% – 8.1%	1.4% – 7.5%
Corporate bonds	**4.0% – 7.2%**	3.8% – 7.3%	3.7%

12. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Notes	**2023**	2022
Receivable from customers:			
Loans and discounts		**P117,175,423,029**	P 104,562,986,705
Unearned discount		**(200,594,244)**	(195,092,794)
		116,974,828,785	104,367,893,911
Customers' liabilities on acceptances, letters of credit and trust receipts		**333,083,736**	475,500,889
		117,307,912,521	104,843,394,800
Other receivables:			
SPURRA	9	**4,992,596,914**	2,394,635,343
Accrued interest receivable		**956,131,849**	1,104,104,007
Accounts receivable		**155,027,103**	109,803,002
Deficiency claims receivable		**58,643,482**	58,643,482
Sales contract receivable		**19,129,027**	23,755,833
		6,181,528,375	3,690,941,667
	4.3.2	**123,489,440,896**	108,534,336,467
Allowance for ECL	4.3.2, 28	**(5,925,505,102)**	(4,992,803,070)
		P 117,563,935,794	P 103,541,533,397

SPURRA are secured by certain treasury bills of the BSP. SPURRA, which represent loans and receivables from BSP as of December 31, 2023 and 2022, arise from overnight lending of excess liquidity.

Of the total loans and discounts of the Bank as of December 31, 2023 and 2022, 84.01% and 88.8%, respectively, are subject to periodic interest repricing.

Annual effective interest rates range from:

	2023	2022	2021
Loans and discounts	**0.0% –189.7%**	0.0% – 189.7%	0.0% – 189.7%
Other receivables	**5.1% – 12.7%**	5.0% – 12.0%	2.0% – 12.0%

The total interest income earned amounted to:

	2023	2022	2021
Loans and discounts	**P 7,983,954,362**	P 5,661,250,576	P 5,581,166,828
Other receivables	**177,977,912**	62,958,081	5,171,325
	P 8,161,932,274	P 5,724,208,657	P 5,586,338,153

Interest income recognized on impaired loans and other receivables amounted to P388.4 million,P161.4 million and P19.0 million in 2023, 2022 and 2021, respectively.

As of December 31, 2023 and 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 mature on April 24, 2024 and September 9, 2024, respectively. There is no related ECL allowance required on these loan receivables. There is no similar transaction in 2021.

Certain qualified micro, small and medium enterprises (MSME) loans with outstanding balance of P1,624.1 million and P9,000.7 million (gross of allowance for impairment)as of December 31, 2023, and 2022, 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 2023and 2022are shown below.

	Land	**Building**	**Furniture Fixtures and Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Right-of-Use Asset**	**Total**
December 31, 2023							
Cost	P 90,802,205	P 188,958,467	P 703,637,995	P 168,985,254	P 739,830,447	P 761,046,119	P2,653,260,487
Accumulated depreciation and amortization	-	(88,426,536)	(555,863,724)	(111,312,823)	(680,644,135)	(342,274,555)	(1,778,521,773)
Net carrying amount	**P 90,802,205**	**P 100,531,931**	**P 147,774,271**	**P 57,672,431**	**P 59,186,312**	**P 418,771,564**	**P 874,738,714**
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	P2,439,190,494
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	P 90,802,205	P 98,677,127	P 132,221,520	P 46,715,722	P 52,883,431	P 287,018,074	P 708,318,079
January 1, 2022							
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	P2,279,420,765
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	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

A reconciliation of the carrying amounts at the beginning and end of 2023and 2022is shown below and in the succeeding page.

	Land	**Furniture Fixtures and Building**	**Transportation Equipment**	**Leasehold Equipment**	**Right-of-Use Improvements**	**Assets**	**Total**
Balance at January 1, 2023 net of accumulated depreciation and amortization	P 90,802,205	P 98,677,127	P 132,221,520	P 46,715,722	P 52,883,431	P 287,018,074	P 708,318,079
Additions	-	7,469,414	60,427,240	48,609,695	33,839,259	289,375,168	439,720,776
Disposals	-	(324,036)	(492,055)	(21,228,953)	(947,873)	-	(22,992,917)
Depreciation and amortization charges for the year	-	(5,290,574)	(44,382,434)	(16,424,033)	(26,588,505)	(157,621,678)	(250,307,224)
Balance at December 31, 2023 net of accumulated depreciation and charges for the year	**P 90,802,205**	**P 100,531,931**	**P 147,774,271**	**P 57,672,431**	**P 59,186,312**	**P 418,771,564**	**P 874,738,714**
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	P 90,802,205	P 98,677,127	P 132,221,520	P 46,715,722	P 52,883,431	P 287,018,074	P 708,318,079

	Land	Furniture Fixtures and Building	Transportation Equipment	Leasehold Equipment	Right-of-Use Improvements	Assets	Total
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	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

As of December 31, 2023and 2022, the cost of the Bank's fully depreciated bank premises, furniture, fixtures, and equipment that are still used in operations amounted to P309.81million and P282.5 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, 2023 and 2022, 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 3.00% to 10.00% in 2023 and 2022, respectively. The Bank has 147totalnumber of right-of-use assets for its two main offices and 145 branches with an average remaining life of two years as of December 31, 2023 and 2022.

On August 3, 2023, the Bank has entered into a new lease contract which will commence on February 1, 2024. The lease has a term of 5 years with 5% escalation rate every year starting on the second year of the lease. This will serve as an extension of the main office that will house the offices of certain executive directors and unit heads (see Note 26.1).

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 anoption 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 to 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 2023and 2022are shown below.

	Land	Buildings and Improvements	Total
December 31, 2023			
Cost	P 1,314,038,438	P 601,709,577	P 1,915,748,015
Accumulated depreciation	-	(154,852,726)	(154,852,726)
Allowance for impairment	(207,800,296)	(137,661,036)	(345,461,332)
Net carrying amount	**P 1,106,238,142**	**P 309,195,815**	**P 1,415,433,957**
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	P 953,827,658	P 303,443,411	P 1,257,271,069
January 1, 2022			
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	P 586,807,948	P 72,897,009	P 659,704,957

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2023 and 2022 are shown below and in the succeeding page.

	Land	Buildings and Improvements	Total
Balance at January 1, 2023, net of accumulated depreciation and impairment	P 953,827,658	P 303,443,411	P 1,257,271,069
Additions	293,572,236	134,005,374	427,577,610
Disposals	(196,709,832)	(17,581,813)	(214,291,645)
Impairment gain (loss)	55,548,080	(65,794,044)	(10,245,964)
Depreciation for the year	-	(44,877,113)	(44,877,113)
Balance at December 31, 2023, net of accumulated depreciation and impairment	**P 1,106,238,142**	**P 309,195,815**	**P 1,415,433,957**
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	P 953,827,658	P 303,443,411	P 1,257,271,069

	Land	Buildings and Improvements	Total
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	P 586,807,948	P 72,897,009	P 659,704,957

As of December 31, 2023 and 2022, additional investment properties amounted to P427.6 million and P788.0 million, respectively. Meanwhile, investment properties still subject to redemption by the borrowers based on the prescribed redemption period by the relevant law amounted to P213.5 million and P526.0 million, respectively.

Gain on disposal of investment properties amounted to P96.0 million, P2.3 million and P9.9 million in 2023, 2022 and 2021, 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).

Notes to Financial Statements

In 2023, 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 impact of the 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 P49.1 million, P56.4 million and P37.7 million in 2023,2022and 2021, 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.

15. OTHER RESOURCES

This account consists of the following as of December 31:

	Notes	2023	2022
Branch licenses	15.2	**P 250,800,000**	P 250,800,000
Prepaid expenses		**137,450,698**	109,005,718
Goodwill	15.3	**121,890,408**	121,890,408
Foreign currency notes and coins on hand	6,7,9	**68,818,715**	115,675,334
Computer software – net	15.1	**67,896,633**	86,908,147
Security deposits	6	**46,487,403**	43,601,757
Other acquired assets – net	15.4	**43,149,858**	67,839,997
Deferred Charges		**41,207,332**	41,889,332
Club shares		**38,000,000**	38,000,000
Stationery and supplies		**33,584,328**	29,685,034
Miscellaneous	15.5	**65,289,718**	48,944,295
		914,575,093	954,240,022
Allowance for impairment		**(1,654,737)**	(1,654,737)
		P 912,920,356	P 952,585,285

15.1 Computer Software

The movements in computer software are shown below.

	2023	2022
Balance at beginning of year	**P 86,908,147**	P 117,577,998
Additions	**21,833,298**	16,418,729
Reclassification	**(2,082,152)**	-
Amortization	**(38,762,660)**	(47,088,580)
Balance at end of year	**P 67,896,633**	P 86,908,147

Amortization of Computer software amounting to P38.8 million, P47.9 million and P45.8 million in 2023, 2022 and 2021, respectively, are presented as part of Depreciation and Amortization in the statements of profit and loss.

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 2.7, 2.12 and 3.2(g), 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 2023 and 2022 include using a discount rate of 11.6% and 13.9%, respectively, and terminal value growth rate of 6.2%and 6.0%, 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, 2023 and 2022, 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 121,890,408

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.

Notes to Financial Statements

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 obligations. 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 2.12 and 3.2(g), 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 2023 and 2022, the discount rates applied to cash flow projections are11.6% and13.9%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are6.2% and 6.0% for2023and 2022, respectively. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

As of December 31, 2023 and 2022,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. The movements of other acquired assets is shown below.

	2023	2022
Cost		
Balance at beginning of year	**P 100,905,907**	P 92,825,041
Additions	**35,341,133**	230,550,281
Disposals	**(40,880,896)**	(222,469,415)
Balance at end of year	**95,366,144**	100,905,907
Accumulated depreciation		
Balance at beginning of year	**33,065,910**	17,763,499
Depreciation	**22,331,875**	22,543,878
Disposals	**(3,181,499)**	(7,241,467)
Balance at end of year	**52,216,286**	33,065,910
	P 43,149,858	P 67,839,997

As of December 31, 2023 and 2022, additional repossessed chattel properties amount to P35.34 million and P230.6 million, respectively. Among these, repossessed chattel properties still subject to redemption by the borrowers based on the prescribed redemption period by the amounted to P7.1 million and P4.7 million, respectively.

Depreciation of chattel properties amounting to P22.3 million, P22.5 million and P11.2 million in 2023, 2022 and 2021, respectively, are presented as part of Depreciation and Amortization in the statements of profit and loss.

Loss on disposal of the assets amounted to P11.4 million and P18.9 million in 2023 and 2022, respectively, and gain on disposal of the assets amounted toP0.1million in 2021were 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 and22.2].

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:

	2023	2022
Philippine peso	**P119,063,034,550**	P106,999,561,254
Foreign currencies	**7,655,681,467**	7,526,598,224
	P126,718,716,017	P114,526,159,478

Annual interest rates on deposit liabilities range from:

	2023	2022	2021
Philippine peso	**1.8% – 7.3%**	0.1% – 6.3%	0.1% – 1.5%
Foreign currencies	**1.4% – 5.0%**	0.1% – 4.0%	0.1% – 1.0%

The total interest expense amounted to:

	2023	2022	2021
Time	**P 2,683,610,059**	P 942,058,513	P 587,522,775
Savings	**40,395,765**	20,171,069	56,654,969
Demand	**15,787,142**	13,811,856	37,148
	P 2,739,792,966	P 976,041,438	P 644,214,892

Deposit liabilities as of December 31, 2023and 2022 include those that are from DOSRI (see Note 24.1).

Under existing BSP regulations, the Bank is subject to a reserve requirement equivalent to 2.0% 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 2023 and 2022 (see Note 12).

The Bank's available reserves as of December 31, 2023and2022amount to P2,739.8 million and P9,401.6 million, respectively, and is compliant with these BSP regulations (see Notes 9 and 12).

Notes to Financial Statements

17. BILLS PAYABLE

On July 11, 2022, the Bank obtained unsecured, short-term bills payable with a total of P1,000.0 million from LBP,which composed of two unsecured short-term bills both with principal amounts of P500.0 million bearing an interest of 3.50% and 4.25% per annum,payable quarterly,which matured and was settled on October 7, 2022 and July 6, 2023, respectively. On October 7, 2022, the Bank obtained another P500.0 million, from the same local bank bearing an interest of 4.90% per annum, which matured and settled on September 29, 2023.

On October 20, 2022, the Bank obtained a rediscounting bills payable from LBP amounting to P500.0 million bearing an interest rate of 4.75% per annum with maturity date of September 9, 2024. The outstanding balance to this instrument amounted to P250.0 million and P500.0 million as of December 31, 2023 and 2022, respectively. These bills payable is secured with certain loans and receivables of the Bank amounting to P950.0 million in both 2023 and 2022, respectively(see Notes 6.2 and 12).There is no similar transaction in 2021.

On June 2, 2023, the Bank obtained additional unsecured, short-term bills payable with principal amount of P1,000.0 million from LBP bearing an interest of 6.43% per annum with maturity date of May 27, 2024. On September 29, 2023, the Bank obtained additional bills payable from LBP amounting to P500.0 million bearing an interest, which are payable semi-annually, of 6.25% per annum with maturity date of March 27, 2024.

On December 5, 2023, the Bank obtained short-term bills payable from DBP amounting to P3,000.0 million bearing an interest rate of 5.75% per annum with maturity date of March 4, 2024. This bills payable is secured by assigning all rights, interests and titles of certain government securities of the Bank amounting to P3,650.0 million in 2023 (see Notes 6.2 and 11). There was no similar transaction in 2022 and 2021.

The total interest expense in2023,and 2022amounted to P109.0 million and P25.2 million, respectively, and is recognized as part of Interest Expense in the 2023and 2022 statements of profit or loss. There was no similar transaction in 2021.

As of December 31, 2023 and 2022, the total outstanding bills payable amounting to P4,750.0 million and P1,500.0 million, respectively.

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. 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 and 2021 amounted to P6.4 million and P171.2 million, respectively. There was no interest expense incurred in 2023.

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, the Bank is compliant with the covenant.

As of December 31, 2023,the Bank has no existing Corporate Notes Payable, hence, there are no other existing covenants.

19. ACCRUED EXPENSES AND OTHER LIABILITIES

19.1 Accrued Expenses and Other Liabilities

The breakdown of this account follows:

	Notes	2023	2022
Manager's checks		**P 1,511,354,687**	P 614,264,001
Accrued expenses		**993,442,742**	853,596,078
Accounts payable		**987,761,999**	485,606,125
Lease liabilities	19.2	**456,512,888**	333,084,279
Outstanding acceptances		**326,499,689**	468,649,993
Income tax payable		**128,060,470**	231,558,886
Bills purchased		**137,316,529**	535,250,054
Withholding taxes payable		**120,543,803**	67,675,812
Post-employment defined benefit obligation	23.2	**95,532,324**	58,493,927
Due to BSP		**60,942,947**	55,876,619
Payment orders payable		**7,636,804**	145,912,544
Others		**105,670,613**	97,605,195
		P 4,931,275,495	P 3,947,573,513

Accrued expenses include primarily accruals on interest on corporate notes payable, Agri-agra penalty, performance bonus, other employee benefits, utilities, janitorial and security services fees.

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

Bills purchased represent the checks presented for encashment pending the clearing process of the Bank to allow its clients to meet their needs for liquidity.

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:

	2023	2022
Balance at beginning of year	**P 333,084,279**	P 249,826,430
Additions	**289,375,168**	228,888,547
Payments of principal portion of lease liability	**(165,946,559)**	(145,630,698)
Balance at end of year	**P 456,512,888**	P 333,084,279

The total interest expense incurred on the lease liability amounted to P22.2 million, P20.6 million and P19.7 million in 2023, 2022 and 2021,respectively,and is presented as part of Others under the Interest Expense section of statements of profit or loss.

On August 3, 2023, the Bank has committed to a new lease contract which will commence on February 1, 2024. This will serve as an extension of the Bank's main office that will house the offices of certain executive directors and unit heads (see Note 13).

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 P27.0 million, P42.1 million and P67.4 million in2023,2022 and 2021, respectively, and is presented as part of Occupancy under Other Expenses in the statements of profit or loss.

As of December 31, 2023 and 2022, the Bank is not committed to short-term leases.

The maturity analysis of lease liabilities as of December 31, 2023 and 2022 is as follows:

	2023			2022		
	Lease Payments	**Finance Charges**	**Net Present Value**	Lease Payments	Finance Charges	Net Present Value
First year	**P164,707,007**	**P 22,277,400**	**P142,429,607**	P 152,915,448	P 14,328,896	P 138,586,552
Second year	**120,998,012**	**15,580,277**	**105,417,735**	100,829,234	7,926,537	92,902,697
Third year	**89,912,321**	**10,376,471**	**79,535,850**	59,980,299	4,168,463	55,811,836
Fourth year	**67,751,030**	**5,965,367**	**61,785,663**	31,694,514	2,013,435	29,681,079
Fifth year	**39,938,542**	**2,572,253**	**37,366,289**	11,133,492	636,861	10,496,631
Beyond fifth year	**33,329,943**	**3,352,199**	**29,977,744**	6,252,218	646,734	5,605,484
	P516,636,855	**P 60,123,967**	**P456,512,888**	P 362,805,205	P 29,720,926	P 333,084,279

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.

		2023			2022		
	Notes	**Within One Year**	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Resources							
Cash and other cash items	9	**P 1,316,780,680**	**P -**	**P1,316,780,680**	P 1,247,987,230	P -	P1,247,987,230
Due from BSP	9	**4,498,604,149**	**-**	**4,498,604,149**	6,102,228,578	-	6,102,228,578
Due from other banks	10	**4,170,280,397**	**-**	**4,170,280,397**	5,215,663,162	-	5,215,663,162
Loans and other receivables	12	**61,100,083,606**	**56,463,852,188**	**117,563,935,794**	55,978,963,250	47,562,570,147	103,541,533,397
Financial assets at FVTPL	11.1	**6,782,337,118**	**-**	**6,782,337,118**	2,222,021,039	-	2,222,021,039
Financial assets at FVOCI	11.2	**12,911,945,179**	**853,479,734**	**13,765,424,913**	324,998,274	10,495,218,651	10,820,216,925
Investments at amortized cost	11.3	**1,098,283,398**	**402,972,956**	**1,501,256,354**	426,085,876	699,374,801	1,125,460,677
Other resources	15	**68,818,715**	**46,487,403**	**115,306,118**	115,675,334	43,601,757	159,277,091
		91,947,133,242	**57,766,792,281**	**149,713,925,523**	71,633,622,743	58,800,765,356	130,434,388,099
Non Financial Resources							
Bank premises, furniture, fixtures and equipment - net	13	**-**	**874,738,714**	**874,738,714**	-	708,318,079	708,318,079
Investment properties - net	14	**-**	**1,415,433,957**	**1,415,433,957**	-	1,257,271,069	1,257,271,069
Deferred tax assets - net	25	**-**	**1,612,742,372**	**1,612,742,372**	-	1,356,780,139	1,356,780,139
Other resources	15	**171,035,026**	**626,579,212**	**797,614,238**	138,690,752	654,617,442	793,308,194
		171,035,026	**4,529,494,255**	**4,700,529,281**	138,690,752	3,976,986,729	4,115,677,481
		P 92,118,168,268	**P62,296,286,536**	**P154,414,454,804**	P 71,772,313,495	P 62,777,752,085	P 134,550,065,580
Financial Liabilities							
Deposit liabilities	16	**P122,569,571,566**	**P 4,149,144,451**	**P126,718,716,017**	P 109,802,114,829	P 4,724,044,649	P 114,526,159,478
Bills payable	17	**4,750,000,000**	**-**	**4,750,000,000**	1,000,000,000	500,000,000	1,500,000,000
Accrued expenses and other liabilities	19	**3,961,488,724**	**314,083,281**	**4,275,572,005**	2,560,702,749	194,497,727	2,755,200,476
		131,281,060,290	**4,463,227,732**	**135,744,288,022**	113,362,817,578	5,418,542,376	118,781,359,954
Non Financial Liabilities							
Accrued expenses and other liabilities 19		**248,604,270**	**407,099,220**	**655,703,490**	299,234,698	893,138,339	1,192,373,037
		P131,529,664,560	**P 4,870,326,952**	**P136,399,991,512**	P 113,662,052,276	P 6,311,680,715	P 119,973,732,991

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	2023		2022	
	Shares	**Amount**	Shares	Amount
Preferred shares – P10 par value				
Authorized				
Balance at end of year	**130,000,000**	**P 1,300,000,000**	130,000,000	P 1,300,000,000
Issued and outstanding				
Balance at end of year	**62,000,000**	**P 620,000,000**	620,000,000	P 620,000,000
Common shares – P10 par value				
Authorized				
Balance at end of year	**1,370,000,000**	**P 13,700,000,000**	1,370,000,000	P 13,700,000,000
Issued and outstanding				
Balance at beginning of year	**643,750,094**	**P 6,437,500,940**	643,750,094	P 6,437,500,940
Issuance of capital stock				
Private placements	**125,000,000**	**1,250,000,000**	-	-
Stock right offering (SRO)	**50,000,000**	**500,000,000**	-	-
Balance at end of year	**818,750,094**	**P 8,187,500,940**	643,750,094	P 6,437,500,940

The Bank's preferred shares are nonvoting, convertible, and are redeemable at the option of the Bank. These shares are entitled to dividend of noncumulative 8.0% per annum for Tranche 1 and 6% for both Tranches 2 and 3.

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 of December 31, 2023 and 2022, none of the preferred shares have been redeemed yet and the Bank has considered conversion of the preferred shares to common shares instead.

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 P1,998.4 million, net of transaction costs (see Note 21.4).

Notes to Financial Statements

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 SRO. On September 30, 2021, during the special stockholders' meeting, the stockholders approved the increase in authorized capital stock from P10,000.0 million to P15,000.0 million divided into 1,370 million common shares with par value of P10.0 and 130 million preferred shares with par value of P10.0.

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 were approved by BSP on November 20, 2023 and by the SEC on March 19, 2024 (see Note 31).

During the regular BOD meeting of the Bank on April 20, 2022, the BOD re-approved the increase in the Bank's 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 September 26, 2022, the Bank filed the application for the increase in ACS with the SEC from P10,000.0 million to P15,000.0 million. 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 obtained the necessary approval from the 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 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.

Relative to the increase in ACS as discussed above, the Bank's principal shareholders have subscribed to P1,250.0 million, equivalent to 25% of the P5,000.0 million increase in ACS, through a private placement transaction. 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 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.

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 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, with the listing date on March 31, 2023.

Accordingly, after the private placement and the SRO, the Bank's total outstanding and issued common shares is 818,750,094.

As of December 31, 2023 and 2022, the Bank has 67holdersof its listed common stock. The Bank has 818,750,094 and 643,750,094 common shares traded in the PSE as of December 31, 2023and2022, respectively, and its share price closed at P8.70and P10.20, respectively, as at the same dates.

21.2 Dividends

The Bank's BOD approved the declaration of cash dividends as follows:

	Type of Shares	Date of Declaration	Date of Record	Date of Payment	No. of Tranche	Amount Shares	Per Share	Total
2023								
	Common	July 19, 2023	Aug 2, 2023	Aug. 15, 2023	-	818,750,094	P 0.35	P286,562,533
	Preferred	April 19, 2023	May 2, 2023	May 15, 2023	1	12,000,000	0.80	9,600,000
					2	12,500,000	0.60	7,500,000
					3	37,500,000	0.60	22,500,000
								P326,162,533
2022								
	Preferred	April20, 2022	April 22, 2022	May4, 2022	1	12,000,000	2.40	P 28,800,000
					2	12,500,000	1.80	22,500,000
					3	37,500,000	1.80	67,500,000
								P118,800,000

The Bank has no dividends in arrears on its preferred shares.

21.3 Appropriated Surplus

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.

Reconciliation of appropriated surplus is as follows:

	Trust Reserves	General Loan Loss Reserves	Total
Balance at January 1, 2023	**P 22,227,698**	**P 711,388,112**	**P 733,615,810**
Appropriation during the year	**4,124,573**	**91,609,962**	**95,734,535**
Balance at December 31, 2023	**P 26,352,271**	**P 802,998,074**	**P 829,350,345**
Balance at January 1, 2022	P 16,834,370	P 357,408,075	P 374,242,445
Appropriation during the year	5,393,328	353,980,037	359,373,365
Balance at December 31, 2022	P 22,227,698	P 711,388,112	P 733,615,810
Balance at January 1, 2021	P 12,514,382	P 34,299,996	P 46,814,378
Appropriation during the year	4,319,988	323,108,079	327,428,067
Balance at December 31, 2021	P 16,834,370	P 357,408,075	P 374,242,445

Notes to Financial Statements

Trust reserves representing a 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, 2023and2022, 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. Details of this account are presented below and in the succeeding page.

	Notes	**NUGL on Securities at FVOCI**	**Accumulated Actuarial Losses**	**Total**
Balance at January 1, 2023		**(P 1,536,013,208)**	**(P 68,278,930)**	**(P 1,604,292,138)**
Fair value gains on FVOCI securities during the year	11.2	**539,514,930**	**-**	**539,514,930**
Expected credit losses for FVOCI securities	11.2	**(6,074,143)**	**-**	**(6,074,143)**
Fair value gains reclassified to profit or loss	11.2	**(1,009,332)**	**-**	**(1,009,332)**
Remeasurements of post-employment defined benefit plan	23.2	**-**	**(39,540,266)**	**(39,540,266)**
Other comprehensive income (loss)		**532,431,455**	**(39,540,266)**	**492,891,189**
Tax expense	25	**-**	**9,885,067**	**9,885,067**
		532,431,455	**(29,655,199)**	**502,776,256**
Balance at December 31, 2023		**(P 1,003,581,753)**	**(P 97,934,129)**	**(P 1,101,515,882)**
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)
		(1,410,617,782)	18,720,282	(1,391,897,500)
Balance at December 31, 2022		(P 1,536,013,208)	(P 68,278,930)	(P 1,604,292,138)

	NUGL on Securities at Notes	Accumulated Actuarial FVOCI	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	25	-	(6,380,117)	(6,380,117)
Tax expense	25	-	(2,900,846)	(2,900,846)
		(583,161,256)	2,322,421	(580,838,835)
Balance at December 31, 2021		(P 125,395,426)	(P 86,999,212)	(P 212,394,638)

22. MISCELLANEOUS INCOME AND EXPENSES

22.1 Miscellaneous Income

This includes the following:

	Notes	**2023**	**2022**	**2021**
Foreign currency gains – net		**P 89,960,119**	P 44,648,107	P 84,504,397
Gain on sale of properties – net	14, 15.4	**84,609,969**	-	9,918,968
Trade finance charges		**67,305,945**	62,650,287	32,480,126
Trust fees	27	**41,245,731**	53,933,280	43,199,876
Others		**148,866,732**	56,995,282	26,407,279
		P 431,988,496	P 218,226,956	P 196,510,646

Others include rental of safe/night deposit box and dividend income.

22.2 Miscellaneous Expenses

This includes the following:

	Notes	**2023**	2022	2021
Transportation and travel		**P 146,583,910**	P 100,763,779	P 110,140,390
Communication		**78,178,526**	68,456,000	74,118,818
Information technology		**62,085,275**	47,913,679	51,824,352
Banking fees		**50,745,856**	48,034,939	37,972,892
Litigation on asset acquired	14	**49,073,008**	56,422,759	37,738,099
Fines, penalties and other charges		**35,026,427**	77,092,877	96,280,380
Membership dues		**10,965,202**	3,050,210	5,961,276
Office supplies		**9,204,776**	21,101,151	14,690,620
Freight		**4,093,733**	3,238,319	4,837,154
Advertising and publicity		**2,697,059**	2,866,648	2,585,401
Loss on sale of properties – net	14, 15.4	**-**	16,616,368	-
Amortization of deferred charges		**-**	3,508,772	4,824,561
Donations and contributions		**-**	17,361	20,788
Others		**55,526,461**	43,281,311	54,579,752
		P 504,180,233	P 492,364,173	P 495,574,483

Others also include brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

Notes to Financial Statements

23. EMPLOYEE BENEFITS

23.1 Salaries and Other Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are broken down below.

	Note	2023	2022	2021
Salaries and wages		**P 751,383,058**	P 705,621,515	P 652,594,531
Bonuses		**184,719,614**	175,210,399	162,328,264
Social security costs		**60,382,321**	46,088,185	42,307,832
Post-employment defined benefit plan	23.2	**41,323,158**	40,967,462	41,244,233
Other short-term benefits		**321,198,213**	215,542,030	77,407,429
		P1,359,006,364	P1,183,429,591	P 975,882,289

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, 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.

(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 2023 and 2022.

The amounts of post-employment defined benefit obligation recognized as part of Accrued Expenses and Other Liabilities (see Note 19) in the statements of financial position are determined as follows:

	2023	2022
Present value of the defined benefit obligation	**P 423,969,708**	P 365,268,283
Fair value of plan assets	**(328,437,384)**	(306,774,356)
	P 95,532,324	P 58,493,927

The movements in the present value of the post-employment defined benefit obligation are as follows:

	2023	2022
Balance at beginning of year	**P 365,268,283**	P 362,621,510
Current service cost	**41,323,158**	40,967,462
Interest expense	**26,372,370**	18,421,173
Benefits paid	**(20,673,346)**	(35,329,924)
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**19,464,467**	(39,995,010)
Experience adjustments	**(4,821,437)**	19,452,858
Changes indemographic assumptions	**(2,963,787)**	(869,786)
Balance at end of year	**P 423,969,708**	P 365,268,283

The movements in the fair value of plan assets are presented below.

	2023	2022
Balance at beginning of year	**P 306,774,356**	P 286,806,438
Contributions to the plan	**47,094,485**	37,133,819
Interest income	**23,102,912**	14,615,586
Return on plan assets (excluding amounts included in net interest)	**(27,861,023)**	3,548,437
Benefits paid	**(20,673,346)**	(35,329,924)
Balance at end of year	**P 328,437,384**	P 306,774,356

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2023	2022
Cash and cash equivalents	**P 93,834,561**	P 36,843,600
Corporate bonds	**183,103,842**	224,834,926
Equity securities	**50,874,951**	37,058,342
Accrued interest income	**624,030**	8,037,488
	P 328,437,384	P 306,774,356

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 incurred a loss of P4.8million and actual return of P18.2 million in 2023 and 2022, 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:

	2023	2022	2021
Reported in profit or loss:			
Current service cost	**P 41,323,158**	P 40,967,462	P 41,244,233
Net interest expense	**3,269,458**	3,805,587	2,767,973
	P 44,592,616	P 44,773,049	P 44,012,206
Reported in other comprehensive income:			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	**P 19,464,467**	(P 39,995,010)	(P 23,244,329)
Experience adjustments	**(4,821,437)**	19,452,858	4,733,493
Changes in demographic assumptions	**(2,963,787)**	(869,786)	3,331,285
Return on plan assets (excluding amounts included in net interest expense)	**27,861,023**	(3,548,437)	3,576,167
	P 39,540,266	(P 24,960,375)	(P 11,603,384)

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 expenseis 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:

	2023	2022	2021
Discount rates	**6.12%**	7.22%	5.08%
Expected rate of salary increases	**6.00%**	6.00%	6.00%

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 zero-coupon government bonds with terms to maturity approximating 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 bond 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.

(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 in the succeeding pages.

(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, 2023 and 2022:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2023			
Discount rate	**+4.6%/-4.2%**	**P 19,349,409**	**(P 17,767,998)**
Salary rate	**+4.5%/-4.2%**	**(17,949,605)**	**19,183,334**
Increase in DBO if no attrition rate	**+20.4%**	**86,339,325**	**-**
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	-

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, 2023 and 2022, 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.

(i) Funding Arrangements and Expected Contributions

The plan currently is underfunded by P95.5 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 contribute P48.0 million to retirement benefit plan in 2024.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years follows:

	2023	2022
Within one year	**P 151,303,616**	P 129,262,753
More than one year to five years	**234,152,282**	185,346,585
More than five years to 10 years	**298,597,256**	321,353,929
	P 684,053,154	P 635,963,267

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.4 years.

24. RELATED PARTY TRANSACTIONS

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.

A summary of the Bank's transactions with related parties is presented below.

Related Party Category	Amount of Transaction			Outstanding Balance		
	Note	**2023**	2022	2021	**2023**	2022
Shareholders:						
Deposit liabilities	24.1	**P1,553,475,429**	P 119,938,269	P 369,502,700	**P3,317,556,542**	P 1,842,981,113
Interest expense	24.1	**46,252,377**	8,875,438	7,209,884	**-**	-
Loans	24.2	**-**	-	-	**650,000,000**	650,000,000
Interest income	24.2	**8,265,217**	2,694,579	8,141,021	-	-
Related parties under common ownership:						
Deposit liabilities	24.1	**87,667,362**	580,314,395	198,154,833	**6,696,937,765**	6,609,270,403
Interest expense	24.1	**101,366,654**	58,065,206	44,158,097	**-**	-
Loans	24.2	**3,602,586**	-	-	**4,602,586**	1,000,000
Interest income	24.2	**34,168**	2,694,579	-	**-**	-
Key management personnel:						
Deposit liabilities	24.1	**19,223,919**	(70,219,016)	23,381,665	**51,296,569**	32,072,650
Interest expense	24.1	**940,530**	215,806	468,908	**-**	-
Loans	24.2	**2,228,034**	(7,101,214)	7,996,369	**12,085,072**	9,857,038
Interest income	24.2	**22,452**	(846,286)	1,208,365	**621,933**	599,481
Compensation	24.4	**201,157,223**	200,030,540	201,006,922	**-**	-
Other related interests:						
Deposit liabilities	24.1	**9,191,632**	63,800,565	(350,901,611)	**107,513,757**	98,322,125
Interest expense	24.1	**3,377,262**	1,142,463	263,860	**-**	-
Loans	24.2	**200,184,178**	553,051,659	(559,959,065)	**286,790,251**	86,606,073
Interest income	24.2	**8,265,217**	2,694,579	8,141,021	**-**	-
Retirement fund:						
Contribution	24.3	**47,094,485**	37,133,819	37,943,819	**-**	-
Plan assets	24.3	**22,145,491**	24,139,206	28,449,427	**328,919,847**	306,774,356

Details of the foregoing transactions are as follows:

24.1 Deposits

The total balance of deposits is inclusive of the corresponding accrued interest as of December 31, 2023 and 2022.

Deposit liabilities transactions with related parties have similar terms with other counter parties (see Note 16). Annual interest rates on deposit liabilities range from1.4% to 6.3% in 2023, 0.1% to 6.3% in2022, and from 0.1% to 1.5%in 2021.

24.2 Loans

Under existing policies of the Bank, loan transactions with related parties 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 of December 31, 2023 and 2022, allowance for impairment of P10.6 million and P8.7 million, respectively, is recognized on the Bank's loans to its 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, 2023 and 2022, the Bank has an approved line of credit to certain related parties totaling P1,008.9 million andP749.2 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.

24.3 Transactions with Retirement Fund

The Bank's transactions with its retirement fund as of December 31, 2023 and 2022 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 P328.4 million and P306.8 million in 2023and 2022, respectively, as disclosed in Note 23.2.

Cash and cash equivalents include time deposits issued by the Bank amounting to P90.6 million and P36.8 million as of December 31, 2023 and 2022, respectively.

Equity securities include shares issued by the Bank with fair value of P50.9 million and P37.1 million as of December 31, 2023 and 2022, 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.

	2023	2022	2021
Short-term benefits	**P 196,702,715**	P 193,106,967	P 184,540,152
Post-employment benefits	**4,454,508**	6,923,573	16,466,770
	P 201,157,223	P 200,030,540	P 201,006,922

The composition of the Bank's short-term benefits are as follows:

	2023	2022	2021
Salaries and wages	**P 152,489,625**	P 147,856,807	P 140,142,135
Bonuses	**36,617,816**	37,497,977	34,779,490
Social security costs	**3,761,083**	2,935,449	4,921,757
Other short-term benefits	**3,834,191**	4,816,734	4,696,770
	P 196,702,715	P 193,106,967	P 184,540,152

25. TAXES

The components of tax expense for the years ended December 31are as follows:

	2023	2022	2021
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT)at 25%:			
Regular Banking Unit (RBU)	**P 531,074,234**	P 635,251,297	P 571,455,784
FCDU	**8,692,025**	3,107,463	5,893,524
Final tax at 20% and 10%	**221,645,541**	133,438,308	126,607,501
Effect of change in tax rate	**-**	-	(64,856,483)
	761,411,800	771,797,068	639,100,326
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	**(246,077,166)**	(220,767,026)	(197,519,954)
Effect of change in tax rate	**-**	-	183,146,703
	(246,077,166)	(220,767,026)	(14,373,251)
	P 515,334,634	P 551,030,042	P 624,727,075
Reported in other comprehensive income			
Deferred tax expense (income)relating to:			
Origination and reversal of temporary differences	**(P 9,885,067)**	P 6,240,093	P 2,900,846
Effect of change in tax rate	**-**	-	6,380,117
	(P 9,885,067)	P 6,240,093	P 9,280,963

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.

	2023	2022	2021
Tax on pretax profit at 25%	**P 584,837,904**	P 465,619,884	P 448,223,855
Adjustment for income subjected to lower tax rates	**(34,589,791)**	(30,453,805)	(36,830,374)
Tax effects of:			
Non-taxable income	**(159,759,230)**	(58,830,592)	(27,132,445)
Non-deductible expenses	**124,845,751**	174,694,555	122,335,653
Effect of change in tax rate	**-**	-	118,130,386
	P 515,334,634	P 551,030,042	P 624,727,075

In 2023 and 2022, the Bank is subject to minimum corporate income tax (MCIT)computed at 1.50% and 1.00% of gross income, net of allowable deductions, respectively, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2023 and 2022 as the RCIT was higher than MCIT in those years.

The net deferred tax assets as of December 31, 2023 and 2022 relate to the following:

	2023	2022
Deferred tax assets:		
Allowance for impairment	**P1,567,434,277**	P1,331,077,627
Lease liabilities	**114,128,222**	83,271,070
Accumulated depreciation of investment properties	**51,767,253**	38,102,846
Post-employment benefit liability	**23,883,082**	14,623,482
Provision for bonus and accrued leave conversion	**12,384,450**	19,748,687
Unamortized past service cost	**6,209,456**	4,766,624
	1,775,806,740	1,491,590,336
Deferred tax liabilities:		
Right-of-use asset	**(104,692,890)**	(71,754,518)
Accrued interest receivable	**(43,268,992)**	(50,104,802)
Unamortized payments on documentary stamp tax	**(15,102,486)**	(7,173,764)
Gain on bargain purchase	**-**	(5,777,113)
	(163,064,368)	(134,810,197)
Net deferred tax assets	**P 1,612,742,372**	P1,356,780,139

The movements in net deferred tax assets for the years ended December 31 follow:

	Statements of Profit or Loss			Statements of Comprehensive Income		
	2023	2022	2021	**2023**	2022	2021
Impairment losses	**(P 236,356,650)**	(P 194,985,691)	P 3,181,276	**P -**	P -	P -
Amortization of right-of-use asset	**32,938,372**	23,675,414	(31,949,460)	**-**	-	-
Lease liabilities	**(30,857,152)**	(20,814,462)	30,568,713	**-**	-	-
Depreciation expense of investment properties	**(13,664,407)**	(11,487,088)	(90,059)	**-**	-	-
Unamortized payments on documentary stamp tax	**7,928,723**	(1,546,328)	(525,979)	**-**	-	-
Provision for director's bonus	**7,364,236**	- 3,949,737	**-**	-	-	
Accrued interest income	**(6,835,810)**	(15,403,290)	(17,872,344)	**-**	-	-
Post-employment benefit						
Gain on bargain purchase	**(5,777,113)**	-	(1,155,423)	**-**	-	-
Unamortized past service cost	**(1,442,832)**	1,704,227	3,349,998	**-**	-	-
obligation	**625,467**	(1,909,808)	(3,829,710)	**(9,885,067)**	6,240,093	9,280,963
Deferred tax expense (income)	**(P246,077,166)**	(P220,767,026)	(P 14,373,251)	**(P 9,885,067)**	P 6,240,093	P 9,280,963

As of December 31,2023 and 2022, the Bank has unrecognized deferred tax assets amounting to P4.7 million, relating to certain allowance for impairment.

The management believes that the related unrecognized deferred tax assets will not be utilized in the subsequent periods. For the years ended December 31, 2023 and 2022, the Bank opted to claim itemized deductions. The Bank is also subject to percentage and other taxes, which consist principally of gross receipts tax or GRT, presented as part of Taxes and licenses in the Statements of profit or loss.

26. COMMITMENTS AND CONTINGENT LIABILITIES

26.1 Lease Commitments

On August 3, 2023, the Bank has entered into a new lease contract which will commence on February 1, 2024. The lease has a term of 5 years with 5% escalation rate every year starting on the second year of the lease. This will serve as an extension of the main office that will house the offices of certain executive directors and unit heads (see Notes 13 and 19).

26.2 Others

The following are the other commitment contingent liabilities of the Bank:

(a) 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.

(b) 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, 2023 and 2022, 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 Bank acts as a 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.

As of December 31, 2023 and 2022, 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[(see Note 32(h)]:

	2023	2022
Loans and other receivables	**P1,072,008,144**	P2,847,983,141
Due from banks	**3,235,657,573**	1,441,380,126
Investment securities	**4,673,867,710**	5,134,549,235
Other assets	**2,484,000,000**	2,484,000,000
	P11,465,533,427	P11,907,912,502

Notes to Financial Statements

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) Government bonds owned by the Bank with face value of P130.0 million as of December 31, 2023 and 2022 are deposited with the BSP (see Note 11.2); and

(b) Ten percent of the trust income is transferred to the 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 P4.1 million,P5.4 million andP4.3 million in 2023, 2022 and 2021, 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 P41.2million, P53.9 million and P43.2 millionin2023, 2022 and 2021, respectively (see Note 22.1).

28. ALLOWANCE FOR IMPAIRMENT

A reconciliation of allowance for impairment at the beginning and end of 2023 and 2022 are summarized below.

	Notes	**2023**	2022
Balance at beginning of year:			
Loans and other receivables	12	**P 4,992,803,070**	P 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
		5,342,972,267	4,552,073,354
Impairment losses – net	11.3, 12, 14	**1,053,438,713**	820,614,023
Write-offs	12	**(108,012,111)**	(29,715,110)
		945,426,602	790,898,913
Balance at end of year:			
Loans and other receivables	12	**5,925,505,102**	4,992,803,070
Investment properties	14	**345,461,332**	335,215,368
Investment securities at amortized cost	11.3	**15,777,698**	13,299,092
Other resources	15	**1,654,737**	1,654,737
		P 6,288,398,869	P 5,342,972,267

29. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2023	2022	2021
Net profit	**P 1,824,016,980**	P 1,311,449,494	P 1,168,168,345
Dividends on preferred shares	**(39,600,000)**	(118,800,000)	-
Net profit attributable to common shareholders	**1,784,416,980**	1,192,649,494	1,168,168,345
Divided by the weighted average number of outstanding common shares	**799,572,012**	643,750,094	643,750,094
Basic earnings per share	**P 2.23**	P 1.85	P 1.81

As of December 31, 2023, 2022 and 2021, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

30. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

30.1 Significant Non-cash Transactions

Significant non-cash transactions in 2023 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P289.4 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 P427.6 million and P35.3 million, respectively (see Notes 14 and 15.4).

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 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.

30.2 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, 2023	P 1,500,000,000	P -	P 333,084,279	P 1,833,084,279
Cash flow from financing activities:				
Availments	4,500,000,000	-	-	4,500,000,000
Payments/redemption	(1,250,000,000)	-	(165,946,559)	(1,415,946,559)
Non-cash financing activities:				
Additions to lease liabilities	-	-	289,375,168	289,375,168
Balance at December 31, 2023	**P 4,750,000,000**	**P -**	**P 456,512,888**	**P 5,206,512,888**
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	P 1,500,000,000	P -	P 333,084,279	P 1,833,084,279

	Corporate Bills Payable (see Note 17)	Lease Notes Payable (see Note 18)	Total Liabilities (see Note 19)	Financing Activities
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	P -	P 2,995,352,640	P 249,826,430	P 3,245,179,070

31. EVENTS AFTER THE REPORTING PERIOD

On March 19, 2024, the SEC approves the Bank's application to change the preferred shares features from nonconvertible to convertible to common shares (see Note 21.1).

32. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below and in the succeeding pages 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.

	2023	2022	2021
Return on average capital			
Net profit / Average total capital accounts	**11.2%**	9.0%	8.2%
Return on average resources			
Net profit / Average total resources	**1.3%**	1.0%	0.9%
Net interest margin			
Net interest income / Average interest earning resources	**4.6%**	4.3%	4.5%

(b) Capital Instruments Issued

As of December 31, 2023 and 2022, 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.

(a) Significant Credit Exposures for Loans

The Bank's concentration of credit as to industry for its receivables from customers, gross of unamortized charges, unearned discount, and allowance for ECL, follows (amounts in thousands):

	2023 Amount*	2023 Percentage	2022 Amount*	2022 Percentage
Wholesale and retail trade	**P 42,399,980**	**36.2%**	P 38,146,775	36.5%
Real estate activities	**16,229,449**	**13.9%**	16,512,161	15.8%
Manufacturing	**13,462,005**	**11.5%**	12,800,637	12.2%
Construction	**11,585,188**	**9.9%**	7,330,580	7.0%
Financial and insurance activities	**5,679,964**	**4.9%**	4,363,124	4.2%
Transportation and storage	**5,422,045**	**4.6%**	6,121,292	5.9%
Accommodation and food service activities	**4,809,751**	**4.1%**	3,308,648	3.2%
Electricity, gas, steam and air-conditioning supply	**4,637,011**	**4.0%**	4,757,477	4.5%
Consumption	**3,567,826**	**3.0%**	1,843,519	1.8%
Water supply, sewerage,waste management and remediation activities	**2,748,564**	**2.5%**	2,667,819	2.6%
Administrative and support services	**1,466,559**	**1.3%**	2,532,306	2.4%
Agriculture, forestry and fishing	**1,367,624**	**1.1%**	1,321,665	1.3%
Professional, scientific, and technical activities	**1,332,678**	**1.1%**	735,066	0.7%
Mining and quarrying	**988,877**	**0.9%**	658,407	0.6%
Education	**296,080**	**0.3%**	227,863	0.2%
Information and communication	**245,135**	**0.2%**	255,067	0.2%
Human health and social service activities	**34,112**	**0.0%**	63,890	0.1%
Arts, entertainment and recreation	**20,710**	**0.0%**	20,110	0.0%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**3,331**	**0.0%**	5,074	0.0%
Other service activities	**878,221**	**0.8%**	889,188	0.9%
	P 117,175,110	**100%**	P 104,560,668	100%

**Excludes unamortized charges from capitalized commission amounting to P0.3 million and P2.3million in 2023 and 2022, respectively.*

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.

As of December 31, 2023 and 2022, 10% of Tier 1 capital amounted to P1.6billion and P1.5billion, respectively, and the table below shows the industry groups exceeding this level (amount in thousands).

	2023	2022
Wholesale and retail trade	**P 42,399,980**	P 38,146,775
Real estate activities	**16,229,449**	16,512,161
Manufacturing	**13,462,005**	12,800,637
Construction	**11,585,188**	7,330,580
Financial and insurance activities	**5,679,964**	4,363,124
Transportation and storage	**5,422,045**	6,121,292
Accommodation and food service activities	**4,809,751**	3,308,648
Electricity, gas, steam and air-conditioning supply	**4,637,011**	4,757,477
Consumption	**3,567,826**	1,843,519
Water supply, sewerage, waste management and remediation activities	**P 2,748,564**	P 2,667,819
Administrative and support services	**-**	2,532,306

(c) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below and in the succeeding page (amounts in thousands).

	2023		
	Non-Performing	**Total Loan performing**	**Portfolio**
Gross carrying amount:			
Corporate	P 102,803,516	P 6,240,210	P 109,043,726
Consumer	7,697,307	434,077	8,131,384
	110,500,823	6,674,287	117,175,110
Allowance for ECL	(1,949,377)	(3,786,867)	(5,736,244)
Net carrying amount	**P 108,551,446**	**P 2,887,420**	**P 111,438,866**

	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

As of December 31, 2023 and 2022, the non-performing loans (NPLs) not fully covered by allowance for credit losses follow (in thousands):

	2023	2022
Gross NPLs	**P 6,674,287**	P 5,615,355
NPLs fully covered by allowance for impairment	**(3,786,867)**	(3,362,421)
	P 2,887,420	P 2,252,934

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 P4,505.4 million and P5,012.8 million as of December 31, 2023 and 2022, respectively. The related allowance for credit loss of such loans amounted to P494.5million and P330.5 million as of December 31, 2023 and 2022, respectively.

Interest income recognized on impaired loans and receivables amounted to P388.4 million and P161.4 million in 2023 and 2022, respectively.

(d) *Analysis of Loan Portfolio as to Type of Security*

As to security, receivable from customers (excluding unamortized charges from capitalized commission), gross of allowance and unearned discount, are classified into the following (amounts in thousands):

	2023	2022
Secured:		
Real estate mortgage	**P 48,314,969**	P 39,086,194
Chattel mortgage	**7,738,251**	6,873,037
Deposit hold-out	**5,166,680**	5,681,799
	61,219,900	51,641,030
Unsecured	**55,955,210**	52,919,638
	P 117,175,110	P 104,560,668

(e) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with 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.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31, 2023 and 2022 in accordance with BSP reporting guidelines (amounts in thousands):

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2023	2022	**2023**	2022
Total outstanding loans	**P 705,361**	P 702,982	**P 953,478**	P 748,463
% of loans to total loan portfolio	**0.60%**	0.67%	**0.81%**	0.71%
% of unsecured loans to total DOSRI/related party loans	**6.72%**	7.0%	**4.97%**	6.21%
% of past due loans to total DOSRI/related party loans	**0.05%**	0.0%	**3.0%**	3.0%
% of non-performing loans to total DOSRI/ related party loans	**0.0%**	0.0%	**3.0%**	3.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

As of December 31, 2023 and 2022, the Bank is in compliance with these regulatory requirements.

(f) *Secured Liabilities and Assets Pledged as Security*

As of December 31, 2023 and 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, 2023, four government securities at FVOCI with a total amount of P3,650.0 million are assigned as collateral to secure borrowings under credit line agreement amounting to P3,000.0 million. There are no similar transactions in 2022.

(g) *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, 2023 and 2022 are as follows:

	2023	2022
Trust and other fiduciary accounts	**P11,465,533,427**	P11,907,912,502
Outstanding letters of credit	**1,229,113,440**	1,529,583,090
Late payment/deposits received	**5,441,887**	-
Outward bills for collection	**1,626,771**	4,661,575
Items held as collateral	**108,581**	162,885
Items held for safekeeping	**70,007**	88,546
Other contingent accounts	**2,090,052,393**	2,237,701,579

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The 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 2023, the Bank reported total GRT amounting to P467,435,811.

GRT is levied on the Bank's lending income, which includes interest, commission and discounts arising from instruments with a 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 2023, DST remittance thru e-DST amounted to P925,052,968, while DST on deposits for remittance amounted to P362,044,724. 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 2023amountingto P563,008,244were charged to borrowers and these were properly remitted by the Bank.

DST accruing to the Bank amounted to P437,075,035 and is presented as part of the Taxes and Licenses in the 2023statement of profit or loss [see Note 33(c)].

(c) *Taxes and Licenses*

Details of taxes and licenses for the year ended December 31, 2023 are as follows:

	Note	
Gross receipts tax	33(a)	P 467,435,811
DST	33(b)	437,075,035
Business tax		25,578,027
Real property tax		2,459,450
Miscellaneous		1,114,898
		P 933,633,221

DST includes an unamortized amount of P60.4 million recognized as deductible in full for income tax purposes.

Notes to Financial Statements

(d) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2023 are shown below.

Final	P	546,393,937
Compensation and benefits		84,838,848
Expanded		40,847,137
	P	**672,079,922**

(e) Deficiency Tax Assessments and Tax Cases

As of December 31, 2023, 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 2023, which are subject to excise tax, customs duties, and tariff fees.

Philippine Business Bank Receives Prestigious Golden Arrow Award for Good Corporate Governance

PBB, the financial arm of the Yao Group of Companies has been recognized as one of the country's top performing publicly- listed companies (PLCs) in terms of corporate governance, receiving a one-arrow recognition based on the ASEAN Corporate Governance Scorecard (ACGS) report.

This recognition proves that PBB has excelled based on conformance with the Philippine Code of Corporate Governance and internationally recommended corporate governance practices as advocated by the ACGS.